

# US ASSISTANCE POLICY TO SRI LANKA

## The Hazards of a Small Country

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**K**autilya, the ancient Indian practitioner of politics, conceptualized six different categories of policies for handling interstate relations: peace, war, indifference, strengthening one's position, subordinating an ally or vassal and duplicity. US relations towards Sri Lanka, owing to the discrepancy in the size and economic magnitude of the two countries, fall undoubtedly in the category of indifference.

Indeed, Sri Lanka as a country has not yet entered the consciousness of the American people. Most often the name evokes nothing; at best it conjures the stereotypical images of tea plucking women or of a paradise land of leopards and elephants. President Clinton brought Sri Lanka onto the map when during his campaign, referring to it by name, he warned the American people that if the American economy continues its downward trend it runs the risk of falling as low as that of Sri Lanka!

The aim of this paper is to reflect on the ways in which aid policy is made towards a small country such as Sri Lanka which has no real strategic importance for the US. A study of the process will help us understand why certain choices are made in terms of countries, magnitude of aid and nature of aid. This paper will also look into the ideological discourse sustaining the dispensation of foreign aid in particular the 'export of free market democracy discourse' within the larger 'New World Order' thinking.

### Background

**A**s Stansfield Turner pointedly writes, 'the most obvious specific impact of the new world order is that except for Soviet nuclear weaponry, the preeminent threat to US national security now lies in the economic sphere'<sup>1</sup> The end of the Cold War has weakened many of the underpinnings of US foreign policy and is bound to lead to a much needed reorientation in the aid strategies of the US. Indeed as James C. Clad writes, 'after 45 years America's foreign bilateral assistance program lies dead in the water'<sup>2</sup> With no communism to contain, the US has to reassess its aid programs.

Since the end of the Second World War, there have been, a number of ideologically inspired shifts in aid policy. During the Cold War the priorities of the US in terms of aid were conditioned by national security and more than ever there was an important linkage between foreign policy and foreign aid. The first subsumed the second. Before the collapse of the Soviet Union, aid was given to

friendly non-communist countries who preferably formed a buffer against the Soviet Union. A distinct shift occurred under Jimmy Carter who, building on the efforts of Congress, established the legitimacy of human rights as a distinct concern although the success of these efforts was not apparent until after Carter left office. Human rights became a factor in his Administration's decision to provide economic aid. However, the belief that human rights values must yield to national security concerns led to limitations in the policy. Carter's policy was in George Lister's words 'imperfect but honest'<sup>3</sup>.

The second shift in aid orientation was when Reagan appropriated human rights — conceived as an embodiment of Western values — to serve an ideological crusade against communism. Bush linked aid and human rights selectively but with less impunity than Reagan.<sup>4</sup>

With the end of the Cold War the pressing issue was how to deal with the new states that had emerged bruised and ailing after years of communist rule. How could they be helped to develop into free market democratic societies? The most current shift in aid policy took place in 1992 when Congress through the appropriations process began making the adjustment to the post- Cold War era, scaling back security assistance and economic aid and protecting existing development assistance while adding aid to the former Soviet Union and Eastern Europe. Meanwhile think tanks were reformulating the role of the US in a unipolar world. Fostering the spread of democracy throughout the world emerged as the guiding ideological principle in the new foreign policy agenda.<sup>5</sup>

### Foreign Assistance

**T**he issue of foreign assistance is a multi-faceted one and the setting of two different rivalries in the budget process. There is, on the one hand, intense competition for allocation of funds between the domestic sector and the foreign aid sector. There is, on the other hand, competition among recipient countries for a bigger share of the foreign aid cake.

Indications that a fundamentalist threat is replacing East-West tensions in the mind of US policy makers are not a good omen for an increase in aid to developing countries. Indeed it will be increasingly difficult to convince Congress to appropriate funds for those very countries which are perceived as engaged in or supporting terrorism or anti-American sentiments. Even the formerly





unquestioned privileged status of Israel and Egypt which receive 38 percent of the foreign aid package is at present debated by Congressmen. The situation is particularly pressing owing to the US economic recession and Clinton's pledge to emphasize and improve the domestic economy. There is concern for the economic and political collapse in the former Soviet Union. However, everything indicates that the new administration will not go against the American popular disenchantment with foreign aid and will follow in the footsteps of its Republican predecessors. The Bush administration foreign aid budget for fiscal 1993 was slashed by \$1.3 billion. Deep cuts were approved in military assistance to long time allies such as Turkey and Portugal. As Representative M. Edwards (Oklahoma) observed, as a percentage of the Gross Domestic Product, this was the smallest foreign aid bill in American history.<sup>6</sup>

The importance accorded to the deficit problem by the new Administration will make it ever more difficult for Congress to appropriate for foreign assistance. The 1992 presidential campaign, indeed, saw no acrimony or even debate over foreign policy. In *Putting People First* Bill Clinton mentioned the necessity of expanding food aid overseas to assist emerging democracies and developing nations.<sup>7</sup> The emphasis on food aid was possibly motivated by a concern to please the farming community in America who constitute an important electoral base rather than by a sincere commitment to foreign assistance. As a political commentator put it, 'foreign aid is typically political poison for lawmakers in an election year'.<sup>8</sup> I would add that it is also political poison for a President who hopes for a second term in office.

## The Process : From Aid Proposal To Action

**F**oreign policy cannot be understood in terms of a centrally controlled rational choice on the part of an abstraction called "the state". Policy must be looked at more as an output produced by the interaction between different role occupants. I.M. Destler's analysis of foreign policy action as a consensus resulting from political bargaining is particularly valid in the case of foreign aid.<sup>9</sup>

The budget process is a long and complex, sequential and interactive decision making process involving many agencies, institutions, pressure groups and diverse interests.

The State department issues policy guidelines to US missions abroad to consult with host governments in determining development resource needs. Discussions are held in Colombo in the case of Sri Lanka, as well as between the State Department and USAID officials. The Sri Lanka mission in Washington plays a role if there

are problems of modality. Then the proposals are submitted to the State Department for review, scrutiny and harmonization. Until recently South Asia which contains 20 percent of humanity and the largest democracy, was in the same bureau and played the role of poor relative of the Near East, a high priority region. Due to the relentless efforts of some Congressmen especially Stephen Solarz, South Asia now has its own bureau.<sup>10</sup>

The organization of the State Department into regional bureaus often quite arbitrarily putting together countries and regions, reflected the priorities in US foreign policy. It also demonstrated that US policy makers had not seriously tried to understand what makes a region. Why for instance is Canada part of the European bureau? A region is as much self-perception as the product of ascriptive features such as geography, language, culture. The recent reorganization of the State Department's bureaus which reflects a new perception may lead to increased competition for aid between a newly recognized region such as South Asia, the Near East and the New Independent States of the former Soviet Union. In a situation where it is increasingly possible that funds for aid to the former Soviet Union will be taken from other aid recipients it is vital that South Asia's specific interests are defended by its own bureau.

The role of the State Department is thus crucial in the aid process but proposals can also come directly from the President and Congressmen. After an aid request is sent up to Congress only changes along the margin are made for a country such as Sri Lanka.

The proposal is then introduced to Congress in the form of a bill with an identifying number and then referred to the appropriate standing committees in both houses. Foreign aid is on the whole very unpopular in Congress and most members have very little interest in foreign affairs and only a passing interest in South Asia. Aid programs come under the jurisdiction of several committees: Senate Appropriations Committee, Agriculture Committee, Banking Committee, Foreign Relations Committee, Armed Services Committee, Foreign Affairs Committee, Rules Committee. Sub-committees deal more specifically with the countries concerned.

The key stages in committee consideration of the bill are hearings, the markup, voting and the report. Hearings are held essentially to hear the opinions of members of Congress, interests group spokesmen, academics, experts and others on the pitfalls or merits of a piece of legislation. After the conclusion of the hearings the committee or subcommittee meets to mark up the bill. Committee members decide whether the original bill should be rewritten or amended. Once differences are ironed out in the markup, the committee meets to vote on reporting the bill out of committee.





Before the bill goes to the floor it goes through the Rules Committee. This committee reports a resolution or rule which governs the handling of the bill on the floor. A rule sets the time limit on general debate. It also may waive points of order against provisions of the bill or against certain amendments.

Once the Rules Committee resolution is adopted, the House resolves itself into the Committee of the Whole. Then follow a general debate, an amending process, and a vote on final passage by the full House, with the floor action of the Senate differing slightly from that in the House.

Aid is not generally voted on party lines and Democrats are not necessarily more favorable to aid. It depends mainly on which country is the recipient. A Republican may be favorable to aid to Israel but not to the Sahara. The relationship between aid and voting patterns are multiple, intertwined and often elusive.

Most often the Senate and the House pass bills that are not identical. A Conference Committee composed of members of the House and the Senate meets to resolve all differences. The bill must then be passed in identical form in both Houses before it goes to the President for his signature. The President can either sign the bill into law or veto it. To override the President's veto a 2/3 majority in both Houses is required.<sup>11</sup>

This long and tortuous process by which an aid bill becomes law is in many ways detrimental to the interests of small countries such as Sri Lanka if they wish to influence American policy vis a vis assistance. The lobbying practice favours countries with sufficient resources to employ professional lobbyists. The result is that at no level of the U.S. administration and the Congress is there a constituency that speaks for a new way, a different way of developing Sri Lanka's resources during the foreign economic assistance budget process. The Sri Lanka government has 'very successfully resisted employing lobbyists' and the Embassy plays the role of the lobby, declared the Sri Lanka Ambassador. Has this strategy been the most profitable for Sri Lanka? It appears that aid priorities have been dictated by the shared vision of the Sri Lanka government and that of the State Department, of Sri Lanka as a future NIC. The debate is already confined, constricted. The questions discussed at hearings relate to the magnitude of aid. Never is the wisdom of transplanting models of development to underdeveloped countries addressed, never are critiques of such practices heard. US Aid to Sri Lanka is a transaction from one government to another government unlike for instance aid dispensed by Scandinavian countries which is channelled mainly through non-governmental organisations. In the case of the US, the entire budget process favors dominant ideologies propounded by states to the detriment of alternative visions and mutes the voice of civil societies.

## The Politics Of Foreign Assistance: The Improvement Doctrine In South Asia

### South Asia in the New World Order

**I**n the new world order the US goals for South Asia are quite clearly dominated by security as well as economic concerns: 'to continue to support and promote security in the region through decreasing tensions between the states; second, to discourage a race toward acquisition of weapons of mass destruction; third, to promote and strengthen democratic institutions through economic development, encouraging privatization and assisting with the buildup of democratic structures; and finally, to seek support for a successful winding up of the issues raised by the Gulf War'<sup>12</sup>

The US government hopes that aid to South Asia will continue to bolster the 'improved climate' for democratic institutions and promote regional security. Indeed the US showed much appreciation for a number of advances which include the US-Soviet agreement to end all military aid to warring factions in Afghanistan, the adoption of market-style economic reforms in Pakistan and India, and the election of new democratic governments in Bangladesh and Nepal. Although human rights are described by officials as a 'negative feature' in many parts of the subcontinent, the 'improvement doctrine' still holds and except for warning the governments about abuses nothing drastic follows. The widespread sentiment in Congress is that except for trade and investment on favorable terms, the best policy is one of benign neglect.<sup>13</sup>

### Sri Lanka: 'A Democratic, Environmentally Sound NIC'

**S**ri Lanka can be looked at as a case study of the US approach to development in South Asia. Ambassador Teresita Shaffer at her Senate Confirmation in May 1992 mentioned the aim of US foreign policy in Sri Lanka as 'to take advantage of every opportunity to expand US exports or investments'.<sup>14</sup> According to the Sri Lanka desk officer at the State Department the objectives of US policy towards Sri Lanka are threefold: encourage a political settlement with the Tamil militants, foster human rights reforms in the country at large, and improve economic relations and trade with Sri Lanka especially in the area of the garment industry.<sup>15</sup>

Sri Lanka governmental sources indicate that human rights are treated only at a general level by the US administration and that the US is satisfied with the steps taken by the Sri Lanka government to improve the human rights situation.





USAID is a semi-autonomous offshoot of the State Department that administers the annual \$ 7.5 billion assistance budget including the Sri Lanka assistance budget. The USAID program objectives for Sri Lanka derive from a set of strategic goals that flow from a vision of Sri Lanka as a democratic, environmentally sound newly industrializing country.(NIC). It is felt that US assistance can be especially helpful to the Sri Lanka government in managing the transition to a competitive market economy. Both Sri Lanka and USAID subscribe to this vision of Sri Lanka as a democratic, greener NIC. The focus is on agricultural development-led industrialization and private initiative is at the forefront. USAID proposes to broker new private-public partnership in key development sectors. In this strategic vision the three following subgoals are defined: an effective market economy; protection of the environment and productive resource base; and active, pluralistic society. In the 1990s in contrast to the previous decades, USAID has attempted to focus its projects into clear strategic objectives.<sup>16</sup> This was made possible by the conjunction of the Sri Lanka government's economic and social objectives and those of the US government. Both must be concerned with a possible rejection of this NIC vision by a portion of the Sinhalese speaking rural population who resent what they feel is an alien western oriented model of development and still aspire to preserve their cultural traditions as well as the social advantages which they gained on independence such as free health care, education etc.

### The Aid Pattern to Sri Lanka

**F**or FY 1992, Sri Lanka received \$19.5 million in development assistance and \$ 47.5 million in food aid, \$229,000 in International Military and Training (IMET). For FY 1993 the request is \$ 16.5 million in development assistance and \$ 55.9 million in Food Aid, and 250,000 in IMET. Sri Lanka is paradoxically paying for its comparative economic success and funds previously available are being reoriented to less promising countries in South Asia such as Bangladesh.

Military aid to Sri Lanka is still not on the US agenda. A report in the Washington Post claimed in March 1992 that the US had proposed \$10 million in credits for the purchase of military equipment to Sri Lanka. This report was denied by the State Department and the Sri Lanka government.<sup>17</sup>

### The Clinton Administration: New Trends

**I**n his campaign speeches Clinton clearly linked a reformed program to the promotion of democracy. It was clear that at the beginning of his mandate he was more concerned with domestic issues and it seems that he was increasingly delegating foreign policy formulation

to Secretary of State Warren Christopher, Defense Secretary Les Aspin, and the national security adviser, W. Anthony Lake and his deputy, Samuel R. Berger. The non-involvement of the President in foreign affairs was a new phenomenon which was invariably to play a role in the priorities of the Administration in terms of aid. The pressing situation in the former Soviet Union has however compelled Clinton to address the issue of aid. At the Vancouver summit of April 4, 1993, Clinton pledged an aid package of \$ 1.6 billion to Russia all of it using money from accounts Congress has already approved. Foreign assistance will be at the centre of the post Cold War debate and this will mean the active involvement of USAID.

### Conclusion

**T**he US foreign aid budget which constituted 1% of the GNP in the 1950s has declined to 0.3% of the GNP today which is a similar percentage to that of Ireland. Meanwhile the flow of aid from Japan, Germany and the Scandinavian countries has steadily increased. In a country such as Sri Lanka, Japan is the largest aid donor and Japanese goods are flooding the country. The same process could happen in India and Pakistan which have a very large middle class of 250 million people. In its economic competition with Japan, the US has limited opportunities to penetrate areas where the Japanese grip is already strong, such as Southeast Asia. By contrast South Asia offers growing trade and investment opportunities.

The idea of American leadership and exceptionalism is never absent in dealings with developing countries. Said has pointed out quite accurately that the 'imperial power' concept of the nineteenth century has been replaced by the notion of 'world responsibility'<sup>18</sup>. But if America wants to access South Asian markets it must change its tarnished image. For many South Asians America is perceived as a greedy imperialist power which is trying to fulfill a 'mission civilisatrice', and some of its development strategies do nothing to rectify this image.

It is still too early to see a new course in the AID mission. Brian Atwood who will become the new AID administrator has indicated his intention to establish AID's primacy within the network of US government institutions working on development<sup>19</sup>. Before next month when the task force in charge of reviewing assistance policy puts forward its recommendations to the Secretary of State and to the President it is difficult to predict anything. One expects a cut in security assistance and reorientation of aid towards the CIS.

An option for Clinton is to scuttle America's bilateral aid program and to begin anew with a concise, clearly defined initiative to promote environmentally sound economic growth. The key phrase is sustainable develop-





ment. Clad for instance suggests that America's new development program places the focus less on governments and more on community based efforts to alleviate poverty and achieve environmentally sound forms of development.<sup>20</sup> In any event for a small country such as Sri Lanka it is hoped that aid strategies will take in account the social fabric of society and not attempt to implant growth centered, technology driven agricultural development which tend to exacerbate inequalities and social tensions.

## Notes

1. Stansfield Turner, 'Intelligence for a New World' *Foreign Affairs*, Fall 1991.
2. J.C. Clad, 'New Mission for Foreign Aid', *Foreign Affairs*, 1993.
3. Interview with G. Lister, Senior Policy Advisor, Human Rights and Humanitarian Affairs Bureau, 4 March, 1993.
4. D.F. Orentlichter, 'The United States Commitment to International Human Rights' in *Human Rights in the World Community, Issues and Action*, ed. R.P. Claude and Burns H. Weston.
5. See for instance, J.E. Goodby, 'Arms Control and the Problem of Order in the Post-Cold War World' United Institute of Peace, February 26, 1993.
6. *Congressional Quarterly*, June 20, 1992.
7. B. Clinton, *Putting People First*, p.35
8. *Congressional Quarterly*, March 28, 1992.
9. I.M. Destler, 1972. *Presidents, Bureaucrats and Foreign Policy: The Politics of Organization Reforms*, Princeton University Press.
10. Meeting with John Stremlau, Deputy Director, Policy Planning Staff, Department of State, 19 February, 1993.
11. W.J. Oleszek, *Congressional Procedures and the Policy Process*, Washington, 1989.  
N. Polsby, *Congress and the President*, Prentice Hall, 4th ed.,
12. Statement of Teresita Shaffer, Deputy Assistant Secretary of State, Bureau of Near Eastern and South Asian Affairs, 7 March 1991, Hearings before the Subcommittee on Asian and Pacific Affairs.
13. S.H. Harrison, 'South Asia and the United States: A Chance for a Fresh Start', *Current History*, March 1992.
14. Human Rights Watch, *World Report*, 1993
15. Conversation with Alison Krupnick, Desk officer Sri Lanka Bureau, State Department, 15 March 1993
16. Annual Budget Submission, FY-1994, Sri Lanka, USAID June 1992. USAID/Sri Lanka. Strategic Framework FY 1992-1996, April 1991; USAID/Sri Lanka. Development in Sri Lanka. A review, April 1991; Sri Lanka. Country Development Strategy Statement FY 83. Jan. 1981.
17. *Washington Post*, 23 March 1992.
18. Edward Said, *Culture and Imperialism*, New York, 1993.
19. B. Atwood's Speech at a USAID Senior Staff Meeting on 31 March 1993.
20. J.C. Clad., *ibid.*

In the final analysis, the South's plea for justice, equity, and democracy in the global society cannot be disassociated from its pursuit of these goals within its own societies. Commitment to democratic values, respect for fundamental rights — particularly the right to dissent — Fair treatment for minorities, concern for the poor and underprivileged, probity in public life, willingness to settle disputes without recourse to war — all these cannot but influence world opinion and increase the South's chances of securing a new world order.

The Challenge to the South  
The South Commission Report  
Chaired by former President  
Julius Nyerere of Tanzania