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America's Hypocritical, Counterproductive Foreign Aid **by James Bovard**

THE BUSH ADMINISTRATION has been triumphantly shutting down and seizing the assets of one Muslim charity after another. In some cases, such as that of the Holy Land Foundation, the evidence appears based largely on accusations from informants who overheard speeches seven or eight years ago. In other cases, the Treasury Department is releasing no information but merely announcing that the U.S. government has sufficient evidence to shut down the malefactors.

When asked how much evidence or involvement was necessary to shut down a nonprofit organization, President Bush replied that “one dime of money into a terrorist activity is one dime too much.” Bush’s Executive Order 13224, issued on September 23, gives the Treasury Department vast discretion to freeze the assets of any organization suspected of aiding terrorist organizations. After the freezing of the assets of the Holy Land Foundation, Bush declared, “Those who do business with terror will do no business with the United States or anywhere else the United States can reach.”

But does the U.S. government pass the Bush “one dime” standard? The United States gives more than \$10 billion in foreign aid each year to foreign governments and foreign and international organizations. Tyrannical regimes are the worst terrorist organizations in the world, with respect to racking up impressive body counts. Foreign aid has been aptly described as handouts “from governments, to governments, for governments.”

The U.S. government will give more than \$120 million this year to the government of Uzbekistan, a convenient ally in the war against the Taliban and al-Qaeda. The nitpickers at Human Rights Watch have complained about Uzbek government officials seeking to enlighten dissidents with methods such as “beatings, electric shock, temporary suffocation, hanging by the ankles or wrists, removal of fingernails, and punctures with sharp objects.” Sen. Paul Wellstone

(DMin.), who supports the aid to Uzbekistan, stressed that it is “terribly important that we not uncritically align ourselves with governments which torture citizens.” But what is the difference between uncritically and critically using U.S. tax dollars to underwrite torture?

Many regimes with dubious human-rights records collect windfalls from American taxpayers, including Egypt (which routinely uses torture), Israel (which has a formal policy of assassinating suspected Palestinian militants), and Kyrgyzstan and Kazakhstan, two repressive countries with “poor” human-rights records, according to the U.S. State Department. In 1998, the U.S. government condemned the Kosovo Liberation Army for its “terrorist action”; in 1999, it christened the KLA “freedom fighters” and deluged them with arms and aid.

The U.S. government is providing more than a billion dollars in aid to the government of Colombia to finance its war on coca growers and on leftist guerrillas. Human Rights Watch reports that the “human-rights situation in Colombia has deteriorated markedly” since the Clinton administration pushed through a package greatly increasing U.S. aid to Colombia in 2000. The number of massacres by paramilitary forces allied to the government is skyrocketing. U.S. law prohibits U.S. foreign aid from going to security forces with records of atrocities and abuses; however, President Clinton waived that provision, allowing U.S. tax dollars to directly bankroll unjustified killings.

The U.S. government is the largest funder of the World Bank, which slops out money willy-nilly to almost any government willing to sign a loan application. The bank has a long history of financing governments that terrorize their subjects. It has financed the brutal forced resettlement of Tanzanian villagers, Ethiopian farmers, and Indonesian refugees. Millions of people have seen their lives uprooted or ruined thanks in part to U.S. government contributions to the World Bank.

The World Bank, until late 2000, heavily financed the dictatorial socialist regime of Robert Mugabe in Zimbabwe. That regime became so corrupt and violent that the bank temporarily ceased disbursing money to him. Last year Congress passed the Zimbabwe Democracy and Economic Recovery Act to require that government to cease its campaign of murdering and expropriating white farmers before the U.S. representative at the World Bank would vote for new aid to Zimbabwe.

But the United States does not have a veto at the World Bank, and other bank members may decide to resume aid to Mugabe if he makes a few cosmetic reforms. If so, U.S. tax dollars will again be financing his oppression.

Foreign aid and terrorism

The U.S. government is probably spending far more to finance terrorist activities with its foreign-aid programs than Muslim charities are raising in the United States. The only defense for U.S. foreign-aid programs is that terrorism is not terrorizing if it is inflicted by people wearing government uniforms. But this is a distinction that guts human-rights protections for the vast majority of people in the world.

And even when foreign aid does not go to terrorist governments, the money is usually squandered. Bush recently announced plans to increase U.S. foreign aid by \$5 billion over the next three years. As William Easterly, who was a senior World Bank economist until shortly after he published a book on the failure of foreign aid, noted recently, “When governments’ incentives are for political patronage rather than development, aid supports incompetent but politically connected schoolteachers, builds schools without textbooks, and roads that attract crooked contractors but little maintenance.”

Easterly noted that the World Bank and IMF gave 21 “structural adjustment” loans to the Kenyan government headed by Daniel Arap Moi — despite Moi’s “running his nation’s economy into the ground and enriching cronies. His current government even includes a cabinet minister who was accused by an independent inquiry of having ordered the murder of another cabinet minister who was a reformer.”

Foreign aid is often criticized for pouring U.S. dollars down “foreign ratholes,” in Sen. Jesse Helm’s apt phrase. However, foreign aid can actually severely harm foreign economic development. For instance, the World Bank played a major role in nationalizing the development process throughout the Third World. In many countries, development finance companies (DFCs) have largely taken the place of commercial banks. As a World Bank report noted,

A number of DFCs owe their existence to an initial World Bank commitment and continue to exist largely as favored channels for Bank financing.... [The] World Bank opened its loan window to governmental DFCs in 1968; several companies that had originally been largely private [in India, Pakistan, Singapore, Sri Lanka, and Nigeria] came effectively under state control. Today the great majority of DFCs in the developing world ... are state owned....

The bank study concluded that private DFCs were more efficient, had higher profits, and had “been more active in the development of capital market institutions and instruments.”

Poor investments financed by the World Bank do not only waste money in themselves, they have also dragged down the entire economy. A confidential bank report quoted a Kenyan government report:

Troubled investments have required an inordinate amount of the time of government administrators, managers and policymakers, hence diverting their attention from the more basic development needs of the nation.... Kenya is another country suffering from having accepted many offers of foreign assistance not well suited to its needs. The recurrent costs of efficiently maintaining and operating projects constructed with donor assistance are beyond the budget capacity of central and local governments.

Foreign aid consists largely of one government's "helping" another government by beefing up its budget, increasing its power over the private sector, and multiplying its leverage over its citizens. As economist P.T. Bauer observed, there is an "inherent bias of government-to-government aid towards state control and politicization." Foreign aid greatly increases the patronage power of recipient governments. As Bauer notes, "The great increase in the prizes of political power has been a major factor in the frequency and intensity of political conflict in contemporary Africa and in the rest of the less-developed world."

If the U.S. government wants to reduce funding for terrorism, it should cease all aid to foreign governments and organizations such as the World Bank. In the same way that Bush is shutting down Muslim charities on the basis of any suspicion of misdirected contributions, the federal government must abandon its addiction to throwing money at foreign governments. There are much better ways to help the poor people of the world than throwing more U.S. taxpayer money at their rulers.

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