

A CONCISE SURVEY OF U.S. FOREIGN AID

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## A CONCISE SURVEY OF U.S. FOREIGN AID

### I. Evolution

Although the United States had extended assistance to other countries earlier in the past, the present foreign aid program has its roots in World War II. During the war, strategic materials and food supplies were made available to our allies under the Lend-Lease Act. Help was extended to the civilian population of areas occupied by U.S. troops. In 1943, the U.S. helped form the United Nations Relief and Rehabilitation Administration (UNRRA) and became its chief supplier.

Immediately after the war, Congress adopted several programs which provided short-term relief to countries in Europe and Asia devastated by the war. In 1946, the U.S. joined the International Bank for Reconstruction and Development (World Bank) and the International Monetary Fund (IMF). Together with the Export-Import Bank, which had been in existence since 1934, these agencies were to provide the principal focus for U.S. assistance to international reconstruction.

The devastated condition of post war Europe spawned serious unrest in some countries, an unrest which was exploited by Soviet threats, subversion, and instigation of civil strife. The situation came to a head in early 1947 when Britain informed the United States that it could no longer continue to assist the Greek Government, which was then fighting a Communist insurrection. In March 1947 President Truman requested assistance for Greece and for Turkey, which had been the targets of threats from the Soviet Union. In requesting this assistance, President Truman stated, "I believe that it must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures."



Known as the Truman Doctrine, this statement served notice that U.S. aid would be employed to counter the expansion of Communist influence and power as well as for purely humanitarian purposes.

At about the same time, it had become apparent that the interim aid which this country had furnished Europe was insufficient to bring about recovery or halt the social unrest. As a result the United States offered to support the nations of Europe if on a Europe-wide basis they would join together and coordinate their requests for American assistance with their own efforts at reconstruction. In this way it was hoped that it would be possible to plan for recovery in all vital sectors with a minimum of duplication of requests for assistance. From this challenge, to which the Europeans responded, grew the European Recovery Program, or Marshall Plan. This program, under which the United States granted more than \$19 billion to the nations of Western Europe over a four-year span,<sup>1/</sup> proved outstandingly successful and decisively aided future European economic growth. (See Table I).

Aid under the Marshall Plan, however, went to countries that possessed all the attributes of highly industrialized societies whose first need was to have their economic engines restarted. By 1949, it was becoming clear that newly independent nations in Asia and older nations in Latin America would need economic assistance if they were to advance economically and upgrade the living standards of their people. Consequently, in his 1949 inaugural address President Truman advanced the Point IV program of technical assistance. The Program was so named because it was the fourth major policy line that the United States was to follow to achieve its international objectives. Designed to provide financial and technical assistance to less

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<sup>1/</sup> Foreign Aid: What Have We Done? Where Are We Going? Vital Issues. Center for Information on America. May 1966, p. 2.

developed countries, it was the first American attempt to deal with the general problem of underdevelopment. However, the Point IV program was not undertaken on a large scale as the demands of NATO and the Korean War necessitated large appropriations for military assistance.

Since the inception of the American foreign aid program, primary administrative responsibility has been given to a series of special agencies --which were in fact the same agency as reorganized by successive national administrations: the Economic Cooperation Agency (ECA) 1948-51, the Mutual Security Agency (MSA), 1951-53, the Foreign Operations Administration (FOA), 1953-55, the International Cooperation Administration (ICA), 1955-61, and the Agency for International Development (AID), 1961 to the present. In the same time period, administrative control of the military assistance portions of U.S. aid programs has alternated between these organizations and the Department of Defense.

The underdeveloped countries have also benefited from the Agricultural and Trade Development Act of 1954, known as P.L. 480 or the Food-for-Peace Program. The utilization of American agricultural surpluses had been required in other foreign aid programs, but the 1954 law provided for the disposal of up to one billion dollars worth of agricultural surpluses over three years. According to Title I of the act, seventy percent of this amount could be sold for the currency of the country buying the food. As a rule, the largest part of this local currency was then loaned or granted back to the recipient country for development projects undertaken by the recipient country and approved by the United States, and smaller amounts of local currency were used to defray U.S. expenses in the buying country. Public Law 480 was thus of direct help to dollar-poor underdeveloped nations. Title II of the act authorized grants



of commodities for emergency relief and the release of surplus commodities to private American agencies operating overseas. Up to 25 percent of the local currency funds arising from Title I sales could be lent to private American enterprises in the particular countries or even to foreign business firms if their operations would help expand markets for U.S. farm products. In 1966, partly because of large U.S. balance-of-payments deficits and mounting balances of the local currencies of certain countries, Congress requested that the President take steps to assure a progressive transition from sales of PL 480 commodities for local currencies to sales under long-term credit agreements for dollars or for local currencies convertible to dollars. This transition was to be completed by December 31, 1971. The same year, PL 480 was amended so that only countries with programs of agricultural self-help that would lead to larger output and reduced need for imports might obtain surplus food from this country. From the inception of the program in 1954 until the end of fiscal year 1973, \$26.6 billion worth of commodities was provided through PL 480. About \$17.7 billion was sold for foreign currencies, \$4.6 billion worth was granted to recipient countries, and \$4.3 billion was sold for dollars on credit terms.

In the mid-1950's, long-term development loans began to assume an increasing role in the U.S. foreign aid program. In 1957 President Eisenhower called for the establishment of a Development Loan Fund (DLF) so that the developing countries, with little capital of their own, could receive help from the United States to begin essential growth. The Development Loan Fund, providing for long-term low interest loans repayable in local currency, was set up in 1957. The DLF, minus the local currency repayment provisions, was incorporated into the Foreign Assistance Act of 1961.

With the nations of Western Europe fully recovered economically, the United States pressed them to assume a greater share of the aid burden. In 1960 a Development Assistance Group (DAG) was established to coordinate the development efforts of the Organization for European Economic Cooperation (OEEC). The OEEC consisted of Austria, Belgium, Denmark, France, West Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey and the United Kingdom. In 1961 the OEEC was expanded to include the United States and Canada as full members and renamed the Organization for Economic Cooperation and Development (OECD). At the same time, the Development Assistance Group became the Development Assistance Committee (DAC). In 1964, Japan joined the OECD. Although DAC is essentially a coordinating body, it nevertheless has served as a forum where the U.S. could urge its partners to increase their contributions for economic development. In the last few years, it has also served as the forum where the other members of the OECD have urged the United States to proportionately match their increased aid contributions. This country also led in the establishment of the International Development Association, which makes long-term loans at low interest rates, while conforming to voting procedures and general policies of the World Bank.

United States interest in assisting Latin America began to increase, particularly after the hostile reception that was given to Vice President Nixon in Peru and Venezuela in April 1958. One year later, this increased interest resulted in the formation of the Inter-American Development Bank, a multilateral lending institution whose establishment had long been favored by the Latin Americans. The United States has been the chief underwriter of this institution. Then came the Social Progress Trust Fund and, with the change in administration in 1961, the Alliance for Progress. The Alliance provided for large-scale aid throughout Central and South America, but conditioned this aid on domestic

reforms within the receiving countries. The pace of the reform has generally been slower than the United States would like, but the Alliance achieved some degree of success. In 1967 President Johnson renewed the U.S. commitment to the Alliance for Progress at the meeting of the Presidents of the nations of America at Punta del Este, Uruguay. In 1969, the Inter-American Social Development Institute was created to examine the development process in Latin America by concentrating less on large-scale economic assistance programs and more on questions of social development. The overall goal of the Institute is to find and assess the feasibility of new approaches to development. To meet this goal, the Institute has provided grant support for innovative programs undertaken primarily by private non-profit organizations.

In 1966 Congress set a limitation on the number of countries eligible to receive aid. The number was set at 10 for development loans, 40 for technical cooperation and development grants, and 40 for military assistance. Supporting assistance, a broad aid category designed to replenish resources which the receiving country must devote to defense, the maintenance of political stability, etc., was to be limited to 13 countries. However, the President was given the right to waive these limitations, except for military assistance, if he finds that aid to additional countries was in the national interest. Current legislation limits development loans to 20 countries, security supporting assistance to 12 countries, and grant military assistance to 31 countries (excluding those countries receiving MAP training in the United States.)

In 1967, Title X, Programs Relating to Population Growth, was added to the Foreign Assistance Act in recognition of the growing barrier to development posed by population increases. After 1967 the U.S. began to assist family planning activities in developing countries and was permitted to fur-



nish contraceptives and help finance the manufacture of contraceptives overseas. However, no assistance can be furnished for family planning unless individual participation is wholly voluntary, and the 1973 Foreign Assistance Act established a specific prohibition against any AID activity in the field of abortion.

The following list identifies the program headings under which the various types of economic assistance are or have been carried forward.

A. Bilateral Development Assistance

1. Structure of Bilateral Development Assistance, fiscal years 1961-1973

a. Development Loans. Development Loans provided funds to assist low-income countries to purchase the goods and services needed for developing their economic infrastructure. The loans paid for imports of the equipment, skills, and raw materials needed for agricultural and industrial development.

There were three types of Development Loans: Project, Program, and Sector. Project Loans financed a specific undertaking such as a road, power dam, or irrigation project. Program Loans financed the purchase of United States goods needed for industrial or agricultural development, such as machinery or fertilizer. Sector Loans combined financial assistance and technical assistance to accelerate the development of a particular sector in a country, such as education. In fiscal year 1973, AID authorized development loans totaling \$531 million.

b. Technical Assistance. Most of the technical assistance program was directed to training specialists, technicians,

professionals and administrators in less developed countries either by sending abroad American specialists and advisors or by bringing trainees to the United States for specialized training. The nature of the technical assistance program in any country depends on its particular needs. In some, the highest priority was on family planning and agricultural development; in others, priority was given to education or nutrition. In the fiscal year 1973, AID provided a total of \$299 million for bilateral technical assistance.

2. Present Structure of Bilateral Development Assistance.

In 1973, as the result of congressional initiatives, the bilateral development portions of the U.S. foreign aid program were significantly restructured to have a more direct impact on the lives of the majority of the people in the countries receiving aid. The activities formerly authorized and appropriated for the categories, Development Loans, Technical Assistance, and Programs Relating to Population Growth, are now authorized and appropriated for the following five functional categories: Food and Nutrition, Population Planning and Health, Education and Human Resources Development, Selected Development Problems, and Selected Countries and Organizations. While the change in format does represent a new emphasis in the U.S. bilateral aid program, the same tools will still be used: loans, grants and technical assistance. For fiscal year 1974, the functional programs received the following appropriations: Food and Nutrition, \$284 million; Population Planning and Health, \$135 million; Education and Human Resources Development, \$89 million; Selected Development Problems, \$40.5 million; and Selected Countries and Organizations, \$36.5 million.



3. Other Bilateral Programs

- a. Alliance for Progress. Aid provided under this heading consisted of all types of assistance administered by AID, grouped under one administrative and budgetary category for Latin America. Thus, Alliance for Progress funds were expanded on Development Loan, Technical Assistance, Supporting Assistance, and Contingency Fund activities. AID bilateral economic funds for Latin America totaled \$301 million in fiscal year 1973. As a result of the changes made by the Foreign Assistance Act of 1973, aid for Latin America no longer appears in a separate Alliance for Progress category.
- b. Contingency Fund. The Contingency Fund is used to meet urgent assistance needs that are either unforeseen or cannot be accurately defined in advance. It allows the U.S. to respond quickly to emergent political and economic crises in less developed countries. It is used primarily to aid victims of natural disasters abroad or to help with emergency medical needs, such as epidemics. In fiscal year 1973, the President expended \$10 million from the \$25 million Contingency Fund.
- c. Supporting Assistance. Supporting Assistance (renamed Security Supporting Assistance in the Foreign Assistance Act of 1971) is related to the U.S. military assistance program. It is intended to help countries whose economies are burdened by major defense programs. The aid funds are used primarily to finance the purchase of raw materials and other essential imports from the open market that the recipient country is unable to pay for from its own foreign exchange earnings.



Supporting Assistance operates through the actions of private exporters, usually in the United States, who provide the commodities to the recipient country and are then paid by AID in dollars. The recipient country importer then pays his government full value in local currency for the goods. His government then uses the funds to finance defense or other programs jointly agreed to by AID and the recipient government. Supporting Assistance is often used for specific special projects, usually involving security or counterinsurgency activities. The overwhelming portion of Supporting Assistance funds has gone to South Vietnam, South Korea, Laos, and Thailand. Of the \$645 million Supporting Assistance commitments in fiscal year 1973, \$312 million was for South Vietnam. The amount for Security Supporting Assistance declined to \$112 million in fiscal year 1974 mainly because funds for Indochina are now budgeted in the new Indochina Postwar Reconstruction Section.

d. Indochina Postwar Reconstruction. This new section was added to the Foreign Assistance Act in 1973 in order to combine all non-military forms of U.S. bilateral aid to South Vietnam, Laos, and Cambodia in one budget category. Previously, the majority of the funds for non-military assistance to these countries was provided through Security Supporting Assistance. Of the \$630 million requested for Indochina Postwar Reconstruction in fiscal year 1974, the largest amounts, some \$399 million, were for the commodity import programs designed to defray the foreign exchange costs of vital imports, and for humanitarian assistance (\$108 million). Other major components of the fiscal year 1974 requests were \$61 million for reconstruction and

rehabilitation and \$60 million for economic development. A total of \$499 million was finally appropriated for Indochina Postwar Reconstruction for fiscal year 1974.

The Agency for International Development is assigned primary operational responsibility for all of the foregoing bilateral assistance programs. In the discharge of its functions, AID works very closely with the other departments of the government, especially the Departments of State and Defense.

e. The PL 480 or Food-for-Peace-Program. This program is administered by AID in cooperation with the Department of Agriculture and, as previously noted, consists under Title I of sales for dollars and for foreign currencies of surplus American agricultural commodities, and under Title II of donations of agricultural commodities. Since the program began, the foreign currencies which have been received as payment for PL 480 commodities in over 50 countries have provided a source of funds for the U.S. to loan or grant to the recipient country, or for use by American private and public agencies. Of the \$1.1 billion in agricultural commodities provided in fiscal year 1973, Title I sales were \$744 million and Title II donations \$396 million. Due to very sharp rises in the price of the commodities exported under PL 480 in late 1972 and 1973 and because of shortages of the same commodities in the United States, PL 480 was severely curtailed in 1973 and early 1974. As a result of these conditions, there has been extensive debate concerning the future of the PL 480 program.



f. OPIC. Assuming the functions of the Office of Private Resources in AID, the Overseas Private Investment Corporation was created in 1969 to facilitate private investments by U.S. firms in less developed countries. OPIC was authorized to issue investment insurance against the risks of currency inconvertibility, expropriation, and loss due to war or revolution; to issue loan guarantees and make loans in certain instances; and to perform feasibility studies for U.S. investments. OPIC can be considered a form of foreign aid because it has been designed to facilitate development in less developed countries through private U.S. investments that would not have been made because the risks were considered too high. OPIC's operating costs in fiscal year 1973 were \$25 million.

g. The Peace Corps. Peace Corps contributions are usually considered a form of technical assistance. The Peace Corps budget for fiscal year 1973 was \$80 million.

B. Multilateral Development Assistance

1. International Financial Institutions. Included in this category are U.S. subscriptions and contributions to the International Bank for Reconstruction and Development (World Bank), the International Development Association, the Inter-American Development Bank, and the Asian Development Bank. The budget figures for these institutions vary greatly from year to year since the timing and amount of their capital subscriptions are irregular. In fiscal year 1973 \$2.1 billion of new obligational authority was requested by the President for international financial institutions.



2. International Organizations and Programs. In this heading are U.S. contributions to international organizations, mainly the U.N. and its affiliated agencies, and to specific multilateral development programs like the Indus Basin project. Contributions go to UNICEF, to the World Food Program of the Food and Agriculture Organization, and to Palestine refugees through the U.N. Relief and Works Agency. Of the \$186 million total U.S. expenditures for International Organizations and Programs in fiscal year 1973, \$164 million went to the United Nations Development Program, which finances and coordinates most U.N. technical assistance activities.

## II. Military Assistance

A. Background. During World War II vast quantities of military supplies of all kinds were furnished to our allies under the Lend-Lease Act. In the immediate postwar era, U.S. foreign aid was essentially humanitarian and economic, its objectives being the relief and restoration of war damaged countries.

However, once the Cold War became a fact of international life, the United States found it necessary to extend military assistance to countries threatened either by Communist subversion or the possibility of Soviet attack. The aid extended to Greece and Turkey under the Truman Doctrine was primarily military. As Communist moves in Europe became more threatening in 1948 with the seizure of Czechoslovakia and the Berlin blockade, considerations of military security loomed ever larger in the thinking of the West. In 1949 the North Atlantic Treaty Organization (NATO) was established, and extensive military help was provided by this country to the other NATO members.

Western Europe was not the only area of concern at this time. The

Philippines, South Korea, and Iran, which was under Soviet pressure, also received military assistance. By 1950, a year after NATO was formed, military assistance amounted to a far greater sum than economic aid. In the same year the North Koreans launched their attack on South Korea. Military aid was quickly extended to the South Koreans under the Mutual Defense Assistance Program. Aid to NATO countries was speeded up, and military aid was made available for the first time to several underdeveloped countries.

From 1945 to 1949 the Chinese Nationalists had received substantial U.S. military aid during their struggle with the Communists. This country also provided substantial military assistance to France for its Indochina campaign on the assumption that the loss of Indochina to Communist control would be a serious blow to the security of the free world. Estimates have placed the U.S. contribution to the costs of the French War in Indochina as high as 80 percent. In 1952, military aid to Latin America was instituted, with the struggle in Korea lending strength to arguments in favor of hemispheric defense planning. Since the beginning of the Military Assistance Program, more than 80 countries have received either materials or training or both.

B. Present Military Assistance Programs. Apart from the special situation in Vietnam, military assistance is provided either on a grant basis or financed through cash or credit sales. If a country desiring to purchase equipment does not have the necessary cash, it may seek arms on credit extended either directly by the U.S. Government or by a private lender with a U.S. Government guarantee. For fiscal year 1974, \$450 million was appropriated for Grant Military Assistance, and \$325 million authorized for Foreign Military Credit Sales. For the fiscal year which began July 1,



1973, the Department of Defense requested grant funds to assist 20 countries with both material and training and to provide 44 countries with training only. U.S. military assistance is currently provided to a total of 45 countries in most areas of the world, including East Asia, the Near East and South Asia, Africa, Latin America, and Europe. Among the countries for whom military assistance was requested for FY 1974 were Cambodia, Thailand, the Republic of Korea, Indonesia, the Philippines, Ethiopia, Turkey, a number of Latin American countries, Spain, and Portugal. The principal grant recipients for fiscal year 1973 were to be Cambodia (\$167 million), South Korea (\$238 million), and Turkey (\$85 million). Since fiscal year 1967, military assistance to South Vietnam has been carried as part of the regular Department of Defense budget under the heading: Military Assistance Service Funded (MASF). In addition, Supporting Assistance for Vietnam has been regularly requested in the AID budget. For FY 1973 the Supporting Assistance expenditure for Vietnam was \$312 million, and MASF expenditures were \$2.1 billion.

### III. Motivations and Objectives of Foreign Aid

A study prepared for the Senate Foreign Relations Committee in 1966 noted that the objectives of foreign aid are multiple and complex and not always consistent with each other.<sup>1/</sup> The late President John Kennedy stated in New York in 1962: "Foreign aid is a method by which the United States maintains a position of influence and control around the world, and sustains a good many countries which would definitely collapse or pass into the Communist bloc."<sup>2/</sup>

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<sup>1/</sup> U.S. Congress. Senate Committee on Foreign Relations. Some Important Issues in Foreign Aid. Committee Print. 89th Congress, 2d session. Washington, 1966, p. 10.

<sup>2/</sup> Ibid., p. 15.



This sentence presents in capsule form what might be termed the strategic, or political, motivation underlying foreign aid. The humanitarian, or idealistic, motivation was also enunciated by President Kennedy when in his inaugural address he pledged our best efforts to help peoples struggling to break the bonds of mass misery, "not because the Communists may be doing it, not because we seek their votes, but because it is right."<sup>1/</sup>

Various economic motives for aid have also been advanced. Economic development will mean the creation of new opportunities for American investment, potential new markets, and even domestic prosperity inasmuch as the overwhelming percentage of U.S. foreign aid funds are spent within this country. Military assistance has often been justified as necessary to strengthen countries threatened by Communist aggression or as helping to promote internal stability in the receiving country, thereby providing a favorable atmosphere for economic growth.

As has been noted, these purposes are intermingled and cannot be easily separated. Yet over the years the greatest weight seems to have been given to the political or "realistic" view of aid. The proponents of foreign aid have argued that it contributes to U.S. security by strengthening our allies and those uncommitted nations which wish to remain free. At the present time, the main objective of foreign aid is to provide assistance to meet the immediate needs of the inhabitants of the countries receiving U.S. aid. Emphasis is put on the growing gap between the rich nations and the poor nations and on the explosive potential of this gap. It is seen as a threat to world peace and to U.S. security. Some believe that without U.S. aid much of the underdeveloped world would degenerate into chaos. The beneficiaries of this chaos, it has often been stated, would be the Communists or other political forces in the

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<sup>1/</sup> U.S. Congress. Senate. Inaugural address of John Fitzgerald Kennedy, 87th Congress, 1st session. Senate Document No. 9. Washington, 1961, p. 1-2.

underdeveloped countries which are not friendly to the United States. By and large economic development of the newer countries is deemed to be desirable although overambitious development plans and wasteful practices are subject to criticism.

#### IV. The Peterson Report

In 1968 as the result of criticism from various quarters concerning the overall goals and methods of the foreign assistance program, Congress declared that a comprehensive review and reorganization of all U.S. foreign assistance programs should take place. The President was requested to make this review and submit the results to Congress by March 1970. As a result of this request, a task force headed by Rudolph Peterson, President of the Bank of America, was convened and drafted a report bearing the name of its Chairman. The Peterson Report <sup>1/</sup> recommended several major changes not only in the foreign assistance program but also in the executive agencies responsible for its administration. The principal ones were that security assistance be made separate and distinct from AID's economic aid program, with each legislated and funded separately, that more emphasis be placed on multilateral assistance, and that a new administrative structure reflect the functional divisions of the foreign assistance program. Legislation which reflected the major points advocated in the Peterson Report was submitted by the Administration at the beginning of the 92d Congress. The structural reorganization of the U.S. bilateral aid program which took place in 1972-1973 owed a great deal to the Peterson Report.

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<sup>1/</sup> U.S. President's Task Force on International Development. U.S. Foreign Assistance: A new approach. Washington, U.S. Govt. Print. Off., 1970. 39 p.



## V. Congressional Opposition to Foreign AID

While there has been opposition in Congress in varying degrees at different times to the basic idea of foreign aid, this opposition has almost always been directed against military aid or development assistance rather than against humanitarian assistance. Indeed, for over thirty years Congress has consistently supported humanitarian assistance to help cope with the effects of earthquakes, famines, floods, or other disasters. The most recent example of this support is the passage in July 1974 of a \$150 million special authorization for disaster relief for Pakistan, Nicaragua, and the Sahel region of Africa. With this caveat in mind, one may identify congressional opposition to foreign aid as being based on two general positions. These may be described as an economic position and an ideological position.

A. Opposition to Aid for Economic Reasons. Within this general category, there are two strictly economic arguments against aid. The first concentrates on the domestic United States impact of aid giving and holds that the cost of aid is one the U.S. either cannot or should not bear. Those arguing that the economy can not afford development or military aid refer to its inflationary consequences in this country and to the increased taxes the federal government must levy to finance such programs. Those arguing that the economy should not be burdened with payments for development or military aid usually say that the resources would better be used to deal with domestic U.S. problems.

The second general group opposed for economic reasons to development or military aid concentrates on the impact of development assistance on the receiving countries. Here the argument is that less developed countries are incapable of effectively using the aid we provide, and that most of the aid ends up being used for wasteful projects that are not suited to the economic or social conditions in the recipient country.

B. Opposition to Aid for Ideological Reasons. Those opposing aid for ideological reasons assert that U.S. aid, especially military aid, is a form of intervention into the affairs of less developed countries which has negative effects on both the donor and the recipient. For the United States, it is claimed, the provision of aid establishes a generalized form of commitment to the existing government in the recipient country. All too often, this argument states, the existing regime is, or becomes, reactionary or repressive, and the U.S. commitment and world recognition of that commitment are usually harmful to U.S. interests. Furthermore, and the Vietnam conflict is usually cited as an example, the initial generalized commitment established through the aid relationship soon expands to a specific commitment to defend the existing government against its internal or external opponents. At this juncture, the United States becomes drawn directly into the conflict as a result of its earlier provision of aid.

Turning to the recipient's position, those opposed to aid for ideological reasons argue that the aid establishes an unhealthy dependency relationship between the United States and the recipient. This relationship has an enervating effect on the recipient country's leaders since the U.S. intervention takes place in many areas of domestic concern and, thereby, effectively blocks local initiatives. In addition, those opposed to military or development aid for ideological reasons say that the aid has frequently induced cultural or social changes in the recipient country that are harmful to stability or basic social institutions. A concomitant of this argument is the belief that the United States should not be as deeply involved in the concerns of foreign countries and that it is over-committed abroad.



C. Argument in Common Against AID. There are three arguments against the provision of aid which are frequently made by both opposing groups. The first is that economic development is such a large scale and expensive task that the United States should not get deeply involved. And, if it does, it becomes guilty of unfairly raising the expectations of the aid recipients. The second argument is that economic or military aid has become an open-ended process, with the United States having no way to modify its programs as a result of the behavior of the recipient government for fear of alienating that government. Thus, programs are continued long after their effectiveness has diminished or ceased. The last argument presented by both opposing groups is that it is not possible to buy friends. In fact, it is alleged, the opposite is sometimes the case as, on one hand, recipient countries come to expect U.S. aid with no strings attached and, on the other, the United States expects some expressions of gratitude or support and instead finds itself attacked either for meddling or for failing to respond to the needs of the recipients.

TABLE I

SUMMARY FOR ALL COUNTRIES  
(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U. S. OVERSEAS LOANS AND GRANTS - OBLIGATIONS AND LOAN AUTHORIZATIONS													TOTAL LOANS AND GRANTS 1946-1973	REPAY- MENTS AND INTEREST 1946-1973	TOTAL LESS REPAY- MENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD	FOREIGN ASSISTANCE ACT PERIOD									TOTAL FAA PERIOD 1962-1973			
				1946-1948	1949-1952	1953-1961	1962-1965	1966	1967	1968	1969	1970				
<b>I. ECONOMIC ASSISTANCE<sup>a</sup> - TOTAL</b>	<b>12,553</b>	<b>18,633</b>	<b>24,054</b>	<b>17,039</b>	<b>4,784</b>	<b>3,942</b>	<b>4,103</b>	<b>3,524</b>	<b>3,676</b>	<b>3,442</b>	<b>3,941</b>	<b>4,118</b>	<b>48,566</b>	<b>101,520</b>	<b>13,525</b>	<b>87,995</b>
Loans	5,967	2,551	5,850	8,346	2,238	1,662	1,835	1,340	1,389	1,299	1,639	1,391	21,139	34,313	13,525	20,788
Grants	6,586	16,082	18,203	8,693	2,546	2,281	2,267	2,185	2,288	2,143	2,301	2,726	27,427	67,207	-	67,207
<b>a. A.I.D. and Predecessor Agencies</b>	<b>-</b>	<b>14,305</b>	<b>16,885</b>	<b>9,517</b>	<b>2,677</b>	<b>2,419</b>	<b>2,176</b>	<b>1,690</b>	<b>1,877</b>	<b>1,861</b>	<b>2,072</b>	<b>2,001</b>	<b>26,288</b>	<b>55,366</b>	<b>4,886</b>	<b>50,480</b>
Loans	-	1,577	3,266	5,362	1,306	1,195	1,084	723	807	718	625	664	12,484	16,131	4,886	11,245
Grants <sup>b</sup>	-	12,928	13,619	4,155	1,370	1,224	1,092	966	1,070	1,142	1,446	1,338	13,804	39,235	-	39,235
(Security Supporting Assistance)	(-)	(394)	(8,853)	(2,370)	(905)	(773)	(602)	(443)	(503)	(573)	(620)	(622)	(7,410)	(15,718)	-	-
<b>b. Food for Peace (PL 480)</b>	<b>-</b>	<b>83</b>	<b>6,417</b>	<b>5,715</b>	<b>1,558</b>	<b>970</b>	<b>1,329</b>	<b>1,179</b>	<b>1,142</b>	<b>1,231</b>	<b>1,223</b>	<b>1,119</b>	<b>15,466</b>	<b>21,990</b>	<b>2,604</b>	<b>19,386</b>
Title I - Total	-	-	3,867	3,739	1,046	612	952	734	711	791	746	724	10,054	13,921	2,604	11,317
Repayable in U.S. Dollars - Loans	-	-	-	328	282	114	405	507	485	546	683	724	4,074	842	-	3,231
Payable in Foreign Currency - Planned for Country Use	-	-	3,867	3,410	764	498	548	227	226	245	63	-	5,981	9,848	1,762	8,086
(Total Sales Agreements, incl. U.S. Uses)	(-)	(-)	(5,492)	(4,367)	(991)	(640)	(649)	(280)	(272)	(311)	(60)	(-)	(7,569)	(13,061)	(-)	(13,061)
Title II - Total	(-)	83	2,550	1,976	512	359	376	445	432	440	477	394	5,412	8,069	-	8,069
Emergency Relief, Econ. Development, & World Food	-	-	753	730	254	156	180	242	250	250	280	217	2,558	3,312	-	3,312
Voluntary Relief Agencies	-	83	1,796	1,246	258	203	196	203	181	190	197	177	2,853	4,758	-	4,758
<b>c. Other Economic Assistance</b>	<b>12,553</b>	<b>4,045</b>	<b>752</b>	<b>1,807</b>	<b>549</b>	<b>553</b>	<b>598</b>	<b>655</b>	<b>657</b>	<b>350</b>	<b>646</b>	<b>998</b>	<b>6,812</b>	<b>24,163</b>	<b>6,035</b>	<b>18,128</b>
Contributions to Int'l. Lending Org. <sup>c</sup>	635	-	189	717	354	374	424	480	480	180	142	775	3,926	4,750	-	4,750
Peace Corps	-	-	*	246	113	104	107	100	91	85	75	81	1,002	1,002	-	1,002
Other	11,918	4,045	563	844	82	75	67	75	86	85	429	142	1,884	18,411	6,035	12,376
<b>II. MILITARY ASSISTANCE - TOTAL</b>	<b>481</b>	<b>3,002</b>	<b>23,357</b>	<b>7,978</b>	<b>2,290</b>	<b>2,941</b>	<b>2,817</b>	<b>3,248</b>	<b>2,971</b>	<b>4,263</b>	<b>4,597</b>	<b>4,245</b>	<b>35,351</b>	<b>62,175</b>	<b>1,467</b>	<b>60,708</b>
Credits or Loans	-	-	164	460	317	323	263	281	70	743	550	550	3,557	3,698	1,467	2,231
Grants	481	3,002	23,193	7,517	1,973	2,618	2,554	2,968	2,901	3,520	4,047	3,695	31,793	58,477	-	58,477
<b>a. MAP Grants</b>	<b>-</b>	<b>2,517</b>	<b>22,203</b>	<b>6,772</b>	<b>975</b>	<b>877</b>	<b>594</b>	<b>456</b>	<b>385</b>	<b>766</b>	<b>556</b>	<b>582</b>	<b>11,963</b>	<b>36,682</b>	<b>-</b>	<b>36,682</b>
<b>b. Credit Sales under FMS</b>	<b>-</b>	<b>-</b>	<b>164</b>	<b>460</b>	<b>317</b>	<b>323</b>	<b>263</b>	<b>281</b>	<b>70</b>	<b>743</b>	<b>550</b>	<b>550</b>	<b>3,557</b>	<b>3,698</b>	<b>1,467</b>	<b>2,231</b>
<b>c. Military Assistance Service-funded (MASF) Grants</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>201</b>	<b>917</b>	<b>1,594</b>	<b>1,728</b>	<b>2,276</b>	<b>2,308</b>	<b>2,484</b>	<b>2,753</b>	<b>2,849</b>	<b>17,110</b>	<b>17,110</b>	<b>-</b>	<b>17,110</b>
<b>d. Transfers from Excess Stocks</b>	<b>-</b>	<b>160</b>	<b>435</b>	<b>315</b>	<b>64</b>	<b>118</b>	<b>173</b>	<b>224</b>	<b>181</b>	<b>130</b>	<b>141</b>	<b>135</b>	<b>1,480</b>	<b>2,084</b>	<b>-</b>	<b>2,084</b>
<b>e. Other Grants</b>	<b>481</b>	<b>324</b>	<b>555</b>	<b>230</b>	<b>17</b>	<b>29</b>	<b>59</b>	<b>12</b>	<b>27</b>	<b>140</b>	<b>597</b>	<b>129</b>	<b>1,240</b>	<b>2,601</b>	<b>-</b>	<b>2,601</b>
<b>III. TOTAL ECONOMIC AND MILITARY ASSISTANCE</b>	<b>13,034</b>	<b>21,635</b>	<b>47,411</b>	<b>25,017</b>	<b>7,074</b>	<b>6,883</b>	<b>6,920</b>	<b>6,772</b>	<b>6,647</b>	<b>7,705</b>	<b>8,538</b>	<b>8,363</b>	<b>83,917</b>	<b>163,694</b>	<b>14,992</b>	<b>148,702</b>
Loans	5,967	2,551	6,014	8,806	2,555	1,985	2,098	1,621	1,459	2,042	2,189	1,941	24,696	38,011	14,992	23,019
Grants	7,067	19,084	41,396	16,210	4,519	4,899	4,821	5,153	5,189	5,663	6,348	6,421	59,223	125,684	-	125,684
<b>Other U.S. Government Loans and Grants</b>	<b>2,091</b>	<b>898</b>	<b>3,628</b>	<b>1,306</b>	<b>554</b>	<b>1,782</b>	<b>1,372</b>	<b>916</b>	<b>1,491</b>	<b>1,701</b>	<b>2,536</b>	<b>3,543</b>	<b>15,200</b>	<b>21,361</b>	<b>13,658</b>	<b>7,703</b>
a. Export-Import Bank Loans <sup>d</sup>	2,091	898	3,628	1,302	541	1,780	1,264	839	1,379	1,438	2,237	2,347	13,127	19,287	12,994	6,293
b. All Other <sup>e</sup>	-	-	-	4	13	2	108	77	112	263	299	1,196	2,073	2,073	664	1,409

Note: See the General Notes for coverage and qualifications, particularly for A.I.D., and for military programs.

<sup>a</sup> Equivalent to Official Development Assistance (ODA) to Less Developed Countries.

<sup>b</sup> Excludes reimbursements by the Department of Defense for grants to Vietnam.

<sup>c</sup> Data exclude callable capital.

<sup>d</sup> Includes military equipment loans; excludes loans purchased by the Export-Import Bank and guaranteed by the Department of Defense.

<sup>e</sup> Represents short-term credits by the Department of Agriculture under the Commodity Credit Corporation Charter Act unless otherwise identified on individual country pages.

source: AID, U.S. Overseas Loans and Grants, 1974.