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Bush's Foreign-Aid Fraud

by James Bovard

President Bush has doled out more than \$70 billion in foreign aid and loan guarantees to foreign governments, countries, and international organizations. He committed billions in new aid in large part to get the endorsement of a rock star and to garner applause at a United Nations summit.

Because a minuscule percent of the aid will be paid out from a new program created to encourage foreign politicians not to steal, Bush talks as if his aid is revolutionizing the Third World. Yet, early in his first term, Bush and his top aides were honest and blunt on the failure of foreign aid:

- Treasury Secretary Paul O'Neill denounced the World Bank and International Monetary Fund for driving many poor nations "into a ditch" with excessive lending that governments wasted.
- In an April 30, 2002, speech on compassionate conservatism, Bush declared, "The old way of pouring vast amounts of money into development aid without any concern for results has failed, often leaving behind misery and poverty and corruption."
- A September 2002 White House report declared that foreign aid "has often served to prop up failed policies, relieving the pressure for reform and perpetuating misery."

Foreign aid fails in part because of pervasive corruption. A 2003 report from a leading Bangladesh university estimated that 75 percent of all foreign aid received in that country is lost to corruption. Northwestern University political economist Jeffrey Winters estimated that more than 50 percent of World Bank aid is lost to corruption in some African countries. President Olusegun Obasanjo of Nigeria announced in 2002 that African leaders "have stolen at least \$140 billion from their people in the decades since independence."

An African Union study pegged the takings at a much higher rate, estimating Africa's toll from corruption at \$150 billion every year. Lavish automobiles are so popular among African

government officials that a word has come into use in Swahili — *wabenzi* — for “men of the Mercedes-Benz.” Investment guru Jim Rogers, who recently drove around the globe, declared,

Most foreign aid winds up with outside consultants, the local military, corrupt bureaucrats, the new NGO [nongovernmental organizations] administrators, and Mercedes dealers. There are Mercedes dealers in places where there are not even roads.

A Brookings Institution analysis observed,

The history of U.S. assistance is littered with tales of corrupt foreign officials using aid to line their own pockets, support military buildups, and pursue vanity projects. It is no wonder that few studies show clear correlations between aid flows and growth.

A Heritage Foundation report noted, “Most recipients of U.S. development assistance are poorer now than they were before first receiving U.S. aid.” Former World Bank senior economist William Easterly estimates that World Bank and IMF loans “actually boosted poverty worldwide by a total of 14 million people.”

Foreign aid breeds kleptocracies, or governments of thieves. A 1999 National Bureau of Economic Research study concluded that “countries that receive more [foreign] aid tend to have higher corruption.” A 2002 *American Economic Review* study by the same authors concluded that “increases in aid are associated with contemporaneous increases in corruption” and that “corruption is positively correlated with aid received from the United States.”

Foreign aid can also spur civil wars. As Nobel laureate economist P.T. Bauer noted,

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.

Bush’s comments on the failure of foreign aid have been among his more astute utterances. Since foreign aid is an indisputable failure, he resolved to start a new foreign-aid program.

Bush’s foreign-aid conversion

The propellant of Bush’s foreign-aid “conversion” was a UN summit on global poverty in Monterrey, Mexico, in March 2002. Bush agreed to go and speak to the meeting after being pressured by his buddy, President Vicente Fox of Mexico. Because administration officials vocally criticized foreign aid, White House aides feared Bush could receive a hostile reception.

But Bush cleverly disarmed critics by promising to greatly increase U.S. foreign-aid spending. He arranged to have the Irish rock star Bono present for his March 14, 2002,

announcement; the *Washington Post* noted that the White House “clearly craved” Bono’s support and that “Bono looked on approvingly” as Bush promised four days before the UN conference to boost foreign aid by \$5 billion over a three-year period.

The White House was chagrined when Bush’s proposal did not generate massive international applause. So on the day before he left for Mexico, White House officials revealed that there had been a glitch in the original announcement and that Bush actually planned to give away more than twice as much money under the new program. White House spokesman Ari Fleischer said the mistake was simply a result of “confusing” math. National Security Adviser Condoleezza Rice explained, “We didn’t want to go out there with essentially false or phony numbers.” The *New York Times* noted that “skeptics said the White House was just adding on billions to make sure that the president was a hit in Monterrey.”

Even before arriving in Monterrey, Bush bragged about the money he was bringing. In a March 20, 2002, interview with Peruvian radio, he declared, “I’m coming with this, what we call the Millennium Challenge Fund, which is \$10 billion of new money.” (The name was later changed to Millennium Challenge Account, or MCA.)

At that time, the United States was already the largest foreign-aid donor in the world. But many foreign governments were miffed because the U.S. government did not give away a higher percent of the U.S. gross national product. The World Bank and other international organizations were beating the drums to double the amount of foreign aid by the year 2015. Perhaps the World Bank assumed that doubling foreign aid would finally resolve, once and for all, whether all that money really was vanishing into bottomless holes.

In his speech to the UN conference, Bush piously informed world leaders that foreign aid could harm: “Pouring money into a failed status quo does little to help the poor, and can actually delay the progress of reform.” Since the speech occurred after 9/11, Bush invoked anti-terrorism to justify the largesse: “We fight against poverty because hope is an answer to terror.” And, in a startling revelation that instantly altered humanitarian efforts around the globe, he revealed, “We must do more than just feel good about what we are doing; we must do good.”

Less than three weeks after he slapped high tariffs on steel imports, Bush lectured the world that “to be serious about fighting poverty, we must be serious about expanding trade.... Trade brings expectations of freedom.” He portrayed market openings as panaceas: “As one example, in a single year, the African Growth and Opportunity Act has increased African exports to the United States by more than 1,000 percent....” In reality, the value of African exports to the United States decreased after the act was implemented (largely because of a fall in the price of oil).

Bush said the aid provided through the MCA would be “devoted to projects in nations that govern justly, invest in their people, and encourage economic freedom.” He assured the world that “by taking the side of liberty and good government, we will liberate millions from poverty’s

prison.” He was confident that the new handouts and the new rhetoric gave both him and America the moral high ground.

Bush was hailed by dignitaries whose programs have long failed the world’s poor. The United Nations Development Program chief, Mark Malloch Brown, gushed, “There could be no more potent spokesman for increased aid than George W. Bush, the war leader.”

The fraud of foreign aid

The White House did not bother submitting legislation to Congress to establish the new program until January 2003. Condoleeza Rice proudly declared in February 2004, “The Millennium Challenge Account is revolutionizing the way America provides aid to developing countries.” At that point, no MCA money had gone out and the State Department had not even bothered to publish the standards by which applicants for the money would be judged.

The State Department finally released the MCA aid criteria on March 10, 2004. Among the 16 factors by which applicants will be judged are political liberties, consumer-price inflation, “regulatory quality,” and “days to start a business.” Governments will also be judged by their “performance in ensuring the rights of people with disabilities.”

The MCA is based on the revelation that it is unsound policy to give money to foreign leaders who steal, but the Bush administration is fastidiously avoiding applying the MCA “lesson” to other U.S. foreign aid. The idea of bribing foreign politicians to encourage honesty makes as much sense as distributing free condoms to encourage abstinence. The United States has doled out more than \$500 billion in foreign aid since 1946, and Washington is knee-deep in foreign-aid experts.

The State Department may rely on Transparency International, an international nonprofit organization, for assessing the corruption levels of governments that apply for MCA aid. However, according to Transparency’s ratings, the U.S. government is already bankrolling many of the most corrupt governments in the world, including Nigeria, Bangladesh, Haiti, Tajikistan, Paraguay, Indonesia, Kenya, Azerbaijan, and Kyrgyzstan. Bush’s launch of the MCA does nothing to reduce the corrupting effects of other existing aid programs.

Bush profits from U.S. foreign aid regardless of how much damage the handouts inflict on the Third World. Foreign aid is usually judged as an abstract idea and as a moral ideal. All that matters is that an American politician cared enough to give away Americans’ money abroad — thereby earning the praise of rock stars, of the media, and of foreign leaders who have their hands in the till.

Bush preaches that foreign politicians must prove their worthiness to receive bonus U.S. aid. But there is no requirement for American politicians to show that they have reformed, to prove that they are worthy to dole out other people’s money to their foreign friends and lackeys.

Bush talks about foreign corruption, but it is also corrupt for him to seize money from Americans and send it abroad, especially when he knows the aid will finance corruption.

The louder Bush praises the MCA, the more he damns himself for failure to end traditional U.S. foreign aid. Since studies show that “corruption is positively correlated” with receiving U.S. aid, the surest way to reduce corruption is to end U.S. foreign aid.

*James Bovard is author of [**The Bush Betrayal**](#) as well as [**Lost Rights**](#) (1994) and [**Terrorism and Tyranny: Trampling Freedom, Justice and Peace to Rid the World of Evil**](#) (Palgrave-Macmillan, September 2003) and serves as a policy advisor for The Future of Freedom Foundation.*

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