

BRITAIN AND THE HUNGRY MILLIONS

Idris Cox

2. Development and Aid

The first part of this article, printed in the April *Labour Monthly* showed world hunger and poverty to be the inevitable consequence of imperialist exploitation of the 'developing' countries. Many schemes for 'economic aid' have been conceived to hide the process of imperialist robbery and in this final article the various projects for development and aid are examined.

The two main United Nations 'economic aid' schemes, are, first, the Special United Nations Fund for Economic Development and second, the Expanded Technical Assistance Fund. Then there is the World Bank (dominated by United States banks) whose full title is the International Bank for Reconstruction and Development. It created a special agency, the International Development Association to extend loans at commercial rates for 'developing' countries. All these schemes count for little or nothing in contrast with the total sums allocated in the 'bilateral' economic aid schemes of the capitalist countries. They constituted only 7 per cent of the total 'economic aid' schemes of the capitalist world in 1956, rose to the peak figure of 13 per cent in 1961 (after the big jump in 1960 in the number of independent states) and dropped again to 6 per cent in 1963.

The Colombo Plan for the non-socialist region of south and south-east Asia is not really a plan, for all the trumpet-blowing. It is not even British. It is simply a co-ordination of 'bilateral' aid from Britain, U.S., Canada, Australia, New Zealand, and Japan, combined with the normal budgets of these countries. The 'bilateral' schemes of the United States and Britain account for more than two-thirds of the total capitalist world. So an analysis of U.S. and British 'economic aid' schemes (with minor variations) gives the basic pattern.

The channel for the United States is the 'foreign aid programme' which has to be approved every year by Congress. For the ten years from 1946-1955 inclusive, it reached the colossal total of \$51,300 million. This covered every conceivable aspect of 'foreign aid'—Mutual Security programme, Marshall Plan, U.N.R.R.A., Point IV plan, etc. When this huge sum is broken down, it is revealed that 70 per cent went to Europe, 20 per cent went to Asia, only 8 per cent

went to Africa and the Near East, and a bare 2 per cent went to Latin America. Moreover, the bulk of all this had nothing to do with 'economic aid'. Nearly 80 per cent was for direct military expenditure, an unspecified amount was for economic aid to military projects, less than 5 per cent was for 'development assistance', and 4 per cent was for technical co-operation.

In the succeeding eight years of 1956-63, the annual average declined from \$5,000 million to \$3,000 million, with a total of \$22,541 million for the whole period. The main difference was less for Europe, but considerably more for south-east Asia, especially in military expenditure. Early in 1963, President Kennedy appointed the Clay Committee to examine the U.S. 'foreign aid programme', and when its report was presented the London *Times* made this comment:

American aid is just not aid, but part of foreign policy. The committee calculated that 44 per cent of American aid in 1962 was military and economic support for allied countries bordering the communist bloc, and if the sums spent in Vietnam and Laos and other 'border countries which wish to retain their independence though not allied with us' are included, the share of total appropriations comes to 72 per cent. (March 28, 1963.)

The leopard has not changed its spots. President Johnson's request for \$3,380 million for the current year 1965-66 was cut by Congress to about \$3,000 million, one-third of which is openly for military aid—apart from further 'economic assistance' for direct military projects. The *Economist* on January 23, 1965, pointed out that:

In the reduced total the amount allocated to military assistance is actually larger, having been allowed to rise to \$1,170 million from \$1,055 million, requested and granted last year.

With the enormous 'escalation' of military equipment and troops into South Vietnam since January, it is obvious that 'military assistance' now takes a bigger slice than ever of the 'foreign aid programme'.

Successive legislative Acts have made provision for British overseas 'economic aid'. The first was the Colonial Development Act (C.D.A.) in 1929 'to aid and develop agriculture and industry in the Colonial Territories, and thereby to promote commerce with, or industry in the United Kingdom'. This provided only for £1 million a year. It was replaced in 1940 by the Colonial Development and Welfare Act (C.D.W.A.). This provided for grants of £5 million a year, but in the first six years the total allocation was only £10 million. In the ten years 1946-55 inclusive, the total grants reached £150 million. At the rate of £15 million a year, this worked out at that

time to less than a penny a week for 82 million colonial peoples! Even so, only £545,202 of this amount was spent on direct 'industrial development'—less than £1 in every £300. Thirty times more was spent on roads, 22 times more on water supplies, and 15 times more on surveys and reports.

In other words, the chief aim was to build an 'infrastructure' (including schools, hospitals, houses, etc.). This enabled overseas monopoly firms to have cheap public services—roads, bridges, power, irrigation—and also provided a growing labour force. The undoubted benefit to the colonial peoples, though limited, was really a by-product of imperialist economic aims. Another channel was the Colonial Development Corporation Act 1948 which had the power to borrow £150 million. It was replaced in 1963 by the Commonwealth Development Act which makes no grants, but extends loans only on strictly commercial terms. Actual commitments of long-term loans since 1948 amount only to £117 million. This Act is almost entirely restricted to private firms within the Commonwealth.

Since 1958 a new system of 'Commonwealth Assistance Loans' came into operation, administered under Section 3 of the Export Guarantees Act, 1949, and as since amended. This extends loans to independent states of the Commonwealth, but strictly at commercial rates, plus one-quarter per cent service charge. Most loans are tied to the purchase of British goods. Then there is the Department of Technical Co-operation, whose function is to provide technicians, experts, and teachers—for which allocations have increased in recent years in contrast to cuts in total 'economic aid'. In 1960 came the Special Commonwealth African Assistance Plan, prompted by increasing victories for political independence in Africa that year. All these specific channels are now co-ordinated within the new Ministry for Overseas Development created under the new Labour Government, and for which Mrs. Barbara Castle is the Minister. Judging from the motion presented by Mrs. Castle in February to the House of Commons for the extension of the C.D.W.A. to 1970, it does not seem to indicate that any basic change is contemplated.

Looking back over the past 18 years the official total for all forms of British 'economic aid' came to £1,367 million—an average of £76 million a year. This is in contrast to the rising total in recent years for military expenditure overseas, from £200 million in 1962, to £350 million in 1964, and now in 1965 possibly at the rate of £450 to £500 million. Even this figure covers only the foreign exchange cost (money actually spent abroad), but the real cost is far more.

Overseas private investment has also risen rapidly, from an official rate of £320 million in 1963 to a rate of £456 million in 1964—£344 million in the first nine months. This estimate is also much lower than the average £550 million a year given in the annual report on Balance of Payments 1958-61. The reliability of official figures can best be judged by a letter appearing in the *Financial Times* last September from the Malayan Rubber Growers Association, which stated that the 'book value' of £104 million given for British investments in Malaya was hopelessly inadequate, and the minimum total was no less than £260 million.

Even after the proposed Budget cut of £100 million a year in direct overseas investment the combined total of overseas military expenditure and overseas private investment is still equal to the £800 million peak deficit in the balance of payments—which is now used as a pretext for all kinds of economies and wage restraints. Overseas military expenses alone for Aden and 'East of Suez' are more than £200 million a year, which is £40 million more than the peak annual total of all forms of British 'economic aid'.

The U.S. presents a similar pattern, with a market value of \$66,400 million in foreign investments in 1963, with an estimated profit of 10·2 per cent. It is not surprising that the U.S. also has a balance of payments problem! Greater secrecy conceals the total profit from British overseas investments now estimated by the Bank of England at £10,000 million. The 1963 balance of payments report gives an annual average profit of £1,130 million for the five years 1958-62 inclusive, but 'invisible' earnings are more likely to be in the region of £2,000 million.

What the developing countries need is not military bases and aggression on their soil, or private investment from abroad for the extraction of huge profits, but an equitable price on the world market for their exports, outright grants and interest-free loans for economic development, and long-term agreements at stable prices.

At the Geneva U.N.T.A.D. conference last year, it was revealed that from 1950 to 1962 exports from socialist countries to 'developing' countries had risen from \$405 million to \$2,150 million—430 per cent—and from the developing countries to the socialist countries from \$660 million to \$1,630 million—167 per cent. These have grown even more rapidly in the past three years.

Apart from its colossal economic aid to brother socialist countries the Soviet Union alone has assisted in the construction (or is in the process of doing so) of 480 industrial establishments and other

installations in the new states, and has provided them with credits amounting to 3,000 million roubles (a rouble is roughly equal to the U.S. dollar). Long-term credits are at the low annual interest rate of $2\frac{1}{2}$ per cent, repayable in the currency of the country concerned or in kind. On occasions, the Soviet Union, China, and other socialist countries, extend loans entirely free of interest. Contrast this with the $6\frac{3}{4}$ per cent rate of interest announced by Barbara Castle in presenting her new Bill in February. She was present at the Geneva U.N.T.A.D. conference last year and attacked the World Bank Rate of 5 per cent to $6\frac{1}{4}$ per cent, which revealed that more than £1,000 million was due in interest payments in 1963 on total loans of £3,200 million advanced in 1962.

Debt repayments and interest charges due from 'developing' countries on 'economic aid' loans from all sources rose from \$900 million in 1956 to \$3,100 million in 1963—more than 10 per cent of their total export earnings. Barbara Castle strongly protested that 'It means we have to go on pouring out future aid just to enable the poor countries to pay for past aid'. The U.S. 'Agency for International Development' (A.I.D.) reported last month on April 5 that 30 per cent of the assistance to developing countries in 1964 was wiped out by interest payments on past loans, compared with 8 per cent in 1955. What is more, the former pattern of roughly 50 per cent each in grants and loans is changing with the growth of independent states to the bulk of 'economic aid', being in the form of high-interest loans. Even the boosted 'economic aid' is declining.

The future of the new states is not only a serious challenge to Britain; it has a direct bearing on the future of Britain itself. We have to decide whether Britain can survive on the old basis (which still goes on) of imperialist exploitation at the expense of the underdeveloped countries and world hunger and poverty, or establish new relations of mutual interest, based on genuine economic co-operation and the common struggle to end all forms of imperialist domination.

This is the real issue behind what is termed the 'balance of payments crisis'. It is the price the British people have to pay for being at the centre of a vast imperialist system. It is not simply an economic problem. It lies at the heart of the entire struggle now facing the British people, and it is the responsibility of the organised labour movement to wage a much bigger battle to move forward along the path of ending imperialist exploitation.