

IV) FOREIGN AID AND THIRD WORLD INTERESTS: SOME REFLECTIONS ON THE DUNCAN COMMITTEE REPORT

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The Report of the Review Committee on Overseas Representation, 1968-1969 (chaired by Sir Val Duncan), presented to the British Parliament in July 1969, is striking both for its businesslike quality and its business orientation. After acknowledging the primacy of security considerations in British external policy, the Duncan Committee goes on to state bluntly that the balance of responsibilities of overseas representation "should now reflect the clear precedence that belongs to the commercial objective in the day-to-day conduct of Britain's relations with other countries." The dominant thrust of the Duncan Report is its reconciliation of political and commercial objectives through proposals to effect a harmonisation of the two at the least financial cost within the framework of a realistic re-appraisal of Britain's changing international role.

The spirit of realism permeating the Report is dramatically conveyed in the proposals for distinguishing primary and secondary spheres of British diplomatic and commercial activities. To this end, British interests are initially classified into two broad spheres: an "Area of Concentration" and the remaining "Outer Area". The former is composed of Western European and North American countries whose "social structures, ways of living, methods of conducting political and economic business are sufficiently similar" and whose "domestic affairs are increasingly interrelated" so as to permit a closer degree of political and economic co-operation and integration. As for the "Outer Area", the Committee in fact does not consider it as a broad residual category as it might appear to be at first sight. For there are some inner zones in the "Outer Area" which, to all intents and purposes, in terms of British interests lie closer to the "Area of Concentration" than to the outer zones of the "Outer Area". Thus the Committee

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suggests that for commercial or political (or for a combination of both) reasons, there are certain "Outer Area" high priority countries such as Australia, South Africa, New Zealand and Japan (and to a lesser extent at present, China and the Soviet bloc countries) in which "Comprehensive" Missions, similar to those recommended for the "Area of Concentration", might profitably be maintained. By contrast, the greater part of the Third World is to be found in the remoter zones of the "Outer Area" which the Committee recommends should be manned by "Selective" Missions.

In the author's view, the significant distinctions made by the Committee lie not in the broad categories of "Area of Concentration" and "Outer Area", but in "Area of Concentration" and inner "Outer Area" on the one hand and outer "Outer Area" on the other. With few exceptions, the latter distinctions coincide markedly with the developed and the developing world as well as the white and non-white world. In its own unintended way, the Duncan Committee has in effect hinted at the growing gap between developed and developing world positions and interests, and the nagging correspondence of race and power in the contemporary international system.

While the Committee makes it quite clear that Britain's interests in the Third World will by no means disappear overnight, it also establishes that these relations are in a process of major political and economic transformation. With regard to the former, the Committee suggests for example that "if all goes well, the mature Commonwealth relationships of the 1970s should be marked by a depth of social affinity between peoples combined with a significant diminution in the depth of political contact between governments." In the light of the earlier analysis, it is to be assumed that the "significant diminution ... of political contact" anticipated relates more to relations between the old and new Commonwealth than to relations within the former group. Similarly, the Committee envisages significant transformations in the area of trade relationships. Thus the Report notes that in the outer zone of the "Outer Area" there is "a large number of Commonwealth countries where commercial

sections of Posts have tended to concentrate on maintaining Britain's traditional trade whereas there is also an urgent necessity to develop new outlets." As for Britain's reorientation of trade, the Committee concludes: "We think that there is a high probability that a considerably increased proportion of the world's trade will take place in the Area of Concentration and that an increasing number of policy decisions on commercial and broader economic issues will be taken in concert by these nations."

While the question of Britain's future aid relationships with countries in the outer zone is not exhaustively tackled, the Committee's treatment of principles of British Aid Administration (Chapter 7) allows us to raise some considerations on the broader issue of the principle of foreign aid in relation to Third World interests.

The Committee at the outset admits to the importance of aid as a tool of statecraft in the contemporary international system. In initially considering the question from the standpoint of Britain's "enlightened self-interest", the Committee performs a useful, if limited, service in drawing attention to the economic rewards of aid accruing to the British economy from (a) helping to develop "more lucrative trading partners"; (b) the tying of bilateral aid to purchase of British goods; (c) the fact that "when British aid is distributed through international organisations ... British industry gets back more in the form of the resulting orders, which are put out to world-wide tender, than is contributed by the British Government." Statistical documentation is, however, lacking, and this is where a recent Labour Party pamphlet, "The Fight Against World Poverty" fulfils an essential complementary service. For example, at least two-thirds of the British aid programme is spent on British goods and services; and for every Shs. 20 of multilateral aid by Britain there had been resulting export orders of Shs. 30.

Nor does the Duncan Committee reveal data on the relative proportions of grants and loans in British aid, a consideration which would have helped

to buttress its "enlightened self-interest" case. (The Labour Party Pamphlet estimates that Britain receives some £60m per year as repayment on capital and interest on old aid loans.) The Committee's categorisation of the British programme as "aid-giving" is insufficient, failing as it does to draw attention to the important element of "aid-loaning".

In 1965 Mrs Barbara Castle, then Minister of Overseas Development, called for a massive "teach-in" to educate Western public opinion on the realities of foreign aid. Since there is no evidence to indicate that British public opinion is any better informed now than then, and considering the recent admission in Parliament by Reg Prentice, Mrs Castle's successor, that the balance of payments position would have been worse had Britain not been involved in the foreign aid business, it is a pity that the Duncan Committee has discussed these issues so briefly. For it is necessary to drive home the point that aid cannot be considered merely as "give-aways"; nor would self-respecting recipients of aid wish it to be an exercise in charity. But there also is a pressing need for a Third World "teach-in", for the author's impressions are that Third World public opinion is very much ignorant of the advantages which they actually derive from aid, or of the inherent limitations of planning their development on the principle of aid.

The latter question - - the principle of aid itself rather than the principles which ideally should influence aid relationships - - will occupy my attention in the remainder of the present discussion. The most that will be attempted is a limited examination of some drawbacks of aid and its unreliability as a tool in Third World development planning in the light of the reflections of the Duncan Committee.

The first consideration follows from the above discussion of the financial flow-backs to the economies of aid-giving and aid-loaning countries. The Duncan Committee stresses the need for efficient involvement by British overseas representatives "in the progress of particular projects to ensure that the ground rules are followed, for example as to the purchase of

British equipment." While this is fair game, it also illustrates some of the limitations of the bilateral aid device from the point of view of Third World interests in that such stipulations limit flexibility of expenditures (even in the case of loans) and in some cases might well involve higher financial burdens because of restrictions imposed on shopping around for equipment and services in the international market. Indeed, such patterns may well in the long run exacerbate the relationship of dependence of recipient on aid-producing economies (primarily those of the former colonial power in the case of the Afro-Asian and Caribbean countries). A perhaps extreme but nevertheless real example of this "hook-up" function of aid may be cited. It was recently documented that out of \$9,480m French subsidies to 14 African countries between 1955 and 1964, \$3,900m was paid to French firms for goods exported to, and an additional \$5,530m was paid into the home bank accounts of French companies and specialists working in these countries.<sup>1</sup> Clearly, there is an urgent Third World need to view more discriminatingly the "benefits" of aid.

A second area of discussion involves the general influences pertaining to the conclusion of bilateral aid agreements. Two considerations are relevant: (a) the economic principles underlying aid project evaluation and (b) the political and diplomatic context in which decisions are arrived at. In these respects, the Duncan Committee considers it essential to "integrate aid administration to the utmost with the rest of the work" of British overseas missions "in order that the overall objectives of the Government may be adequately served, that is our commercial and political interests as well as our interest in raising the standard of living of the recipient country." The latter "interest" need not detain us since the general tenor of the Duncan Report establishes firmly the primacy of commercial and political interests. In other words, the "interest in raising the standard of living of the recipient country", while conceived of in

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<sup>1</sup>V.C. Vigand, "Africa - - The Time of Choice", Journal of Modern African Studies, VII, No.1 (1969), p.38.

terms of an overall harmonisation of British policy interests, is clearly a subordinate one.

One need not quarrel with the basic "commercial and political interests" premises of the Report. This is as it should be, within the framework of any bilateral aid system which necessarily and properly involves attempts by the parties involved to maximise their benefits. But a closer inspection of the advantages actually accruing to the recipient economies should as a matter of realism and necessity involve serious consideration of the alternative of recasting Third World thought outside the framework of the aid system.

For one thing, there are inherent problems arising within a context of bargaining between unequals. "Political relations between governments are significant when one or other party is in a position to exert political influence", the Duncan Committee declares, and this too applies in the realm of economic relations. But in the latter area, relations between the developed and developing world are even more one-sided as a result of which aid agreements are often concluded more in deference to the interests of the aid-producing than the recipient economy. As Nik Cavell, former head of Canada's Colombo Plan programme, put it in 1963:

Each donor country still has its own independent program, each country gives what it chooses to give. If it has too much wheat, it dumps as much of the surplus as possible into its aid program. If it has slackness in some parts of its economy, it tries to pull it up by filling its factories with orders paid for by its own aid dollars, regardless of whether the product it is donating makes a real contribution to the development of the country that gets it. In foreign aid, half a loaf can sometimes be as bad as no bread.

What, then, are the implications of the Duncan Report with regard to the issue of aid negotiation and influence? The Committee states that "aid will

form the main burden of our dealings with a number of countries in the future." These countries are in fact located in the outer zone of the "Outer Area" in which a reduced scale of British diplomatic activity and general economic contact is envisaged. In short, in the areas least relevant to overall British interests aid relations will become more specialised and will constitute the primary (in some specific instances, perhaps the exclusive) means of economic contact. In such conditions aid, being increasingly divorced from broader mutual political interests on the one hand, and being more subordinated to British commercial objectives on the other, is likely to exacerbate the problems of imbalance of influence and increase the likelihood of the triumph of unilateralism in bilateral negotiations.

Moreover, the Committee's anticipation that Commonwealth aid will be channelled "on a more selective basis" in the future appears to presage an even greater degree of subjection of aid-intensive development planning in recipient countries to British commercial interests and economic objectives. The alliance between British aid and British capitalism which one might expect to achieve a greater degree of maturity in such circumstances could place limitations on political flexibility, and act as a powerful deradicalising force, in recipient economies - - that is if these economies consider it feasible to rely on bilateral aid as an important means of development.

This leads us into a third consideration, the uncertainty of sources and volume of aid. Statements of intention by developed countries to increase their flow of aid have consistently outpaced performance. If current United States approaches are at all representative, the problem of "uncertainty" is likely to become more serious in the future. The 1969 United States aid budget was the lowest in twenty years, so much so that a panel of American businessmen and educators very recently concluded that "the aid program has been reduced to the point where it is now utterly inadequate to the tasks and opportunities that present themselves in low-income countries." This issue was highlighted in the September 1969

meeting of the Trade and Development Board of the United Nations Conference on Trade and Development - - generally considered to be one of the most unproductive meetings in the history of UNCTAD - - in which the differing, and at times irreconcilable, interests of the developing and developed countries were underlined in many acrimonious debates on strategies for development in the 1970s. On the aid question, developed countries were severely criticised for failing to make firm commitments on target dates for aid.

Concerning Britain's posture, the Duncan Committee on the basis of statements of Government policy assumes "that the total volume of aid from public funds will not be sharply increased in the next few years." But considering the Committee's forecast of more selectivity in aid, one cannot rule out the possibilities of drastic reductions, if not overall at least in specific instances. As far as the Committee is concerned, recipient economies cannot expect more beneficial aid-treatment from Britain in the near future and, if anything, they would be well advised to prepare themselves for aid terms less favourable than at present. Thus is underscored one of the major drawbacks of reliance on aid for development, namely the uncertainties of, and lack of controls over, revenue inflows.

At this stage, it would be in order to raise a fourth and final matter which is assuming increasingly serious proportions. This concerns the repayments of loans and interest charges, an issue which, though outside the scope of the Duncan Report, should be considered in any discussion of the feasibility of the aid principle. David Horowitz, governor of the Bank of Israel and an acknowledged expert on foreign aid, recently warned that during the 1970s the repayment of debt and interest will equal the total amount of aid received annually by developing countries. This would represent an extension of a trend already documented. In 1966, for example, the debt service repayment of 34 developing countries comprised more than half of the loans received and in 12 such cases repayments exceeded net inflows. The short-run gains from foreign aid may thus result in severe long-run unanticipated disadvantages.

The foregoing discussion has deliberately concentrated on some dysfunctional aspects of aid hopefully in order to counterbalance the dominant pro-aid theme in writings on the subject. We have not dealt with the pros and cons of multilateral aid, not only because bilateral aid is the major emphasis in the Duncan Report but also because it represents the primary framework of contemporary aid programmes. Nor has it been possible to analyse the nature of technical aid programmes, but these in any case, while important, represent far less financial transactions than those involved in grants and loans. (Between 1966 and 1968, British technical aid programmes accounted for roughly one-sixth to one-fifth of total aid disbursements.) Moreover, the scope and quality of technical aid is frequently dependent on other financial aid considerations.

At the present time, bilateral financial aid continues to play an important role in Third World development planning. While a sudden closure of aid sources cannot be anticipated, it would be appropriate for the Third World to view the entire principle of aid more discriminatingly even to the extent of attempting to phase out aid as a means of development. The time seems ripe for a critical Third World reassessment not least because some developed countries are inclined to promote their own critical reassessments, the results of which might increasingly prove less amenable to the former's interests.

To be sure, there has been increasing Third World awareness of the limitations of the aid principle. Hence its coordination of strategies in the drive to enhance its position in the international trade system. But few such countries have begun to ask the critical question: "Why Aid?". In this connection, Third World countries might well attempt to Duncanise their concerns, that is by promoting a critical and hardheaded analysis of the aid principle in relation to their evolving political and economic interests, in the spirit of nationalist realism and national self-interest that characterises the Duncan Report. Such analysis could involve the following considerations: the optimisation of development costs through aid compared with other means; the short-run gains

and long-run costs of aid; the deradicalising potential of aid; the balance struck between expectations and achievements of development through aid; the problems of accessibility to aid sources. In short, what seems to be urgently required is a comprehensive Third World reassessment of the functional and dysfunctional aspects of aid, generally in the context of overall political, socio-economic and psychological factors in development, and specifically with a view to enhancing the extractive capabilities of developing economies through a greater reliance on indigenous resources.

"Economics is often the very stuff of politics", the Duncan Committee maintains. This timely reminder might be rephrased to suggest that politics is often the essential inspiration to economic conduct. It would therefore seem appropriate to advocate the need for a Third World movement beyond bureaucratic tradition (in which the principle of aid is still entrenched) to political imagination (which ought to involve a judicious reconsideration of the concept of aid).

Postscript. Shortly after this article was completed (in late September 1969) the World Bank's Annual Report criticised developed countries for failing to live up to their aid commitments. And a Newsweek survey of white American public opinion (published in the 6 October 1969 issue) has revealed that 57% think that the Government should spend less money on foreign economic aid while only 6% think that there should be an increase. Trends such as these lend further support to my arguments above.