CHAPTER 10

Myth 10:
More U.S. Aid Will Help the Hungry

MYTH: In helping to end world hunger, our primary responsibility as U.S. citizens is to increase and improve our government's foreign aid.

OUR RESPONSE: Once we learned that hunger results from antidemocratic political and economic structures that trap people in poverty, we realized that we couldn't end hunger for other people. Genuine freedom can only be won by people for themselves.

This realization doesn't lessen our responsibility, but it does profoundly redefine its nature. Our job isn't to intervene in other countries and set things right. Our government is *already* intervening in countries where the majority of people are forced to go hungry. Our primary responsibility as U.S. citizens is to make certain our government's policies are not making it harder for people to end hunger for themselves.

In light of the demonstrated generosity of many Americans, most of us would probably be chagrined to learn that U.S. foreign aid is only 0.15 percent of our nation's gross national product—that's less than half the percentage of GNP Germany provides, for example, and less than one-fifth of that provided by the Netherlands.[1] Total U.S. bilateral assistance dropped greatly during the first half of the 1990s, as it has for most other wealthy nations.[2] From a high of $20.2 billion in 1985, it fell to $12.3 billion by 1994 and has remained low.[3]

For the world's hungry, however, the problem isn't the stinginess of our aid. When our levels of assistance last boomed, under Ronald Reagan in the mid-1980s, the emphasis was hardly on eliminating hunger. In 1985, Secretary of State George Shultz stated flatly that "our foreign assistance programs are vital to the achievement of our foreign policy goals."[4] But Shultz's statement shouldn't surprise us. Every country's foreign aid is a tool of foreign policy. Whether that aid benefits the hungry is determined by the motives and goals of that policy—by how a government defines the national interest.

During the postwar decades of the Cold War, U.S. foreign assistance was largely defined by a view of the world as divided into two opposing camps. That often meant arming and propping up undemocratic and repressive governments—in Iran, the Philippines, El Salvador, Indonesia, and many other countries—only because they were loyal U.S. allies.

The U.S. government acted as if our vital interests were threatened by any experiment that didn't mimic the U.S. economic model—the free market and unlimited private accumulation of productive assets. Any nation seeking to alter its economic ground rules—Nicaragua, for example—was immediately perceived as having "gone over to the other camp" and thus an enemy. Punishment was swift—usually including the suspension of aid and the arming of opponents of the offending government.[5]

In the rather negative panorama of the Cold War, U.S. foreign assistance did nevertheless have poverty alleviation as a goal, albeit not for the best of motives. Driven by the fear that "communism" would defeat capitalism in the battle for the "hearts and minds" of poor third world populations—by offering them the possibility of greater improvements in material well-being—the United States followed an on-again-off-again policy of funding "basic needs."

In Central America, while propping up corrupt dictatorships with Economic Support Funds (ESF)—basically cash disbursements—and keeping them in power with generous military aid and training, the United States also pressed for and financed basic poverty alleviation policies. The latter included very limited land reforms, marketing boards to help small farmers sell their grain, basic infrastructure development, etc. These reforms were seen as necessary complements to military aid to mollify the populace and keep our friendly strongmen from being overthrown by the disgruntled masses.[6]

During the entire Cold War it often seemed as though the real goal of foreign aid was making the world safe for U.S.-based corporations.

Nevertheless, this goal was often mixed up with Cold War strategic aims, making such a black-and-white analysis difficult. Since the end of the Cold War, however, the more blatant economic aims of foreign assistance have come to the forefront.

From defending freedom in the face of the "communist threat," the goals of foreign aid have more clearly emerged as the promotion of the free market and free trade—of the sort we described in chapters 7 and 8. A 1997 newsletter of the U.S. Agency for International Development (USAID), the government agency in charge of U.S. foreign assistance, put it this way: "The principal beneficiary of America's foreign assistance has always been the United States. . . . Foreign assistance programs have helped the United States by creating major markets for agricultural goods, new markets for industrial exports and hundreds of thousands of jobs for Americans."[7] The same report argued forcefully that the amount of money spent on aid be upped significantly in order to maintain U.S. "leadership in the global arena."[8]

Defining our national interest as opening markets for free trade lines up our nation's might—with our tax dollars and our country's good name—against the interests of the hungry. As we have seen, a different kind of change—profound, society-wide change in control over food-producing resources—is a *sine qua non* for ending hunger. It is impossible to be both against this kind of change and for the hungry.

Poverty Is Not the Focus of Aid

Looking at our foreign aid, we want to highlight seven of the consequences of the current definition of the national interest.

First, U.S. economic assistance is highly concentrated on a few governments. Its focus has nothing to do with poverty. Out of the 130-odd governments receiving U.S. bilateral economic assistance in the mid-1990s,[9] just 15 countries got over half of the total (see table). Israel and Egypt—representing U.S. geopolitical interests—together got almost one-third. The world's 10 poorest countries—most of them in Africa—received less than 5 percent of all U.S. bilateral economic assistance in fiscal year 1994.[10] Despite widespread poverty in sub-Saharan Africa, for example, only two of the top ten recipients, South Africa and Ethiopia, are in that region, and the former is its most economically developed nation.

Top 15 Recipients of U.S. Economic Assistance in 1996 ($ millions)*

1. Israel	1,200.0
2. Egypt	815.0
3. Russia	263.0
4. Ukraine	161.4
5. India	156.3
6. South Africa	131.9
7. Peru	123.9
8. Bolivia	121.0
9. Haiti	116.0
10. Ethiopia	108.0
11. Turkey	105.8
12. Bosnia-Hercegovina	80.6
13. Bangladesh	77.8
14. West Bank/Gaza	76.0
15. Philippines	74.9

*Economic assistance includes development assistance, Economic Support Fund, Food Aid, Peace Corps, International Narcotics Control.

Source: U.S. Agency for International Development, *Congressional Presentation, Fiscal Year 1996 Request.*

Lured by the opportunities of virgin markets, U.S. foreign policy and assistance have found a new target: Eastern Europe and the former Soviet Union, which now compete for aid with the much poorer third world countries (see table).

Second, aid is used as a lever to impose structural adjustment packages on the third world. Since the 1980s U.S. foreign assistance worldwide has been conditioned on the adoption of structural adjustment packages designed by the World Bank and the International Monetary Fund,[11] policies that we described in chapters 7 and 8.

Making a grant or loan conditional on some action being taken by the recipient is called "conditionality." Conditionality works by "tranching" economic assistance packages—that is, dividing the total sum to be donated or loaned to a recipient country into a series of smaller disbursements to be made over time, called tranches. Before each disbursement is made, the recipient must make policy changes spelled out in the "covenants" of the aid agreement that they must sign with USAID.[12]

Between 1982 and 1990 nine U.S. economic assistance packages provided to the Costa Rican government contained a total of 357 "covenants" that made disbursement conditional on more than twenty structural changes in the domestic economy. These included eliminating a grain marketing board that assisted small farmers; slashing support prices for locally grown corn, beans, and rice; allowing more imports from the United States; easing regulations on foreign investment and capital flows; and complying with specific clauses in similar agreements signed with the World Bank and the IMF.[13]

Such conditionality works in a carrot-and-stick fashion. When the Costa Rican congress balked at approving an outrageous new law demanded by the United States that would allow aid to bypass the government and go directly to the private sector, USAID suspended a $23 million disbursement.[14] Ironically, this came at the very moment at which the Costa Rican Central Bank had exhausted the foreign exchange reserves needed for the daily operation of the economy. An internal USAID memo written several months before the incident occurred—which we obtained access to years later—showed just how cynical the United States can be. A top USAID administrator predicted the month in which the reserves would run dry and recommended timing a key disbursement to take advantage of that moment as leverage to guarantee that the desired law would be passed.[15]

It was precisely the replication of changes like this—and of structural adjustment—throughout the third world that produced rising inequalities in the 1980s and 1990s. For most of the third world the 1980s were a lost decade, during which living standards of impoverished majorities fell to pre-1960s levels. Not surprisingly, this became a period of widespread economic, social, and ecological crisis. Millions of the rural and urban poor were cut out from opportunities for progress. Credit, extension, subsidies, and technical education all fell by the wayside as budgets were slashed, and the lifting of tariffs flooded local economies with imported foodstuffs often placed on the world market at prices below local costs of production. As a consequence, poor farmers were caught in a squeeze between the high price of chemicals and other farm inputs and low crop prices, often losing their lands and moving to cities.[16]

Third, food aid often does not target the hungry. When they hear about foreign aid, many people automatically think of ships loaded with food, but such aid constitutes only a fraction of total U.S. bilateral foreign aid, hovering around 9 percent during the 1990s.[17] Moreover, only about 5 percent of total aid is for emergency relief.[18]

Of the nearly 3 million tons of food aid provided by the United States in 1996, almost one-quarter was in the form of PL 480 Title I sales,[19] in which food is sold to third world governments on easy credit terms for resale to local livestock industries as feed, and to local food-processing companies who make pasta, bread, cooking oil, and other products for urban consumers.[20] While the proceeds from these sales must generally be used for "development" purposes, which are specified by USAID, Title I has long been used as a primary tool to create new markets for U.S. grain exports. In practice, it functions as corporate welfare. According to a study published by the University of Nebraska Press:

> The food-aid program represents a free government service designed to help grain-trading companies expand both their current and future sales. Title I sales generate the same profits for the big U.S. grain companies as does any other commercial export. The only difference is that the U.S. government immediately pays the bill. From the point of view of the grain corporations, then, Title I creates immediate markets by having the U.S. government finance purchases that otherwise might not have been made. The recipient countries, meanwhile, come to depend on these foreign food supplies. . . . By encouraging the growth of poultry farms, wheat mills, and soap and vegetable-oil factories, PL 480 helps create a structural dependence on continued imports. When the food aid stops, these industries, needing the supplies to continue their level of operations, will pressure their governments to keep importing the commodities on commercial terms.[21]

USAID bragged in a 1996 report on food aid that "nine out of ten countries importing U.S. agricultural products are former recipients of food assistance."[22] Far from feeding the hungry, Title I food aid first of all puts money in the pockets of giant grain corporations like Cargill, who provide and ship the products;[23] second, supports factory-style poultry producers and food processors; and finally, helps shift consumer tastes in recipient countries away from locally grown crops toward wheat products like bread and pasta.[24]

Much aid to Africa, for example, has been in the form of wheat, even though wheat grows well in very few parts of the tropics. For many countries, such a shifting of tastes is no small concern—it makes long-term self-reliance even more difficult. South Korea became the largest

third world importer of U.S. agricultural goods after years of food aid coupled with intensive marketing of wheat products by AID. This marketing campaign changed the South Korean diet drastically by creating a growing demand for wheat.[25]

Even the funds earned from food sales that are earmarked for "development" frequently end up working against the hungry. These often go for so-called "self-help" measures, like the promotion of further trade with the United States, and market-development activities like trade fairs and port construction.[26]

A second kind of food aid, Title III, works just like Title I but is for poorer countries, allowing the United States to forgive the loans for the purchased food. In 1996 it accounted for about one-eighth of total food shipped.

The Food for Progress program, another type of food aid, was created in 1985 to reward governments who undertake structural adjustment programs. According to the enabling legislation, Food for Progress was "designed to expand free enterprise elements of the economies of developing countries through changes in commodity pricing, marketing, import availability, and increased private-sector involvement."[27] In other words, food is once again being used as a lever to open markets for U.S.-based corporations. While Food for Progress was originally targeted at the third world, the emphasis soon shifted: In 1996, thirty-seven of the thirty-eight donations made under this program went to former socialist countries in Eastern Europe,[28] the newest frontier in market opportunities for U.S. food exporters. Food for Progress shipments accounted for one-seventh of the food donated that year.[29]

The remaining category of food aid, Title II, consists of food that is donated either to support specific development projects or for emergency relief, generally in poor countries, and it accounted for slightly more than half of the food shipped in 1996.[30] These, finally, are the proverbial shiploads that we imagine being sent to the poor in third world countries. Yet even this food often has less than positive impacts.

Title II development food aid is usually distributed through so-called "food-for-work" programs that hire the jobless to provide manual labor for road improvement, irrigation development, and other infrastructure projects, in exchange for food. In theory, society as a whole benefits from this sort of program—the jobless get to eat, while the rest of society gains from the public works projects. Yet a careful examination shows that food-for-work benefits the well-off disproportionally, while the poor receive no long-term gains.

An example from Haiti, where so many people are deprived of enough to eat, makes this clear. In a particular village, one family controlled the local government and community offices.[31] When a U.S. relief agency came to the village with a food-for-work program, this same family was chosen to administer it. Jobless villagers built roads and tended the gardens of a well-to-do village leader, which took them away from their lands five days a week. The wealthy family gained benefits through the improvement of their lands, better access to markets for their produce, and increased patronage power. The workers gained temporary work, which provided food during the slack agricultural season, at the cost of not attending to their own plots, but they did not gain long-term, fundamental changes or a sustainable lessening of their poverty and hunger. Similar stories dot the landscape of food-for-work programs.[32]

Fourth, food aid can actually forestall agricultural development that could otherwise alleviate hunger. The inflow of food aid—even in many emergency cases—has proved time and again to be detrimental to local farm economies. Cheap, subsidized, or free U.S. grains undercut the prices of locally produced food, driving local farmers out of business and into cities.

Somalia is only one case in point. When a civil war began in 1991, domestic transportation was interrupted, precipitating a food crisis in large regions of the country. The UN estimated that almost 4.5 million people—over half of the estimated total population of the country—were threatened by severe undernutrition and malnutrition-related diseases at that time.[33]

Yet in December of 1992, when U.S. troops landed under the UN banner to distribute food and achieve a cease-fire among hostile factions, the worst of the famine was already over. The death rate had dropped from three hundred per day to seventy, and good crops of rice, sorghum, and corn from the agricultural regions of Afgoye and the Shebell River valley had already been harvested.[34] Nonetheless, food aid poured in, driving down the prices received by local farmers for their harvest by a whopping 75 percent. Sometimes they couldn't sell their crops even at the lower prices. Mrs. Faaduma Abdi Arush, a Somali farmer, tried to sell her corn to six relief agencies. None would buy it, as the U.S. government only provided them with funds to buy American food from U.S. companies. Many Somali farmers, unable to make a living by selling their produce, were forced to abandon their farms and join the lines for handouts of imported food.[35]

Nonemergency Title II food aid is sometimes used to support activities such as mother and child health, nutrition, and education programs.[36] The cash for the programs is raised by selling food aid in the recipient country. Or the food is used for lunch programs as an incentive for children to stay in school, or mothers at health centers receive food when they bring their babies to be treated.

While many of these activities seem at first glance to be laudable, we need to look deeper. First and foremost, this kind of food aid is still about the injection of food into the economy of recipient countries, which results in the distortion of food markets. Just as it does with other forms of food aid, this distortion weakens the local food system, drives farmers off the land, and ultimately creates long-term dependency on imported U.S. agricultural commodities.[37] These effects remain whether we are talking about food-for-work, health, or school programs.[38] That is not to say that all programs supported by food aid are misguided. Rather, other ways are needed to carry them out.

For example, mother and child health and nutrition programs can offer substantial benefits to recipients. The alternative to using imported food for these programs should be to purchase food from surrounding areas.[39] This system would strengthen farmers, local merchants, and the economy of the country, as local expertise, knowledge, and resources are utilized to produce the food. As income is generated internally, communities become self-sufficient and sustainable.

However, food aid–based development projects continue to depend on foreign expertise, knowledge, and outside resources to generate income. These projects are not self-sufficient, nor are they sustainable when the aid ends. Not surprisingly, food aid–based development projects have historically been failures. Says former food-aid manager Michael Maren, "Africa is littered with the ruins of such projects."[40]

Fifth, through military aid, the United States contributes directly to armed conflicts around the world—which are a major cause of hunger and famine. Since the end of the Cold War, U.S. military aid has declined, yet in 1998 it still totaled $6 billion, outweighing development assistance by a six-to-one ratio.[41] Arms sales add significantly to the impact of our military aid. Needing to cope with an overproduction problem in the post–Cold War era, American defense contractors have aggressively sought overseas markets, usually with government subsidies to do so. U.S. arms sales in the early 1990s exceeded those of all other nations combined.[42] Global military expenditure by governments is estimated at $1 trillion annually,[43] and that doesn't take into account illicit arms trafficking to nongovernmental belligerents. For every four weapons involved in such trafficking, three are estimated to come from the United States, many of them originally via aid or credits.[44]

Between 1985 and 1995, the belligerent parties in forty-five conflicts around the globe obtained $42 billion worth of weapons from the United States. In 90 percent of the fifty most significant conflicts in 1993–94, one or more parties received U.S. weapons or military technology.[45] Through trafficking, arms sales, and military aid, the United States helps keep dozens of civil wars and other armed conflicts around the world alive and kicking. This is particularly alarming in light of our conclusion in chapter 3 that contemporary episodes of famine are often the product of armed conflicts like that which took place in Somalia. U.S. arm sales and military aid make that possible.

Sixth, "good" aid projects serve a public relations, "window dressing" or "fig leaf" function that obscures an uglier reality. Focusing on the best projects funded by USAID can be misleading as to the overall impact of foreign aid. There are no doubt some projects that when viewed outside of the larger context appear unambiguously positive—but in the final analysis they really facilitate the far more common programs that have net negative impacts, simply because the "best projects" make the very idea of aid more palatable.

In the 1990s "humanitarian relief" missions, festooned with journalists and slick publicity, have been key to building a positive image of USAID—even though such activities represent a tiny proportion of the agency's budget and have ample problems of their own as described above. Environmental projects can also play a public relations role.

One of us had the opportunity to work with such an environmental effort during the 1980s and early 1990s, the Integrated Pest Management Project for Central America. Initially funded with $5 million from USAID, the project's laudable goal was to reduce pesticide use among small farmers in Central America. Who could argue with that? Nevertheless, our experience makes us think twice whenever we see something from USAID that seems too good to be true.

The project suffered from a typical design flaw, namely, a top-down conception of technological change. Project scientists—mostly Ph.D.-trained expatriates—were to research alternatives to pesticides and then train national "experts" in each country, who were to train local extension agents, who would then transmit the new information to farmers. Of course, this rarely happened—because of kinks in the long

chain of collaborating institutions and individuals and because the alternatives finally presented to farmers rarely fit their reality.

The initial funding was approved at the tail end of the "basic needs" period of U.S. foreign assistance, so the project was said to be targeted at small farmers growing food crops, but project implementation coincided with the new emphasis in the 1980s on structural adjustment and related export promotion. Thus, USAID functionaries continually pressed project staff and the host institution to switch our focus to export crops and larger farmers. The host institution and staff held out against these changes, eventually leading USAID to discontinue its support for the project and redirect its funds to more pliable host organizations.[46]

Before the project's funding was terminated, an incident occurred that would be comical if it were not so sad. Congress passed a new requirement that USAID projects incorporate both "women and men" as beneficiaries, in response to criticisms that assistance favored men and left women out. This regulation was imposed when the project came up for renewal. A memo went out from USAID headquarters instructing all field staff to be sure to incorporate the new requirement in future funding requests. In response, the project leader had a secretary do a universal "search and replace" in her word processor. Each time the words "people," "persons," "farmers," "students," "beneficiaries," etc., were used in the renewal request they were replaced with, or preceded by, "women and men." Thus, one section read that "24 women and men farmers will be invited to the field day." No other changes were made to the proposal, which was approved without comment. In subsequent congressional hearings, USAID staff were able to argue that gender was now an integral component of development aid.

But these details about the project actually miss the real reason its overall impacts have been negative. The project was frequently used by USAID to show policy makers, journalists, Central American government functionaries, and others the friendly face of U.S. policy in the region. Even though it accounted for a tiny fraction of USAID money spent during the 1980s, it had a high profile. Thus, it served as a fig leaf hiding the true thrust of aid spending in the region: the overthrow of the revolutionary Sandinista government in Nicaragua[47] and the structural adjustment of the region's other economies.[48] In the end, its real function in the larger scheme of things was to make the overall U.S. presence in Central America more palatable, thus indirectly facilitating less beneficent ends.

Finally, even most "development assistance" fails to help the poor and hungry. Only 18 percent of U.S. bilateral aid is even called development assistance. How is this development aid spent? During the 1960s and early 1970s, much of it went to install infrastructure (power plants, transportation and communication facilities, and the like) benefiting mainly businessmen, landlords, and others in an economic position to take advantage of such facilities. In the late 1970s and early 1980s, the trend was more toward smaller-scale projects, including agricultural credit programs and the development of small and medium-size businesses. But even these smaller-scale projects failed to reach the poorest, concluded a major study by the World Bank and the International Monetary Fund.[49]

This general finding was borne out by USAID's own program evaluations. One report reviewing twelve years of small-farm credit programs noted that benefits were "highly skewed against the small farmer and the landless poor."[50] The reasons for this failure were clear enough—very few of the poor had titles to farms large enough to satisfy the requirements of a credit application. Since the majority of rural poor in most third world countries are landless, even the best farm credit program could never help them.

In the 1980s and 1990s a major trend has been to promote nontraditional exports. In Central America, for example, USAID has been pushing farmers into hopelessly competing for volatile niche markets by promoting new export crops. These Non-Traditional Agricultural Exports (NTAEs) range from passion fruit and broccoli to macadamia nuts and melons and have been vigorously advanced through massive foreign aid subsidies and fierce pressure on local governments. Central American farmers and governments now find themselves saddled with risky agricultural ventures that have destabilized traditional production of food crops for local consumption. The net result is deepening poverty and economic insecurity in agricultural communities throughout Central America. In stark contrast to USAID's stated aim of stabilizing Central America's economies, NTAE programs have intensified the inequities between small farmers and wealthy landowners.[51]

A 1983 USAID project in the Guácimo district of Costa Rica offers a poignant yet not atypical case in point. Investing money, credit, technical assistance, and marketing expertise, USAID encouraged poor farmers at the El Indio land settlement to switch from traditional yellow corn production to cocoa, tuber crops, and ayote squash for export to the growing Latino market in the United States. In the project's first season, farmers were provided with imported, disease-free seed,

a full-time extension agent, and an advance purchase contract. The incomes of the farmers who participated soared in the first year, up to forty times more per acre than their neighbors who continued growing corn.

But just one year later, the El Indio venture began to unravel. The NTAE project no longer provided seeds, there was no marketing contract, and the extension agent was employed only part-time. Still, enticed by the previous year's success, more farmers took the plunge. The results were disastrous. Crop prices dropped as global competition heightened. Due to the low-grade seeds used the second year, much of the harvest was hit by disease—discouraging buyers from all but a small portion of the crops. Half of the farmers defaulted on their credit, and the forty who persisted defaulted in the following year.[52]

The El Indio experience and many others like it provide a cautionary tale of the pitfalls of pushing exports at all costs. Promoting capital-intensive crops for unproven markets, NTAE projects are a high-stakes gamble for peasants. Small farmers face hurdles at every step along the way.

In Guatemala, for example, the initial investment to plant nontraditional export crops ranges from five to fifteen times higher than that for traditional corn and beans.[53] Crossing this barrier means taking out risky credit and loans that frequently have interest rates biased against poor farmers and can easily lead to losing the farm after a bad harvest.[54]

The fate of small farmers in the nontraditionals industry has been similar to their fate with traditional exports and in the Green Revolution. Nontraditionals are expensive to produce—requiring enormous quantities of pesticide, fertilizer, and technical expertise, favoring larger, better capitalized producers. Because these are perishable products, small farmers are often unable to place their produce in Northern markets with quality standards, giving the edge to the giant fruit companies.

Unable to compete with better-financed growers, and heavily in debt because of high production costs, many small farmers have been driven out of business by trying to produce nontraditional exports. At the same time, chemical pesticides and fertilizers have seriously degraded the productive capacity of the soil in many regions and contaminated the environment.[55]

Growing corn and other basic staples is no longer profitable either, due to the flooding of local markets with cheap grain via free trade, and to cutbacks in price supports and marketing imposed by structural adjustment programs. As a result, small farmers have migrated to cities and to developed countries in huge numbers, fleeing the policy-driven collapse of rural livelihoods. The winners under current policies have been, first and foremost, international companies able to compete in the emerging global food system, and the net losers have clearly been the rural poor and the environment.

While the poor may not be the chief beneficiaries of development assistance projects, one group that does benefit handsomely includes the U.S. corporations, consulting companies, and universities that get USAID contracts. An independent study found that 29 percent of U.S. development assistance was 100 percent tied to purchases from companies in the United States—an amount greater than the total of U.S. assistance to sub-Saharan Africa.[56]

Funds for aid pass though many hands before reaching the supposed beneficiaries. So the question we must ask is, How likely is it that resources channeled through the *powerful* will help the *powerless*?

The already better off are positioned to capture a disproportionate share of any economic gains offered by development aid. And with their new resources, they can often further tighten their grip over land and other productive resources, thereby worsening the plight of the poor. Thanks to a bribe to a technician, an irrigation pump earmarked for a cooperative of poor farmers in Bangladesh winds up belonging to the village's richest landowner; he graciously allows his neighbors water from the new well in exchange for a third of their harvests. The pump and the added revenue give the "waterlord" the incentive to take over more land by foreclosing on the small farmers in debt to him. Thanks to his heightened prosperity, the landowner can now buy an imported tractor, eliminating desperately needed jobs for the village's landless families.

This and similar scenarios, endlessly repeated, entrench the already well off and add to their incentive to fight demands for democratic control over productive resources. In many countries, rich landowners are known to hire thugs to intimidate and even murder villagers who dare to protest or organize self-help cooperatives.

Only projects that reinforce the poor's initiatives to tackle the extreme inequalities in power within the village have a chance of improving the lives of the majority. However, most governments are unlikely to look kindly on such activities, for fear of antagonizing powerful elites.

But we hesitate even to use this space to question the possibility of government-sponsored development projects helping the poor within elite-dominated societies. To do so may mislead, for it is so easy to lose sight of the big picture.

No matter how sensitively designed the aid project, prospects for the poor majority—whether they will have land, jobs, food, and economic security—hinge largely on forces *outside* their villages. To whom is their government accountable? To whom are international bankers who make loans to their government accountable? And what about the corporations dominating trade in their country's exports? Such questions point us to what we call the iceberg. Foreign aid is only the tip.

The Iceberg

Focusing only on official aid can blind us to many other ways we citizens of the United States are linked to the lives—and hopes—of the hungry. We need to take responsibility not just for what our government does in the name of "aid" and otherwise—but also for what corporations and other institutions based in our country do (often supported directly or indirectly by our "aid" and other subsidies).

The iceberg is the action of the private sector—transnational corporations, investors, and currency speculators—and the less visible actions of the United States and other Northern governments to support their free rein in the third world. Some forty thousand corporations control two-thirds of global trade in goods and services, and most of that is in the hands of only a few hundred corporate giants.[57] In 1995, for example, General Motors' sales were greater than the gross national product of 169 countries, including Saudi Arabia, South Africa, Malaysia, and Norway.[58]

In the last few years, there has been a tremendous increase in private foreign investment, concentrated in the wealthier developing countries. The World Bank reports that the overall volume of private-capital flows to developing countries quadrupled in the first half of the 1990s, accounting for three-quarters of all long-term flows to developing countries.[59] While governments are backing out, private investors are taking their place. Private investment has become the main source of external financing for many middle-income countries, though the majority of low-income countries still rely primarily on official sources of financing.[60] That may yet change as corporations seek virgin territory for new investments.

In 1996 the Clinton administration announced plans to boost the 8 percent U.S. share of the sub-Saharan Africa market, meager in comparison to Europe's 40 percent share.[61] The United States is using free-trade language to argue that Africa, the "last frontier of American business,"[62] should open up to greater U.S. trade and investment.[63] Key, high-profit sectors of African economies, such as infrastructure (roads, telecommunications) and mining are targeted.[64] In June of 1997, at the G-8 Africa Summit in Denver, reminiscent of the famous 1883 Berlin Conference scramble for Africa, the future of African trade was discussed by the Northern countries, in the conspicuous absence of African delegates.[65]

Over and above its foreign aid program, through numerous other public channels (not to mention covert ones like the CIA), the U.S. government supports policies that promote business interests, often in ways diametrically opposed to the interests of the hungry.

U.S. government agencies like the Export-Import Bank (EXIMBANK) and the Overseas Private Investment Corporation (OPIC) can have a greater impact on the economy and policies of a third world country than official U.S. foreign aid, although few Americans have ever heard of them. Both offer financing and loan guarantees—backed by U.S. taxpayers—to finance exports of goods and services. In accordance with the turn toward greater private capital flows relative to official aid, EXIMBANK loans, guarantees, and insurance rose from $12 billion in 1980 to $53 billion in 1995,[66] more than five times greater than total U.S. foreign assistance.[67] In more than one case of corporate welfare, EXIMBANK largely backs the efforts of transnational corporations like Boeing, General Electric, and Westinghouse to penetrate overseas markets and outcompete local companies. Small U.S.-based businesses receive only 12–15 percent of EXIMBANK financing.[68] In the mid-1990s OPIC supported $84 billion of investments by U.S. corporations in 140 countries and played a key role in the corporate takeover of the former Soviet bloc countries in Eastern Europe.[69]

How Aid Could Benefit the Hungry

Whether U.S. foreign aid can benefit the hungry depends on how our government defines our national interest. Thus, a first step in putting ourselves on the side of the hungry is to work to *change our government's definition of our national interest.* Less control—less striving to make the world conform to the U.S. model and respond to U.S. fears—would actually mean more security for all.

After years of studying our foreign aid program, we have learned that foreign aid is only as good as the recipient government. *Foreign aid only reinforces the status quo.* It cannot transform an antidemocratic

process working against the majority into a participatory government shaped in its interests. Where the recipient government answers only to a narrow economic elite or foreign corporations, our aid not only fails to reach the hungry, it girds the very forces working against them.

We do not suggest that we simply abolish foreign aid. The accumulated debt "owed" to the third world by Northern countries for centuries of unbridled profit taking through conquest, colonialism, mineral and other natural resource extraction, unequal trade, labor exploitation, and other forms of corporate pillage is too great to say nothing should be sent back.[70]

The problem is *how* to give something back, since as we've seen in this chapter, even the best-intentioned humanitarian aid can have negative consequences if the recipient government is based on elite local and foreign interests.

An immediate step that we as citizens can take is to tell our representatives that the best use for our money is not supporting the status quo but alleviating the largest economic barrier to true development in the third world—its foreign debt.

The combined debt of third world countries reached almost $2 trillion in 1996.[71] The bulk was accumulated largely as a result of Northern banks—flush with the "petrodollars" deposited with them by oil-producing countries in the 1970s—needing to place an unprecedented volume of loans. Once developed countries were "borrowed out," the banks turned to the third world, like snake-oil salesmen, selling huge loans for megaprojects that many knew would never pan out. The structural adjustment programs of the 1980s and 1990s have been designed in part to induce the third world to pay off that debt; the IMF and World Bank acting out the role of debt collectors for private banks. In various refinancing agreements, the debt owed to private banks has been assumed by agencies like the IMF, who are ultimately funded by taxpayers, and to whom much of the debt is now owed.[72]

That debt—for which the lenders bear as much or more responsibility than the borrowers, is now stifling economic development and social services throughout the third world. Repayments from Zambia to the IMF between 1991 and 1993 were $335 million, compared to $37 million spent on primary education. In Honduras, annual debt payments exceed the amount spent on health and education combined.[73]

In fact, annual interest payments alone by all third world countries amounted to $81 and $85 billion in 1994 and 1995, respectively, roughly equal to the $80 and $90 billion they received in total direct foreign investment and easily outstripping the $48 and $64 billion they received in total development assistance from Northern countries. Total debt payments (principal plus interest) were $190 and $213 billion in the same years, greater than the sum of investment plus assistance.[74]

Our institute and two hundred other organizations have joined together in the 50 Years is Enough Campaign against the IMF and the World Bank. These two institutions, which celebrated their fiftieth anniversaries in 1994, play key roles in policing the third world's debt. The campaign calls for debt relief for third world countries. Aid dollars could be made into something positive and noninterventionist if they were spent on debt relief—as long as they were not tied to structural adjustment–like conditions, which are so onerous for the poorer majorities.

One could argue that such unconditional debt relief might not end up benefiting the hungry, either—because most third world governments do not truly represent their poor majorities. This is a legitimate concern—yet, in the end, if we have learned anything, it is that real change starts with people themselves. Our job is to not block that change through conditional aid, or equally conditioned debt relief, that mandates the strengthening of a status quo in which the rich get more powerful and the poor more marginalized. If we allow our government and major lending institutions to "get a foot in the door" by agreeing that debt relief be conditioned—with our conditions, of course—we will most likely see the conditions distorted to meet ends other than those we support, just as has happened with originally well-intentioned foreign aid.

Rather, we must make our government and corporations stop blocking change—that is perhaps the most important step in making real change possible in third world countries. As individuals, and through the organizations we belong to, we can also support the movements of local people to bring about change on their own terms. We should not think or act as though we know better than they—or that we can or should tell them what to do or how to do it.

Understanding the nature of U.S. foreign aid—that it does not, and in most countries, cannot, help the hungry—does not lead necessarily to a there's-nothing-I-can-do dead end. It is actually the first step in perceiving the many and varied actions open to all who are determined to end world hunger. In our concluding essay, and in the other publications of our institute, we offer suggestions as to how to seize the opportunities all around us.