AMERICAN AND SOVIET FOREIGN AID: A COMPARISON OF OBJECTIVES, POLICIES, AND STRUCTURES

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The subject of foreign aid has long been a controversial one for both the government officials charged with the responsibility for its conduct and for the general public; few other subjects can simultaneously arouse such lofty aspirations and bitter disappointments, such noble sentiment and harsh denunciation as does foreign aid. The subject tends to become all the more enigmatic when the relative merits and demerits of the American aid program are compared to those of the Soviet Union. It is toward such a comparison that this paper is directed; it will attempt to focus upon the major motivations for U.S. and U.S.S.R. aid, to briefly view the comparative structures of their primary aid agencies, and to observe the relative policies followed by each nation in the pursuit of its particular objectives. It is hoped that the ultimate result will be a more clarified perspective of foreign aid as an instrument of both American and Soviet foreign policy.

Commencement of Aid to Less Developed Countries

Foreign aid may be generally defined as financing given to another nation at better than regular commercial rates; it may take any of several forms — as outright grants, technical assistance and managerial advice, or loans made on various concessional terms. The concept of foreign aid is not a novel one; indeed, the rapid industrialization of the United States itself was dependent to a considerable extent upon such external financing. Yet, the degree to which foreign aid has been employed in the last two decades is without parallel in human history.

Following the conclusion of the Second World War, the United States held to the idea that the underdeveloped nations of the world, many of them newly independent, could resort to either international organizations such as the United Nations or the World Bank or to their former metropoles for development financing. It soon became evident, however, that a devastated Europe was in no position to aid former colonies, and until the international economy was able to function normally — which was also dependent upon European recovery — the less developed countries were left without a sufficient supply of aid for development. Nevertheless, the immediacy and urgency of the problem in Europe far outshadowed that of the less developed world, for Western Europe, beset by economic stagnation and endangered by Soviet aggression, was vital to American security. Therefore, priority was given to rebuilding the economic structure of Europe and, concomitantly, to its defense; the instruments of American aid were the Marshall Plan and the North Atlantic Treaty

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Association. The results of U.S. aid were total economic recovery within only four years and relative military security in Western Europe.

It was not until Europe was felt to be secure that the United States began to consider assistance to the less developed world. In his inaugural address in 1949, President Truman initiated such an idea with his Point Four, calling for a "bold, new program to assist free peoples everywhere."[1] Still, the assistance deemed appropriate and acceptable to the Congress and the public at that time did not include any massive capital transfer from the United States to the less developed countries; the aid to be rendered was to be technical assistance, the sharing of America's scientific and technological knowledge with nations just beginning the process of industrialization.

It was not until the conclusion of the Korean Conflict that American capital aid to the less developed countries (LDCs) — primarily in the form of direct military assistance or indirect "defense support" — began in earnest; this was partially due to the fact that we could by then shift our emphasis from Europe, but also because of the profound fear arroused by Korea that underdeveloped nations were especially prone to overt or covert Communist aggression. After Korea, the entire sphere of U.S. aid was altered, its focus being centered upon the developing nations of Asia, Africa, and Latin America.

The conclusion of the Korean conflict marked the emergence of the Soviet Union into the field of foreign aid, though initially only to a rather negligible extent. The surprisingly firm stance of the United States against open aggression in Korea, combined with the death of Stalin, saw a major policy shift in the USSR. The former fact seemed to indicate that an alternative to direct militancy as a means of perpetuating Soviet influence and ideology needed to be found; the second fact freed Russian leaders to review the validity of Stalin's "Two Camps" theory of political relationships. Formerly, the Soviet Union had not considered that there was any chance of maintaining cordial diplomatic or economic relations with nonaligned countries; having had such close political relationships with Western powers in the past, it was held improbable that any true neutrality on the part of these nations could exist. Yet, India's refusal to support a United Nations resolution to permit UN forces from moving into North Korea[2] had shown that nonalignment could indeed be something other than a euphemism for pro-Western sentiment. Thirdly, by around 1953 the USSR altered its view of trade with the less developed countries. Prior to this time, these nations had served chiefly as sources of supply of necessary raw materials; in fact, the Soviet Union had an unfavorable balance of trade with the LDCs in general.[3] Soviet officials, desiring to reverse this situation as well as find new outlets for Russian products for which traditional markets were saturated, looked with new interest to the developing

[1] Andrew F. Westwood, *Foreign Aid in a Foreign Policy Framework,* Washington, D.C., The Brookings Institute, 1966, pp. 19, 21.

[2] India contended that the original U.N. resolution, which she had endorsed, had called only for the repulsion of the North Korean invasion; since this was accomplished when the North Korean forces were forced across the 38th parallel, to pursue the drive any further would itself constitute aggression on the part of the UNC forces.

[3] In 1950, The USSR exported $32 million in goods to the LDCs, while importing $93 million worth of goods from them; in 1955, their exports were $142 million and imports were $160 million (Marshall I. Goldman, *Soviet Foreign Aid,* New York: Praeger, 1967, p. 60).

nations. However, in order to promote sales to these countries it was necessary to provide the credit with which they could purchase the equipment, and to provide it on terms which would encourage the buying of Russian-made goods over the more familiar, higher-quality Western-made products. By the year 1956 it was obvious to all — and especially to the United States — that the Soviet Union had entered the realm of foreign aid with every intention of outperforming its Western rival, and from that point commences the competition between the two superpowers in their wooing of the Third World.

Objectives of US and USSR Aid

In the rendering of foreign aid, both the United States and the Soviet Union are guided in their policy formulation by certain fundamental objectives. Such goals encompass both the short-term and long-range aspirations of the donor countries and span a wide field of political, social, and economic motivations; some are based upon ideological foundations, while others are more firmly rooted in the more practical ground of promoting national self-interest. In any case, both the United States and the Soviet Union have sought, through the utilization of foreign aid, to realize some definite benefits from their investments in the developing world.

From the inception of the foreign aid program in the early 1950's, American policymakers have sought to employ economic assistance to gain certain short-term political benefits. In this respect, aid is to provide a "friendship function,"[4] binding together the peoples and governments of donor and recipient nations in ties of mutual understanding and effort. As the director of the technical assistance phrased it, "We hope both the people and the governments (of recipient nations) will feel proud of the fact that they have been able to advance themselves through American assistance, and their friendship and understanding for the United States will be much greater."[5] Undoubtably, the "greater understanding" referred to was hoped to extend into the political sphere, with those developing nations receiving U.S. aid taking a sympathetic attitude on important world issues. That such expectations were commonly held in the United States can probably best be verified by the furor caused throughout the decade of the 1950's over the rendering of aid to the nonaligned countries, especially India, which refused to "stand up and be counted" as a friend of America.

In attempting to gain the friendship of developing countries, the United States all too frequently found that where a certain amount of assistance had initially served to meet this objective, increasing amounts became necessary to fulfill the same purpose in the same country.[6] Jealousy and quarreling among rival developing nations often placed the U.S. uncomfortably in the center; military aid to Pakistan was viewed with alarm by neighboring India, and Pakistan in turn complained that its alliance with the United States in SEATO should entitle it to far greater assistance than that accorded to nonaligned

[4] Robert S. Walters, *American and Soviet Aid: A Comparative Analysis,* University of Pittsburgh Press, 1970, p. 12.
[5] *Ibid.*
[6] Westwood, p. 41.

India; the Arab states were unhappy with American aid to Israel; Latin American nations protested that they were being ignored in the distribution of aid. The upward spiral of aid in search of friends among the LDCs increased as aid to one nation became the reason for aid to another nation, and it was not long before the "friendship function" of aid began to suffer from the law of diminishing returns.

A second short-term benefit to be derived from economic assistance is that it facilitates diplomatic relations between the governments of the United States and the recipient nation. Such assistance, frequently referred to as "presence aid," may be nominal in amount, but the "lubricating function"[7] which it serves can be extremely valuable in establishing and maintaining good communications between American officials and their counterparts in the developing country. In this respect, aid serves to reach and possibly influence the decisionmakers in the recipient nation. Perhaps the greatest manifestation of American presence aid may be viewed in Africa, where the United States, casting itself in a secondary role to the former European metropoles, which were expected to assume (and did assume) the major share of the aid burden, followed the pattern of offering an aid package — usually a small one — with the recognition of each newly-independent nation. Such presence aid, aside from keeping diplomatic channels operating smoothly, was also employed to influence U.N. voting among recently emerged nations and to promote their Western politico-economic orientation when it was believed that their affiliation with the former metropole was inadequate to do so.[8]

The United States has sought to influence developing countries to be more receptive to certain American foreign policies, and direct as well as indirect persuasion has been employed toward this end. As such, stipulations ("strings") were sometimes attached to aid. These conditions must be differentiated from those which were intended solely to induce domestic socio-economic reforms — for example, land or tax reform — which the United States deemed essential in order that its economic assistance be fully and efficiently employed. This was not at all the character of the Congressional amendments attached to the Food for Peace legislation, which stipulated that no recipient nation could trade in anything but medicine or nonstrategic food and agricultural commodities with Cuba or maintain any type of commercial relations with North Vietnam;[9] clearly, this was a direct attempt to utilize aid to induce acceptance, albeit nominal, of U.S. foreign policies. That this acceptance frequently rested upon tenuous ground is witnessed by the fact that once the LDC was free of the need for American food aid, its policy shifted toward a direction more favorable to its own self-interest; this was precisely the case with India. Once rice and wheat imports under Public Law 480 were no longer deemed imperative, (which occurred during a period of intense Indo-American political disagreement over Indian action in Bangladesh) India promptly initiated trade and diplomatic recognition to North Vietnam.

Another form of persuasion employed by the United States to help ensure

[7] Walters, p. 12.
[8] Ibid., pp. 12-13.
[9] Ibid., p. 13.

that recipient nations not deviate too far from basic American foreign policies or desires can be seen in legislation such as the Hickenlooper Amendment, which provides for the total cessation of U.S. aid to any nation whose policies conflict too greatly with American interests. When Chile's leftist government recently nationalized several major copper companies owned by U.S. firms, the Hickenlooper Amendment was threatened in order to bring about an alteration of President Allende's policies.

A final type of short-term political benefit which foreign aid is hoped to secure is the influencing of the domestic political development of the recipient nation along lines believed compatible with American interests. Ostensibly, this would include the establishing of democratic institutions, strong local government, and a pluralistic society; in effect, however, there is sometimes a conflict between American ideological interests and American national interests. Should aid be withdrawn from a militarily-strategic country whose leader persists in ruling as a dictator and who abuses democratic or human rights? In such a case, what ideology may hold most valuable, national interests may deem most impractical. This dilemma of American aid policy is intimately linked to a problem of U.S. foreign policy in general; the thrust of American policy is the thwarting of Communist movements, actual or potential, and this has been the dominant theme of major American policy decisions in the post-War era. However, a conflict often arises between the explicit goal of halting Communist aggression and the implicit goal of economic aid, which is development. Development itself means change; the alteration of socio-economic structures and attitudes, which is a vital prerequisite to development, cannot be accomplished within a stagnant environment. Changing societies are traumatic things; they are highly susceptible to frictions and violence between rivaling groups. To support the status quo for the sake of avoiding possible violence is frequently to support social, political, and economic stagnation, and hence to hinder development. When the changing forces within the society are felt to be from the left, the fear of a Communist takeover often introduces an element of urgency into American policy decisions, and this is reflected by decisions to grant military aid and/or supporting assistance to establish governments of the right. That such governments may be totally undemocratic, repressive, and reactionary is overlooked so long as they are not Communist or Communist-oriented. The ultimate result is a contradiction, not only of American ideals, but of the very foundations for aid-giving. In such a case, aid not only does not foster development and necessary change, it actually encourages and supports stagnation and socio-economic retardation.

Although this dilemma of American aid is not easily resolved, and although conflicts of this nature continue to arise, nevertheless, the desire to influence democratic developments in the LDCs does exist, and it does serve as a motivation for rendering U.S. assistance.

Aside from the hope of receiving short-term political benefits, the United States is also motivated by certain other considerations in the rendering of aid. Among the most important of these considerations is one which might broadly be termed "anti-Communist," and it is inherently linked to the objective of providing for American and Western security. Typical of the assistance given

for this purpose is military aid, either directly, as in the form of arms shipments, or indirectly, as what was formerly called "defense support" and is presently termed "supporting assistance." This primary purpose of such indirect military aid is to allow the recipient nation to support a far larger armed force than would be possible if only domestic resources could be drawn upon. It is "economic aid to help . . . less developed countries receiving U.S. military aid to meet some of the economic and political burdens incurred by expanding the local defense establishment. The primary purpose, therefore, is military security, but some economic development may result as a by-product."[10] Supporting assistance wears many faces; budgetary support, loans for imports, financing of the army — all are forms of supporting aid.

Since the commencement of the U.S. foreign aid program, there has been, and to a certain extent still is, a basic underlying conflict concerning the fundamental purpose of economic development. Was it primarily defensive, preventative, and negative in character — to halt Soviet or Chinese influences or military penetrations into developing countries — or was it positive, aggressive, and dynamic in nature — to promote socio-economic change and development? Nowhere was this conflict more evident than in the granting of supporting assistance, which is directed only incidentally toward economic development. It was only in 1961, with the creation of the Agency for International Development, that priority was given to development as the chief purpose of aid, though supporting assistance continues to play a major role in the AID program.

The multiplicity and diversity of supporting assistance serves to point out the fact that, in the ultimate analysis, all aid can be diverted to purposes other than development if the recipient government so desires; just as American capital aid can allow an LDC to shift its internal resources toward tax relief, industrial infrastructure development, or agricultural modernization, it can also make it possible for that nation's government to divert its resources toward increasing its military strength vis-a-vis its neighboring rivals.

That anti-Communism was a dominant U.S. motivation for aid was noted by none other than Nikita Khrushchev, who quipped, "This aid which the capitalist countries are planning to give to the states which have recently won their independence should also be viewed as a particular kind of Soviet aid to these states. If the Soviet Union did not exist, is it likely that the monopolies of the imperialist powers would aid the underdeveloped countries? Of course not."[11]

American anti-Communist aid has been utilized in any of several ways; it has been used as a reward to those nations who have chosen to ally themselves with the United States and with whom we have signed treaties of mutual defense, as well as to entice other countries to follow suit. It has been employed to bolster tenuous governments in the face of actual or suspected Communist threats; American aid has also served as an alternative source of low-interest external financing in areas where a preponderance of Soviet aid aroused fears

[10] Ibid., p. 16.
[11] Lee Tansky, *U.S. and USSR Aid to Developing Countries: A Comparative Study of Turkey, India, and the UAR*, New York: Praeger, 1967, p. 5.

of that nation's leaning too far toward the Soviet orbit. Typical of this type of aid was the U.S. decision to render aid to Guinea; prior to 1962, the U.S.S.R. had been the chief source of aid to Guinea. However, in that year the President of Guinea, Sekou Toure, accused Soviet personnel in his nation of attempting to subvert the government and ordered the dismissal of several high Soviet officials; he then requested U.S. economic assistance, which was promptly rendered to fill the vacuum left by the Soviet Union.

Concern for the military security of the United States and its allies was a natural outgrowth of American anti-Communism; the two motivations for aid merged, and both were especially predominant in the years between the outbreak of hostilities in Korea and 1956. Although anti-Communism and Western security provided the major impetus for U.S. aid in its initial stages, they were not its sole raison d'etat. Under more benign circumstances, aid still would have been forthcoming, but almost certainly in far lesser amounts. Therefore, it was upon the degree of aid rendered that anti-Communism and Western security interests had their greatest effect.

A third major objective of United States foreign aid was the securing of economic benefits for this country;[12] the less developed nations, having little if any industrial exports, were looked upon as important sources of raw materials (especially strategic raw materials) which the United States needed to import. The benefits were not held to be wholly one-sided, however, for by building roads, highways, railways, communications systems, and methods of transporting their exportable raw materials, the developing nations would, in effect, be establishing the infrastructure necessary for industrialization, which in turn would reduce their reliance upon the export of raw materials as their main source of foreign exchange earnings. To carry the process one step further, it was theorized that, as a result of these improved economic conditions in the LDC, the United States would benefit still further in that a better climate for private American investment would have been created, as well as a more lucrative and receptive market for U.S. exports. It must be noted, however, that this motive for American aid, while valid in theory, is not extremely important in practice, for the U.S. continues to view the advanced industrial nations of the world (Europe, North America, and Japan) as its major trading partners; trade with the less developed countries comprises only a small proportion of our total trade.[13] It is toward a revision and rethinking of U.S. trade policy that some have recently diverted their attention. Since approximately 80% of the foreign exchange earned by a developing country is brought in by its exports,[14] any increase in the level of that nation's exports would have a significant effect upon its foreign currency resources, and in turn upon economic development as a whole. For example, if exports account for 85% of a country's foreign exchange, foreign aid for 10%, and private investment for 5%, then a 6% increase in exports would generate more foreign

[12] S. Chandrasekhar, *American Aid and India's Economic Development,* New York: Praeger, 1965, p. 52.

[13] Total U.S. exports to the developing countries is less than 1/5 our total trade. (Walters, p. 17).

[14] Robert E. Asher, *Development Assistance in the Seventies,* Washington, D.C., The Brookings Institute, 1970, p. 157.

currency than a 50% increase in foreign aid or a 150% increase in private investment.[15] To this end, it has been suggested that the United States (as well as other advanced countries) realign its trade policy to permit the importation of certain manufactured and semi-manufactured products from the less developed countries without the imposition of a tariff;[16] jewelry, clothing, and textiles would not be included. This type of trade policy would be especially beneficial to a more advanced developing nation, such as India, which has some industrial products to export. An unpublished State Department study based upon 1966 trade concluded that, had such a policy been in effect at the time, an approximate benefit of $712 million would have accrued to the developing nations; this figure would have increased to over $1.3 billion by 1972.[17] Nevertheless, due to the internal pressures for protectionism, it is unlikely that the U.S. will alter its trade policy in the manner desired by the LDCs in the near future; hence, aid is certain to continue as the primary means of infusing foreign currency into the developing countries.

Another major motivation for United States aid may be expressed by the broad term, "humanitarianism," either in the form of the Christian moral duty so deeply rooted in the American conscience or in the shape of a secular commitment to the betterment of human conditions throughout the world. The humanitarian motive for aid is to a great extent an outgrowth of American idealism and optimism; many Americans could easily visualize their own nation's successes being duplicated, with U.S. assistance, in backward lands throughout the world. "The American knew that nothing was impossible . . . Progress was not, to him, a mere philosophical ideal but a commonplace experience, and he could not understand why foreigners should see vulgar realities where he saw visions."[18] The idealistic American could see an underdeveloped nation ". . . not as it was, but as it (would) be when the seedlings they had planted should have grown to forest trees."[19] As one author has noted, the humanitarian motive for foreign aid resembles a projection, as yet undeveloped, of the welfare state theory into international terms.[20] Exemplary of the humanitarian impetus of American assistance are the private U.S. charitable organizations which have, over the years, contributed millions of dollars to foreign peoples and governments; for example, two private U.S. foundations have been instrumental in spurring the "green revolution" in India which has seen that nation become self-sufficient in cereal grains.[21]

Of all the objectives of United States aid, two may best be characterized as long-term goals, these are cultural influence and system maintenance.[22] By the former is meant that the United States employs aid to influence the de-

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[15] Ibid.

[16] Ibid., pp. 160-1.

[17] Ibid., p. 161.

[18] Cecil V. Crabb, Jr., *American Foreign Policy in the Nuclear Age,* New York: Harper and Row, 1965, p. 37.

[19] Ibid.

[20] Walters, p. 19.

[21] The two foundations were the Ford Foundation, which developed the "package of practices" by which overall farming practices were improved, and the Rockefeller Foundation, which aided in the original development of the new "miracle" strains of cereal grains upon which the Green Revolution is founded.

[22] Walters, p. 20.

velopment of Western social, political, and economic values and institutions or, in a negative sense, to persuade them to view with disfavor and reject anti-Western values. Closely linked to cultural influence is system maintenance — the avoidance of violent upheaval in any non-Communist country.

American policy officials have long held it to be axiomatic that the level of economic development in a nation was directly related to the incidence of violence in that country; thus, by raising the level of development, one automatically lowered the chance of violence — or so it was contended. The case for economic assistance, then, was a simple one; such aid was an "insurance policy"[23] designed to protect the developing country from the violent environment in which Communist revolutions were spawned. However, as other observers of international events have noted, the United States' logic in this matter was erroneous. It is not in the extremely backward and repressed areas of the world that violence is most likely to erupt, but rather in those nations which have experienced some degree of social and economic growth;[24] this initial growth spurs a "revolution of rising expectations," which consequently reflects itself in the demand for even greater and more rapid change. If progress fails to meet expectations, an inflammable climate highly conducive to violence is created. Development, as has been noted previously, means dynamism and change; the American reasoning that development leads to pacification is ill-founded if by development is meant anything less than total socio-political and economic modernization.

Another function of aid for system maintenance is that of utilizing it to help prevent an unstable nation from creating a power vacuum into which others — notably, the Soviet Union — might penetrate.

Both cultural influence and system maintenance, aside from being the major long-range objectives of aid, are more important in their negative sense than in their positive aspects.[25] Both are basically preventative in character, their aim being not so much the establishment of American-oriented institutions as the denial of pro-Soviet values in the developing nations.

The ultimate objective of all U.S. aid, and the reason for its continuance even when many of its purposes are unfulfilled, is the creation of a world environment that is both sympathetic to Western ideals and consistant with basic American interests.

Motivations and Objectives of Soviet Aid

Soviet aid, like American aid, is prompted by the desire to gain certain short-term political benefits. First among these aspirations is the opportunity to gain entrance into areas of the world where previous Russian access has been either non-existant or negligible. Many of these areas, either because of their geographical location or their natural resources, can be considered extremely important to the national interests of the Soviet Union; for example,

[23] Gunnar Myrdal, *An International Economy: Problems and Prospects,* New York: Harper Brothers, 1956, p. 134.
[24] Frederick Benham, *Economic Aid to Underdeveloped Countries,* London: Oxford University Press, 1961, p. 89.
[25] Walters, pp. 20, 23.

aid to Egypt can establish a position for the USSR from which it can enter the Indian Ocean through the Suez Canal (providing, of course, that the Suez is not barricaded); aid to India also enhances Soviet movement in the Indian Ocean, and could possibly lead to the establishment of naval bases on some of the islands of that Ocean. Aid to certain north African countries has given the Soviet Union the warm-water port facilities it has so long desired. In these and other ways, Soviet policy officials continue to seek to establish a strong presence in important regions of the world, and aid remains the major instrument for the furthering of this objective.

A second function of Russian aid closely resembles the "friendship function" of similar American assistance; that is, the USSR hopes to institute ties of trust and friendship between itself and those peoples and governments receiving Soviet aid. It is in this context that the large "showpiece" projects built with Russian aid and assistance take on an added significance; not only do they promote development, they serve to impress the local populace with ostensible results. Soviet aid has traditionally tended to produce "concrete" results — large factories and dams which continue to serve as monuments to USSR assistance — while American aid, perhaps no less conducive to economic development, has generally tended to focus upon the improvement of agriculture, the construction of schools, the development of light industry, and other such areas. While such aid is vital to the economic growth of the underdeveloped nation, it appears to be frequently overlooked, ignored, or undervalued by the people of the area; a Russian-built steel mill, even if underutilized or inefficient, stands as a testimonial to Soviet aid, while the millions of tons of American grain are consumed and forgotten. Thus, while USSR aid is not necessarily any more instrumental in spurring economic development, it often serves to cement friendly ties among the population of the LDC to a greater extent than does U.S. assistance.

Another motivation for Soviet aid, and one which was especially prevalent in the early years of the program, was to gain recognition as a great world power, one which rivaled the United States in every facet of national power. The Soviet Union, in courting the nations of the Third World, posed itself as the defender of national independence, the paragon of anti-colonialism, and the sole donor of aid without "strings." Naturally, the possibility of receiving aid from a non-Western source was eagerly grasped by newly-freed nations, which were wary of too many ties with the Western powers lest they lose by default the political independence they had so recently acquired. In this respect, Soviet aid served as an alternative to American assistance, and in effect made nonalignment a possibility which could realistically be pursued.

Concommitant with the above motivation for aid is the hope that such assistance can be utilized to influence the foreign policy orientation of recipient nations in directions favorable to the interests of the Soviet Union. In practice, this meant the reinforcing of anti-colonialist sentiments within the developing nations and the fostering of any movements weakening the Western influence in the Third World. Given the political state of mind which existed in this area, this task was not an especially difficult one to accomplish; far more perplexing was the United States' task of attempting to strengthen and

improve Western influences in the face of rising nationalism.

In order to promote anti-Westernism in developing lands, the Soviet Union has displayed an adroit sense of timing in the announcing of its aid proposals. On several occasions when U.S. financing of major projects has collapsed, the USSR has entered upon the scene at the critical moment with proposals of Russian aid for these much-desired undertakings. The two most outstanding examples of the timing of aid proposals to heighten anti-Western sentiment are the financing of the Aswan High Dam project in the United Arab Republic[26] and the Bokare steel complex in India.[27]

The Aswan Dam was a project long imagined and greatly anticipated by the government of the UAR; it was held to be the key to improved living conditions for the Egyptian people as well as a critical element in overall economic development. The American government had been prepared to finance the project, but an Egyptian arrangement with Czechoslovakia to purchase armaments with exports of cotton and rice — exports which were to have been used to earn foreign exchange to help finance the Dam — dampened U.S. enthusiasm for the project. It was felt in State Department circles that Egypt was opening the door to penetration by Communists, and Secretary of State Dulles was uncertain about granting the loan, especially in the face of mounting anti-American pronouncements by UAR leaders. When in October of 1955, the Soviet Union suggested the possibility of its financing the project, the United States again resumed serious negotiations with Egypt; it was decided that if Egypt could raise enough foreign currency above and beyond that required to pay for the Czech armaments, and if arrangements could be made to compensate Egypt's southern neighbors for flooded lands and water rights, the U.S. would finance the Dam. The loan proposed by the State Department would have entailed a two-stage construction of the Dam; the first stage would be financed by a gift of $56 million from the U.S., and Great Britain would grant a similar gift of $14 million. The second stage was to be financed on a loan basis, with the United States, Great Britain, and the World Bank providing $130 million, $80 million, and $200 million, respectively, all in the form of "soft loans." The loans were to be repaid in forty years at 5% interest; the remaining $760 million necessary to complete the project was to come from Egyptian funds. When the Western proposal was publicly announced, the Soviet Union expressed a desire to participate; this offer was emphatically rejected by Secretary Dulles. As a result, Egypt delayed its acceptance of the proposal; immediately afterward, Nasser entered into an agreement with Mainland China under which he agreed to trade Egyptian cotton for Chinese steel, thus again reducing available exports and undermining the nation's capacity to finance its share of the Dam. The UAR became the first Arab country to formally recognize the People's Republic of China — a direct affront to both the United States and its Secretary of State. Seven months after the Western proposal was announced, and when it appeared imminent that the

[26] Goldman, pp. 60-84 give a full account of the events leading to the financing of the Aswan Dam project.

[27] Sudhir Ghosh, *Ghandi's Emissary*, pp. 124-36 give a full account of the events leading to the construction of the Bokare Mill.

American offer was going to be withdrawn, President Nasser sent his ambassador to Washington to forstall the cancellation. The ambassador, assuming that the U.S. would quickly react to any possibility of Russian participation in the Dam project, indicated to Mr. Dulles that he had a firm Soviet commitment to finance the project should the United States fail to do so; in anger, Dulles replied that the necessity for the American money no longer seemed to exist, and the offer was withdrawn. In January, 1958, after the Suez had been nationalized, ostensibly to finance the Aswan project, the USSR announced a $175 million loan to the UAR to cover projects unrelated to the Dam; two years afterward the Soviet Union announced the agreement to finance the first stage of the Aswan High Dam with a $100 million loan. The announcement, timed at a critical juncture when U.S. aid had been withdrawn, reinforced anti-Western and anti-American passions in the UAR and placed the Soviet Union in the position of being the true friend of Egypt, the benefactor of nationalism, and the adversary of imperialism and colonialism.

A second example of the manner in which the Soviet Union used the timing of an aid proposal to embarrass the United States can be seen in India with the construction of the Bokare steel mill. After a great deal of publicity in which even the President of the U.S. and the American ambassador to India had spoken enthusiastically of an American-financed steel mill — the largest of its type in India — the Congress refused to allocate the $1 billion necessary for the project. Again, the Soviet Union entered upon the scene at the critical moment with an offer to finance the project; their offer proposed to construct the mill in stages, rather than as a unit, as the U.S. had planned. (The presentation to the Congress of such a large single package is the main reason for the defeat of the proposal.) Of course, the Soviet Union's policymakers did not have to convince a skeptical legislative body of the merits of its decisions, as did U.S. aid officials; nevertheless, no matter how valid the reasons for the rejection of the American plan were, to the Indian people, it appeared that it was the Soviet Union rather than the United States which stood ready to help India in time of need. The USSR picked up the pieces of the broken American proposal and converted them into a monument to Soviet aid.

Humanitarianism plays a role in Soviet aid-giving, just as it does in that of the United States. Perhaps the idealism and utopianism of the Russian soul has been sobered by history more than that of the American, but still, "the Russians feel they have an obligation as Communists and as human beings to facilitate the industrialization of these areas (LDCs)."[28] It must be noted that there are no Soviet equivalents of the private U.S. foundations and charitable agencies which sometimes have vast quantities of capital for use in the developing countries; in the USSR all aid must be channeled through the State. Further, in a nation which has only limited funds for aid (in comparison with the U.S.), and which yet has much to accomplish in the way of domestic economic development, it is only natural that every ruble spent must yield the highest possible political benefit; political returns, therefore, must take priority over humanitarianism as a motive for giving Soviet aid. It is not that human-

[28] Goldman, p. 186.

itarianism is unimportant; it is simply that, under present economic circumstances, the degree of its expression is restricted.

The USSR also hopes to reap economic benefits from aiding developing nations. Although it is difficult to evaluate due to insufficient Soviet cost and price data, it would appear that the costs of production in the USSR would lead to terms of trade under which the Soviet Union would export industrial goods to the less developed nations and import certain raw materials, semi-finished industrial products, and agricultural commodities from them; under this type of arrangement, it would be possible for the USSR to increase the rate of consumer goods production at a faster rate than its own domestic resources would allow.[29] Such trade would necessarily entail the extension of liberal Soviet credits to the LDC for the purchase of Soviet goods. Nevertheless, since the Soviet Union is continuing to develop her own domestic industries to replace such imports (synthetic rubber factories, cotton textile mills, sugar refineries, etc.), it would appear that the economic benefit motivation for aid is at best temporary and, in any case, not a highly important one.

Anti-Westernism and Soviet security are two dominant motives for Soviet aid. Like American assistance directed toward anti-Communism and Western security, the USSR's aid has and does include arms supplies to certain countries, among them Egypt and India, where the Soviet Union is the major arms supplier. However, the Soviet aid program has not provided a great deal of supporting-type assistance, as has the U.S. program. (Of course, as has been noted, economic aid, such as that provided by both the USSR and the United States can ultimately be utilized by the recipient nation for military purposes.) The probable reasons for this lack of supporting assistance on the part of the USSR were: the Soviets did not carry on an extensive policy of containment, as did the U.S., and therefore did not need to make the broad military commitments its rival did; the costs of defense support would have been too high a price for the Soviet Union to pay for dubious political returns, especially in the initial stages of the USSR aid program; and finally, there were easier, less costly means of achieving the objective of military security than massive defense arrangements with the developing nations. The USSR did not have to convert the LDCs to the Soviet ideology in order to protect her interests; it was enough simply to encourage their nonalignment. Similarly, anything which in any way undermined the Western alliances which encircled it was a benefit to the Soviet Union. Therefore, Soviet aid was offered to developing nations such as Iran, which were members of U.S. alliances, for the purpose of enticing these nations away from staunchly anti-Soviet stances.

Two long-term goals of Soviet aid are cultural influence and system conversion; the former is geared toward the encouraging of acceptance of Soviet-type institutions and values in the developing world. As with its American counterpart, Soviet cultural influence is more important in its negative than in its positive sense and is primarily preventative in character. Since many of the developing nations were historically subject to Western socio-political thinking, the primary objective of Soviet aid on the culture of the country was to

[29] Tansky, p. 9.

neutralize, or at least to weaken, that influence. To this end, Soviet aid was employed to support nonalignment and to bolster the anticolonialist sentiment which already existed in abundance in the newly-independent nations.

Just as the United States assumed the role of leadership for system maintenance, the USSR took the responsibility for promoting system conversion. System conversion, as the term implies, designates the desire for the eventual conversion of the developing countries to the Communist system via pacific evolution; as system conversion is a long-term goal which is to be realized by peaceful means, it constitutes quite a radical break from the political thought of the Stalinist era, when overt revolution was deemed the only method of bringing a nation into the Socialist camp. It should be noted that the Soviet policy of employing its aid to foster system conversion is not so simple as might at first appear, for it can be, and frequently is, self-defeating; for example, if the USSR channels its assistance toward the development of an industrial infrastructure, is it not equally beneficial to both the State-owned and the privately-owned industries within the nation? Furthermore, in certain nations which receive large amounts of Soviet aid to build the public sector basic industries — a nation such as India, for example — the government sets low fixed prices for basic commodities such as steel; private industries within the nation can therefore purchase steel very cheaply, but they, in turn, are not subject to price controls and can sell their products (farm machinery, tools, etc.) at regular market prices. The result, then, is a small return for the industries of the public sector, which Soviet aid was intended to strengthen, and a much greater profit for private industries, which the USSR seeks to discourage. Thus, it would appear that system conversion is not without its difficulties and contradictions. Nevertheless, because like the United States the Soviet Union hopes to eventually realize its ambitions in the developing world, it will continue to grant aid in the forseeable future. It has too much already invested and too much to gain to allow the opportunity to pass unheeded.

In viewing the motivations and the objectives of American and Soviet aid, it is not difficult to see that, in spite of some differences in thrust or degree, the policies of the two nations have certain basic similarities, and in each case, aid is employed as an important tool in the foreign policy arsenal of the donor nation. Both programs represent but opposite sides of the same coin.

Structures and Characters of the U.S. and U.S.S.R. Aid Programs

The U.S. Aid Agency

The Agency for International Development is a semiautonomous organization within the Department of State; it forms the primary agency for the distribution and administration of U.S. foreign assistance. Created in 1961, AID assumed the responsibility for carrying out economic and technical assistance programs formerly conducted by the International Cooperation Administration (ICA); the Agency also took over the loan activities of the Development Loan Fund (aid for economic development) and the local-currency lending functions of the Export-Import Bank.[30] In addition, AID has the re-

[30] Agency for International Development, *The Aid Program,* Washington, D.C., 1964, p. 5.

sponsibility for coordinating all U.S. military and economic aid, for administering the overseas operations of the Food for Peace program, and for the functioning of the Alliance for Progress.[31] Operating independently of AID is the Export-Import (Ex-Im) Bank; established to promote the sale of American products overseas, it lends money for projects similar to those sponsored by AID, but such loans cover only the U.S. dollar-costs of the purchases.[32] The Ex-Im Bank forms an important source of medium and long term credit for the purchase of American raw materials, capital goods, and technical services; the Bank also guarantees loans made by other institutions and administers both loans extended by other government agencies and Cooley Loans under Section 104-a of the Agricultural Trade Development and Assistance Act (PL480). All Ex-Im Bank loans are repayable in U.S. dollars over a period of up to 25 years; the average time of repayment is seven years. Interest rates average 5-5.5%.[33]

Another aid agency operating independently of AID is that which functions under Public Law 480. Under this act, surplus American agricultural products are disposed of by selling them for foreign currencies, utilizing them for emergency or famine relief, donating them to private volunteer agencies to distribute abroad, or selling them for dollars under long-term credit arrangements.[34] In the latter case, the general procedure is that the recipient nation deposits the local currencies earned by the sale of American farm products in a U.S. account; the bulk of these revenues is then made available to the recipient as loans for economic development. The remainder of the currency is used for U.S. administrative and other expenses or is used as loans for private businesses in the recipient country (Cooley loans). While the primary purpose of Public Law 480 aid was to reduce the costly burden of storing large quantities of American surplusses, its thrust in recent years has been more towards economic development. Public Law 480 assistance can reduce inflationary pressures within the recipient nation, ease the drain on its foreign exchange, promote economic development, and, in some instances, increase the level of food consumption in the developing country. Although Public Law 480 is the instrument through which the Food for Peace program is implemented, it operates, for the most part, outside of the Agency for International Development.

Also operating outside the AID is the Peace Corps, and military aid is handled by the Department of Defense, although it is coordinated with economic aid by AID. Thus, rather than one single aid agency, the U.S. foreign assistance program consists of several different organizations working independently, but whose efforts are coordinated by AID. The charts on the following pages show the dispersion of assistance in 1970 through AID and through the other U.S. aid agencies. In that year, AID handled about one-half of the total American aid commitment.

In the initial years of the United States foreign aid program, a preponderance of aid was given on a grant basis; between 1953-1957, only 9% of the

[31] Ibid.
[32] Walters, p. 129.
[33] Tansky, p. 32.
[34] Ibid., pp. 23-4.

aid dispersed by the predecessor agencies of AID was in loan form.[35] There has since that time been a steadily increasing movement toward replacing grants with loans—spurred on by the Soviet success with such a policy—and in the years from 1962-1969, economic development aid in the form of loans comprised about 50% of total commitments.[36]

AID COMMITMENTS, FISCAL YEAR 1970
(Agency for International Development)

		$ millions
Development loans and Alliance for Progress Loans		863.6[a]
Technical Assistance		371.2
bilateral:		
worldwide	180.6	
Alliance for Progress	85.6	
multilateral:	105.0	
Supporting Assistance		518.1
Contingency Fund		21.0
Administrative Expenses		67.6
Other		34.0[b]
TOTAL AID COMMITMENTS		$1,876.7

[a] includes population programs financed by loan funds
[b] includes 7.5 million dollars for Indus Basin Development and $26.5 for American Schools and Hospitals Abroad

SOURCE: *The Foreign Assistance Program, Annual Report to Congress, Fiscal Year 1970,* Washington, D.C.

TOTAL U.S. FOREIGN AID COMMITMENTS, FISCAL YEAR 1970

	$ millions
A.I.D. Commitments	1,876.7
Food for Peace	1,190.6
Inter-American Development Bank	300.0
International Development Association	160.0
Peace Corps	90.8
Asian Development Bank	20.0
Other	95.4
TOTAL U.S. COMMITMENTS	$3,733.5

($615 million in Ex-Im Bank F.Y. 1970 loans to promote U.S. exports in LDCs not included as they were given on terms at or near regular commercial rates and were of medium maturity, and therefore were not considered to be aid).

SOURCES: *The Foreign Assistance Program, Annual Report to the Congress, Fiscal Year 1970,* Washington, D.C.
United States Foreign Policy 1969-1970: A Report of the Secretary of State, U.S. Department of State, Washington, D.C., 1971.

[35] Walters, p. 150.
[36] Center for War/Peace Studies, "From Aid to Development," *Intercom,* New York, January-February, 1970, p. 24.

Development loans under the Agency for International Development are of three varieties. Project loans are, as their name indicates, loans made for specific projects—the construction of a steel mill or a fertilizer plant, for example. Project loans yield tangible results, and as they are used for a specific purpose, it is easier to keep track of the way in which the money is spent. Program loans, on the other hand, are given for the purchase of such items as are necessary to promote or sustain economic growth, but which are not related to a specific project; these items may include raw materials, spare parts, fertilizer, machinery, chemicals, etc., and loans for such purchases are generally quite large. Frequently, the granting of a program loan is contingent upon the recipient nation's undertaking fiscal, monetary, or social reforms;[37] however, this criterion is often not met, and intentions to reform or promises to do so are sometimes accepted in lieu of actual accomplishments, especially in the face of Cold War "emergencies". Nowhere is this fact more evident than in U.S. Alliance for Progress loans to Latin America.[38]

A third form of development loan is the sector loan, a type of program loan designed to assist the development of a particular segment of the economy or social structure of the developing nation, such as education or agriculture, through a program which "closely integrates capital and technical aid."[39]

Of the 57 development loans granted by AID in 1970, 41 were project loans ($308 million), 16 were program loans, including six sector loans ($499 million, with $101 million for sector loans).[40] (The $56.6 million difference between this $807 million figure and the figure in the chart on page 25 represents the amount allotted to population control programs.)

The authorization of United States aid to a developing country generally follows a typical pattern. In a severely underdeveloped nation, aid is confined to technical assistance and relatively small expenditures for the development of an economic infrastructure; as development progresses, there is a shift toward more capital aid and larger expenditures, and project loans become characteristic of American aid. Finally, as the nation reaches the "take-off" stage in which greater amounts of aid can be absorbed and utilized, project loans become intermixed with program loans. As economic growth progresses, program loans assume a greater share of the total lan commitment, for it is held that such loans are more conducive to smooth economic growth than are continued large-scale project loans; they allow a more efficient utilization of existing resources rather than continuously adding plants and factories which are often underutilized.

The Agency for International Development is structured along both geographic and functional lines (see chart, page 76) in order to facilitate its activities in the various regions of the world, to carry out inter-regional programs, and to handle the administration of the Agency itself. Since an explicit and implicit goal of the agency is to encourage and facilitate the growth of private

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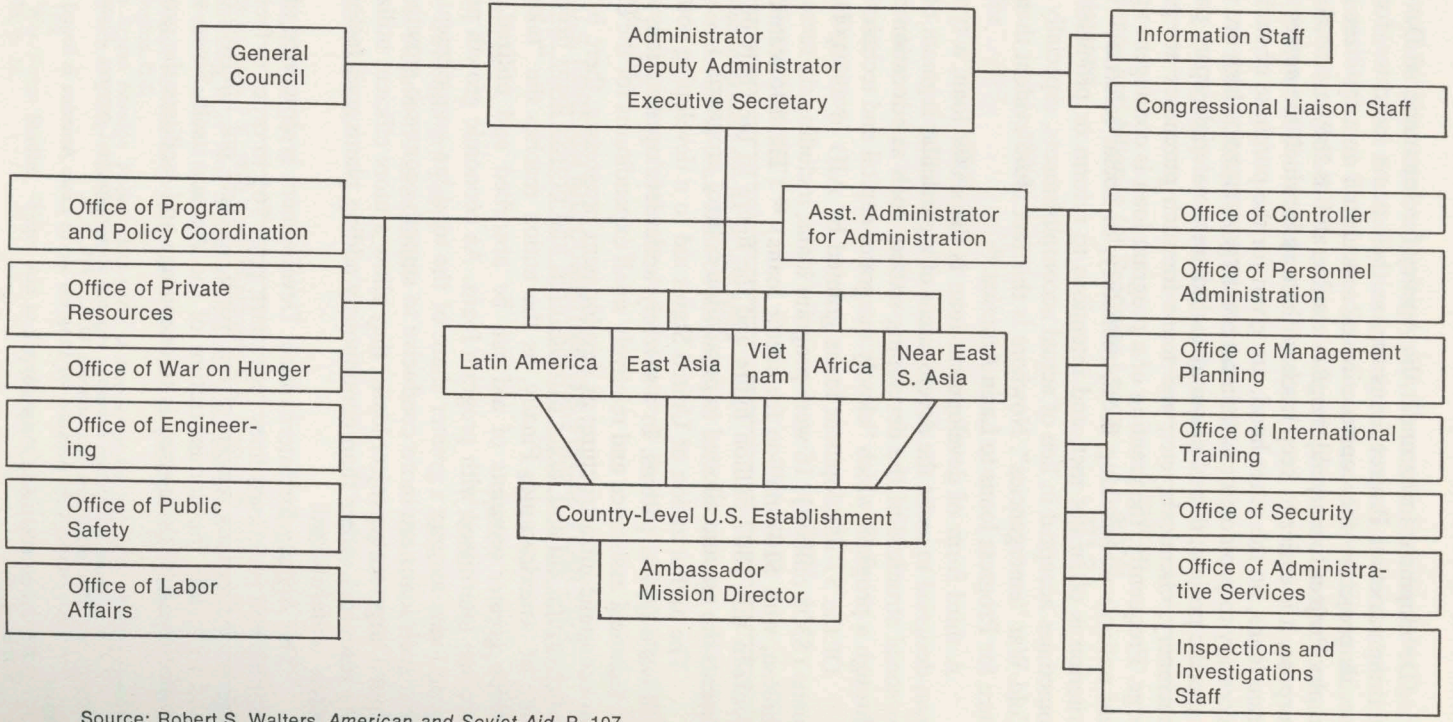
[37] *The Foreign Assistance Program, Annual Report to the Congress, Fiscal Year 1970,* U.S. Government Printing Office, Washington, D.C., 1970, p. 4.

[38] An account of U.S. Alliance for Progress aid to Latin America is found in Westwood, pp. 83-86.

[39] *The Foreign Assistant Program,* p. 4.

[40] Ibid., p. 5.

AGENCY FOR INTERNATIONAL DEVELOPMENT (AID)



Source: Robert S. Walters, *American and Soviet Aid*, P. 107.

enterprise in the developing world, the Office of Private Resources was established within the AID organization, its purpose being to formulate policy, program guidance, and procedures for foreign economic development through private resources. The Office acts as the chief liason between AID and the business community and as the major coordinating body for programs designed to promote private investment abroad.[41]

In a further effort to encourage private American investment in the developing countries, AID publicizes pertinent investment data, subsidizes all or part of the cost of investment surveys, and if an investment treaty exists between the United States and the recipient nation, AID will insure private American investments to a certain extent from such risks as war, revolution, or expropriation, and guarantee convertibility of earnings into dollars.[42]

In geographic distribution, the bulk of AID loans are concentrated in the countries of India, Pakistan, Brazil, Colombia, Indonesia, Turkey, and Central America; together these nations receive about 80% of total AID loans.[43] India and Pakistan receive the greatest share of program loans, getting 45% and 26%, respectively;[44] Brazil and Colombia receive the largest component of sector aid.[45] The remainder of AID loans for economic development are given, with the exception of South Korea, to Latin America or Africa. Seven nations receive AID supporting assistance (in 1970), with 70% going to Vietnam;[46] supporting assistance is given on a program basis and is frequently directed to the same purposes as are development loans. Nevertheless, it is military or political criteria, not economic considerations, which determine the granting of supporting assistance.

The chief goal of AID is to assist developing nations with sound economic plans to reach a level of self-sustaining growth; the Agency itself represents the shift in emphasis from military aid to development assistance as the focal point of the U.S. program. As such, AID officials tend to work in very close contact with officials in the recipient nations in order to play an active role in the formulation of that country's economic plans. Through this type of close cooperation, AID officials actually participate in the setting of development priorities within the LDC. It is to this end—active participation in the developmental process—that the whole structure of AID is geared; integrated country programming[47] is the essential element, the core, around which the Agency is constructed.

An idea of the direction in which developing nations are guided by AID may be found in the following statistics:

In Latin America for the first five years of the Alliance for Progress:[48]

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[41] Walters, pp. 107-8.
[42] Ibid., p. 132.
[43] *The Foreign Assistance Program,* p. 5.
[44] Ibid. (AID development loans to India in F.Y. 1970 totaled $385 million, plus $14.5 million in technical assistance; Pakistan received $140 million in development loans and $8.7 million in technical aid. — Agency for International Development, *U.S. Foreign Aid in the Near East and South Asia, Proposed Fiscal Year 1970 Program,* Washington, D.C., 1970, pp. 1, 8).
[45] Ibid., p. 6.
[46] Ibid.
[47] Max R. Millikan, *American Foreign Aid: Strategy for the 1970's,* New York: The Foreign Policy Association, 1970, p. 34.
[48] Lloyd D. Black, *The Strategy of Foreign Aid,* Princeton, New Jersey: D. Van Nostrand, 1968, p. 140.

28,000 classrooms built

1,200 rural health centers in operation

160,000 teachers trained or given additional training

13 million school-age and 3 million pre-school age children receive free lunches in school

1,930 credit unions with over $30 million in savings (as of December, 1965)

387,000 acres reclaimed for agriculture; programs for instructing farmers in the value of using fertilizer increased

In other areas: (as of 1965):[49]

deaths from malaria in India reduced from 1,000,000 in 1953 to less than 2,000 *cases* in 1962

in Nigeria, 150 school instructors trained; they in turn train 5,000 native teachers

higher education furthered in Indonesia in areas where state financing had been inadequate for the purpose

a three-year campaign against rinderpest, an African disease which threatens cattle

basic agricultural practices improved in Iran; sanitation and home economics also improved with AID assistance

in India, power facilities increased threefold over the 1947 level (with massive Indian effort as well)

As can be noted from these statistics, AID development loans are often not industry-oriented; while many U.S. project loans are used for the construction of heavy-industrial plants, the majority of our aid is in the form of program loans which may only indirectly influence industrial development. A great deal of the American effort is directed toward the development of light industry and agriculture — our strong position as a surplus-producing nation with an outstanding record in agriculture uniquely qualifies us for such a role. In this respect, U.S. and USSR aid programs differ profoundly.

Terms of repayment of U.S. loans vary according to the agency through which the loan was granted. AID loans are repayable up to forty years, with a ten year grace period; interest rates have ranged from a former .075% to the present 2-3%[50] (2% during the grace period, 3% afterward). All AID loans are now repayable in U.S. dollars. Until recently, almost all American aid was "tied"; that is, the monies loaned or granted to the developing country had to be spent for the purchase of United States goods, rather than being utilized to purchase such commodities on the world market at competitive prices. However, under recent guidelines proposed by the Task Force on International Development[51] and adopted in President Nixon's program for the 1970's,[52]

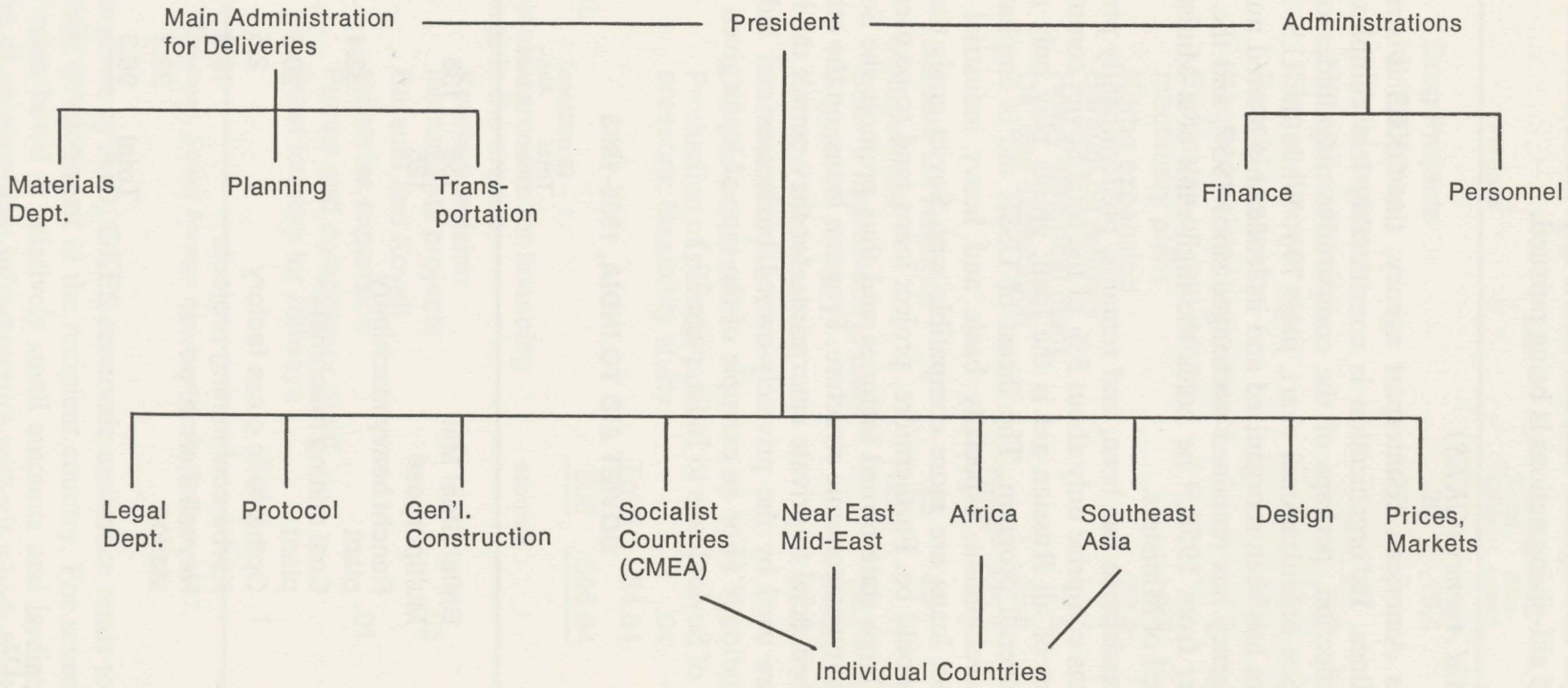
[49] Crabb, pp. 282-3.

[50] Tansky, p. 32.

[51] Task Force on International Development, *U.S. Foreign Assistance in the 1970's: A New Approach,* Washington, D.C., 1970, p. 32.

[52] *Foreign Assistance for the Seventies: President Nixon's Message to the Congress,* Washington, D.C., 1970, p. 7.

GOVERNMENT COMMITTEE OF THE COUNCIL OF MINISTERS OF THE USSR FOR FOREIGN ECONOMIC RELATIONS (GKES)



Source: Marshall Goldman, *Soviet Foreign Aid*, p. 77.

U.S. aid would no longer be tied, and efforts to promote a similar policy among all developed aid-giving nations is being pursued.

The Soviet Aid Agency (GKES)

Like its American counterpart agency, the GKES is structured along geographic lines. Its organization is considerably less complex than that of AID — a reflection, perhaps of the comparative magnitudes of the two aid programs. (See organizational chart, page 79). While the U.S. foreign assistance program has been reorganized and its leadership altered numerous times, the Soviet agency has remained unchanged since 1957, and the same director was in power from 1958;[53] he holds the high rank of a Minister within the Soviet Council of Ministers.

Soviet assistance has been, and remains, predominantly project-oriented. Program loans comprise only about 5% of the total Soviet commitment.[54] The primary form of all Russian aid is the loan; grants play only a very minute role in the overall program. The thrust of USSR aid is emphatically toward industrial development, especially basic and heavy industrial development; hence, project loans are more compatible with Soviet goals than broad program loans would be. Furthermore, project loans tend to be used for the construction of large state-owned factories and thus promote the Soviet ambition for a socialist-type economic structure. Program loans, on the other hand, tend to be more beneficial to private enterprises, for they permit the importation of items that are used by the privately-owned businesses and industries in the developing nation.[55] (For an example of the type of loans given by the USSR, see the table of Soviet loans to India, page 79.)

SOVIET AID TO INDIA, 1955-1963

Agreement	Purpose	($ millions) Total Offer	Allocated	Amount Drawn as of Dec. 31, 1963
Feb., 1955	Bhilai Steel Mill	136	136	136
Nov., 1957	Multipurpose	125		
	Ranchi heavy machinery plant		33.4	26.6
	Coal mining machinery plant		20.8	16.2
	Opthamolic glass factory		2.5	.3
	Korba coal mining projects		10.3	2.41
	Neyveli thermal power station		29.3	28.9
		Total	96.3	74.46

[53] Walters, p. 118.
[54] Ibid., p. 135.
[55] During the 1960's, 90% of all imports under U.S. program loans to India were used by the private sector of the Indian economy. — Walters, p. 124.

SOVIET AID TO INDIA 1955-1963 (Continued)

Agreement	Purpose	($ millions) Total Offer	Allocated	Amount Drawn as of Dec. 31, 1963
May, 1959	Drug Projects	20	19.4	11.2
Sept., 1959	Multipurpose	375		
	Bhilai expansion		117	35.2
	Neyveli expansion		1.2	.5
	Singrauli power plant		1.2	.3
	Ranchi expansion		12.4	.2
	Khota precision instruments		.3	.1
	Expansion of coal mining machinery plant		4.7	.1
	Korba expansion		29.4	7.4
	Barauni oil refinery		7.3	7.3
	Heavy electrical plant		1.8	1.5
	Oil, gas exploration		59.8	46
		Total	235.1	98.6
Sept., 1959	Barauni Oil Refinery	25	25	23.5
Feb., 1961	Multipurpose	125		.4
	Bhakra hydroelectric plant		12.2	
	Gujarat oil refinery		16.3	3.2
	Kathara coal washery		47.9	.4
	Refractories plant		.1	
	Oil, gas exploration		8.3	
	Production of pumps, compressors; feasibility study		.04	.04
		Total	84.84	4.04
GRAND TOTAL		806	596.64	347.50
Additional projects agreed to for financing under the savings in the credits:				
	Kerela precision instruments projects		.05	
	Barauni and Koyali refineries expansion		.01	
	Pumps and compressor plant			
	Steel foundry for railways			
		Total	.1	

Source: Marshall I. Goldman, *Soviet Foreign Aid*, New York: Praeger, 1967.

Like loans given by AID, GKES economic assistance tends to parallel the stage of economic development in the recipient country. For severely retarded nations, aid is contributed in relatively small amounts and is directed toward the construction of an economic infrastructure without which further development cannot proceed. Only after this basic task is considered to be accom-

plished are Soviet policymakers inclined to grant loans of greater magnitude for large industrial projects, such as the Bhilai or Bokare steel mills in India. Once begun, however, Soviet project assistance for industrialization is carried on in earnest. Evidence of the Soviet thrust toward industrialization can be seen in the 1963 percentages of its aid distribution; 53% of all USSR and bloc aid went to the development of manufacturing; 14% to transportation and communications; 12% to hydroelectric power; and only 3% to agriculture.[56] Time has not substantially altered the fundamental emphasis of the Soviet Union on industrialization, nor has Soviet criticism of the U.S. emphasis on agricultural development subsided.

Soviet aid is not dispensed through several independent agencies, as is American aid; the GKES is the sole distributing agency. As such, terms of repayment and interest rates tend to be uniform for all loans; repayment over a twelve year period commencing one year after the delivery of equipment, with interest rates of 2.5%,[57] are common. Grace periods are seldom given, nor are extensions of repayment time.

Beginning in 1965, the Soviet Union proposed a new type of development aid as a part of its assistance program. Known as a Production-Cooperation Agreement,[58] this type of aid would encourage the abandonment of economic development in the traditional sense and would substitute specialized development in its place. Such an arrangement would be contingent upon the condition that the Soviet economy, too, would benefit from it. Soviet loans would be given to the LDC to facilitate the development of a particular industry for which that nation had a special capacity; the USSR would serve as a stable importer of the commodity produced, provided such imports would increase the overall efficiency of the Soviet economy. In other words, the developing nation would be serving as an extension of the Soviet economy. Repayment of the Russian credit would take the form of quotas of the imported commodity over a specific period of time. However, because this product would be an integral unit in the USSR economy, its manufacture would necessitate prolonged Soviet involvement in the production process, and thus in the economy (and politics) of the developing country. The greater the number of industries involved, the greater the Soviet involvement. While Production-Cooperation Agreements may be deemed highly desirable from the Soviet point of view, they are disliked by potential recipients who are both fearful for their political and economic independence and resentful of the idea of receiving assistance solely to serve as a contributor to the Soviet economy; it must appear to these nations to be mercantilism revived in a new guise.

In comparing the structures of AID and the GKES and the emphasis of their respective programs, it is not a difficult matter to realize the rather profound differences which exist between the two. It is a common belief among many of the less developed nations of the world that one turns to the United States if one wishes to develop light industry or improve education, health, or agriculture, and to the Soviet Union if one desires to rapidly expand heavy in-

[56] Ibid., p. 136.
[57] Goldman, p. 67.
[58] Walters, p. 143.

dustry.[59] While such a generalized statement is not totally valid, it does serve to point up the fundamental philosophical divergence between the U.S. and the USSR aid programs.

Conclusion: The Relative Effectiveness of the U.S. and U.S.S.R. Programs

The United States and the Soviet Union have experienced both successes and failures in their aid programs. Although the American program has been in existence longer and is of a far greater magnitude than the Soviet program (in India, for example, the U.S. has contributed five times the amount given by the USSR),* it cannot be said that it has yielded proportionately greater benefits for the U.S. Not all recipient nations are amiable or sympathetic toward the United States; many are not grateful for the assistance they have received. No nation which desired to pursue a leftist political path has been diverted from doing so simply because of U.S. aid. That the United States should perhaps not look to the fulfillment of its stated short-term political objectives is noted by the Task Force on International Development, which declared,

> "This country should not look for gratitude or for votes, or any specific short-term policy gains from our participation in international development. Nor should it expect to influence others to adopt U.S. cultural values or institutions. Neither can it assume that development will necessarily bring stability . . . What the United States should expect from participation in international development is steady progress toward long-term goals: the building of self-reliant and healthy societies in developing countries, an expanding world economy from which all will benefit, and improved prospects for world peace."[60]

In some cases the U.S. has indeed seen a nation which it has aided reach the point of self-sustained economic growth. Taiwan, after sixteen years and $1425 million in American economic aid, was able to end its reliance on aid in 1965; during the period from 1949-65, real income had doubled, GNP rose an average of 7% per year, industrial production increased 12% yearly, and agricultural output expanded 5% per annum.[61] Further, private enterprise and private investment, both American and Nationalist Chinese as well as others, has greatly increased. Since 1965, Taiwan has been able to sustain economic growth without reliance upon concessional financing (although U.S. military aid continues), and it serves as an example of an American aid objective successfully realized.

The Soviet Union, too, has realized the achievement of some of its short-term goals, but for the most part they have fared no better in this respect than the U.S. Having entered upon the scene later than the United States, the USSR was at first able to capitalize on the fact that it was viewed as a superior alternative for U.S. aid by those nations which were experiencing some difficulties

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[59] Ibid., p. 148.
(*See chart, following page.)
[60] *U.S. Foreign Assistance in the 1970's,* p. 2.
[61] Black, p. 139.

with the American program. Time has decreased this initial advantage, however, and the USSR has certainly had its share of dissapointments with aid (in Ghana, for example). As was noted by a student of Soviet foreign aid,

> "At least it can be said that Soviet policymakers are now almost as confused as Western ones with respect to the purposes and effects of development assistance programs . . . Soviet leaders are discovering that the effects of aid are slow, diffuse, complex, and unpredictable and that once begun, an aid program cannot be cast off without cancelling out any accumulated gratitude for sacrifices previously made by the donor."[62]

U.S. AND U.S.S.R. ECONOMIC AID EXTENDED TO THE DEVELOPING COUNTRIES, JULY, 1945 - JUNE, 1965

(millions of dollars)

	U.S. Economic Aid		U.S.S.R. Economic Aid	
	July, 1945-June, 1965	July, 1954-June, 1965	1954-65 Calendar Year	Per Cent of Total
Total to all developing countries	44,363	35,321	5,030	100.0
Total to selected developing countries	19,446	16,368	5,030	100.0
Afghanistan	305	281	552	10.9
Algeria	162	162	230	4.6
Argentina	651	452	115	2.3
Burma	121	95	14	*
Cambodia	256	256	21	*
Ceylon	98	98	30	*
Congo (Brazzaville)	2	2	9	*
Ethiopia	151	151	102	2.0
Ghana	165	164	89	1.8
Greece	1,934	572	84	1.7
Guinea	77	77	70	1.4
India	6,318	5,901	1,022	20.3
Indonesia	873	580	372	7.4
Iran	857	703	330	6.6
Iraq	53	52	184	3.6
Kenya	36	32	44	0.9
Mali	14	14	55	1.1
Nepal	85	84	20	*
Pakistan	3,035	2,891	94	1.9
Senegal	18	18	7	*
Somali Republic	47	47	57	1.1
Sudan	97	97	22	*
Syrian Arab Republic	91	90	150	2.9
Tunisia	456	456	28	*
Turkey	2,279	1,873	210	4.2
Uganda	17	17	16	*
United Arab Republic	1,209	1,173	1,011	20.1
Yemen	39	39	92	1.8

* Less than .5%.

Source: Leo Tansky, *U.S. and U.S.S.R.. Aid to Developing Countries,* New York: Praeger, 1967.

[62] Walters, p. 242.

Has foreign aid truly promoted development in the poorer nations of the world which receive either American or Soviet assistance? Undoubtedly, the answer would have to be "yes." For example, in Turkey, India, and the UAR, American aid accounted for 17%, 1.6%, and 25%, respectively, of the total investment in the development plans; USSR aid accounted for 2% of total investment in India and 13% in the UAR over a nine-year period. U.S. aid accounted for an addition to the level of gross savings in the three nations of between 1/5 to 1/7; Soviet aid added about 15%.[63] One fact is evident; even though aid has not been able to cure the ills of the world's poor, nor induce speedy development and modernization, without it growth would most likely not have occured at all.

Both the United States and the Soviet Union probably now have a far more realistic conception of just what aid can and cannot accomplish. The years have taught both donors one vital lesson: any nation, no matter how economically retarded it may be, will do what is best for its own national interests. If this means accepting aid from one or both of the donor nations, then this is what will be done. One effect of having competing aid programs is that they tend to neutralize each other, and therefore neutralize any short-term political benefits to either donor. In the final analysis, aid can only really be considered from the point of reference of whether or not it has helped those whom it was intended to help — the developing countries. Once both sides come to this ostensibly simple conclusion, the better both will be able to go about the important task of promoting world development.

[63] Tansky, pp. 166-7.