CHAPTER VIII

ECONOMIC POWER

INTRODUCTION

Just as modern nations are politically and technologically interdependent, so do they rely upon each other for resources and commodities that enable them to develop and sustain viable economies. Some economic systems are particularly dependent upon external markets and sources of supply and could not function at all if they are cut off from the rest of the world for considerable periods. For almost any national endeavour, whether it is to establish or increase standard of living or to produce capabilities and resources that can be used for domestic or foreign policy purposes, reliance on others has become one of the paramount condition of modern international relations.¹

Needs that cannot be filled within national frontiers help create dependencies on other states. Degree of need is one variable element in the successful exercise of influence in international politics. As economic resources are often scarce, but necessary for fulfilling national values and aspirations, needs in modern world are frequently of an economic nature. Possession of these resources can be transformed easily into political influence.² It is the dependencies of big and strong industrial powers for their needs of key raw materials that helps to explain how weak countries, as measured by their military or economic capabilities, are able to exert influence on the actions of the strong. Economic resources are among the major capabilities that can be mobilized for political purposes.

Some states that possess surplus resources may achieve greater economic influence. States that lack the resources and commodities they require are more vulnerable to economic influence. The objective of economic means of influence is to affect some aspect of the state's society - its wealth, production or well being.³
In the present era, many developing countries use their possession of rare minerals or other commodities to wield effective international influence. But generally, these states also need capital, machinery and technology for developing their economies. They also lack a variety of export products and because of these reasons are vulnerable to economic pressure from developed industrialised states. When a state relies on the export of a few commodities for earning foreign exchange, a drop in the price of these exports can have a very harmful effect on its economy. Such types of dependence are not uncommon between the underdeveloped and developed nations and this dependence can be exploited for political purposes, provided that there are no alternative markets available.

Nothing in the international system is equally distributed, so is the case with economic needs and capabilities. Degrees of dependence upon trade in the overall economic system of a state varies considerably. Nations like Japan and England rely very heavily on trade, other major powers such as United States, Russia, China, France, are much less vulnerable to fluctuating patterns of trade. This is also the case with underdeveloped and developing nations.

The manipulation of economic resources takes different forms but the central use of economic techniques is international politics is the exploitation of the vulnerability of other states.

**Objectives of International Economic Policies**

Since we are concerned with wielding of political influence and the tools and instruments by which it is achieved, the problem of private international trade is of no interest to us. We must distinguish normal international trade, which has a motive of private profit from trade clearly meant for manipulation for political purposes by a government. The distinction we are concerned with is the purpose of the trade. Is it economic, or is it political?

This is not a question of state trading versus private trading. In fact, governments that do not engage in state trading impose a wide range of regulations on the transactions of private businessmen, in order to influence the political behaviour of another country. The criterion for restriction are political not economic. Thus the distinction between normal international trade and the trade for political purposes comes into play. The private businessman even when acquires considerable
economic resources through international trade cannot translate these resources into governmental political influence unless he becomes an agent of the state, or unless he can through various pressures, get his government to act on his behalf for his private interest. This sometimes happens. The state on the other hand, can overlook the profit motive and use the economic need or dependence of another nation to wield political influence over it, whether through state trading or through regulations of private international commercial transactions.

Trade instruments of foreign policy are normally used for three purposes:

1. To achieve any foreign policy objective by exploiting need and dependence and offering economic rewards, or threatening or imposing economic punishments.
2. To increase a state’s capabilities or deprive a potential enemy of capability.
3. To create economic satellites in order to get guaranteed markets or supply of commodities, or help maintain political obedience in satellites and spheres of influence by creating a relationship of economic dependence.

AS TANGIBLE IMPLEMENTATION INSTRUMENT

Economic instrument is an important tangible implementation instrument of policy. Because of the essentiality of economic strength to capability and the complexity, and interdependence of modern economic life, policymakers in all states must be alert to the potential instrument of economic tool and consider their options very carefully.

The policymaker’s options may be greatly circumscribed by the conditions in their own state. It is also essential to recognise that economic instruments may be used to achieve or protect nonmaterial objectives as well as those that are primarily economic in nature. Indeed, while the anticipated material impact of the technique’s utilisation presumably will be an element in all policymakers calculations, very frequently political or prestige or ideological objectives hold higher priority.

In other words the economic tool is not used solely for the pursuit of economic goals. Secondly political concerns always condition economic policy. Sometimes this is a result of a conscious policy choice and
policymakers deliberately employ the economic instrument in a manner other than that which they assume would be the most economically productive. But when this is not true, even when economic activities are not deliberately politicized, in a broad sense they automatically are because they are the results of the actions and inactions of the policymakers of international political parties; even a decision to not let politics interfere in the decisions made by the policymakers of international political units, will have an impact. Therefore there is no such thing as a nonpolitical economic international economic policy.

TRADE POLICY

International trade is a factor of major importance in policymakers' calculations. The volume of goods, services, resources and the capital exchanged internationally continues to grow and it will become more and more apparent that various economic problems have worldwide implications. Because a host of economic interdependencies and vulnerabilities exist there are a great many situations in which there may be opportunities to exert influence.

Trade Manipulation Techniques

When attempting to achieve or protect a particular party's objectives via the use of international trade there are a number of different manipulative techniques one might be able to use.

Tariffs

The first of the trade manipulation techniques is a selective employment of tariffs. Sometimes tariffs are imposed for primarily domestic reasons. In some cases one is seeking to protect certain types of domestic production from foreign competition. For example, the European Economic Community through its common agriculture policy protects and stimulates agriculture production within the Common Market via the placing of variable duties on all agriculture imports. In other situations policymakers may utilise tariffs in an effort to discourage consumption of a particular product, or maybe tariffs are imposed because certain parties feel it is simple and relatively convenient way of raising revenue.

But often a policymaker is seeking to apply economic pressure to a particular foreign state and is using tariff manipulation as the instrument. Even if this is not the policymaker's sole objective, a tariff automatically has an international impact. Usually the higher the tariff,
the higher the price. This means assuming other things remain constant, the foreign goods will be less competitive and fewer will be sold. If this occurs the foreign producer might be persuaded to modify its policy in the manner desired by the tariff imposer; in some instances it may be that the explicit or tacit threat of such tariff imposition may produce the desired policy change.

The policymaker may also manipulate the tariff structure in such a way as to reward the target of his actions.

**Quotas**

Quotas or quantitative restrictions provide a second category of trade manipulation possibilities. The importing party may simply place a numerical limit on the number of certain kinds of goods that can be imported. In this situation the foreign producer can sell its goods under its own price arrangements but the quantity is limited. Example, American restriction on import of textiles and garments from various nations including India.

**Embargoes and Boycotts**

A boycott is a refusal to import. It may be selective, involving specified commodities or be general, a refusal to purchase any commodity produced by a particular country. An embargo is a refusal by one state to sell its goods to another. This also may be specific or general. Embargoes and boycotts have been used on a number of occasions with varying degrees of effectiveness. Generally the aim behind such restrictions is to decrease societal cohesiveness and popular support and compel a policy modification. For example the use of embargoes against Iraq in 1991.

**Subtle Non Tariff Barriers**

There is yet another category of manipulative devices, a category which encompasses a variety of mechanisms with three common characteristics: 1) they can be manipulative; 2) they do not involve tariffs, and 3) they do not seem at first glance, to be highly trade restrictive. These can be called subtle non tariff barriers (NTBs). Subtle NTBs are frequently used to effectuate orientations such as exacerbate or indirect opposition or in order to increase relative capability via the manipulation of the target's internal capability components. They are used as they seem to be reasonable, because often they do not appear to be directed against foreign trade at all. For example states that export food are directly and
significantly affected by health and sanitary regulations. Perhaps government procurement practices are such that foreign producers are placed at a disadvantage. Some states provide export subsidies in certain areas to give particular exporters an advantage, and sometimes tax relief is granted to make one’s exports more competitive; obviously such advantages are at the same time deterrents to exporters from other states.

**Blatant Non Tariff Barriers**

These NTBs are so openly coercive in purpose that a policymaker would not seriously consider their utilisation unless the situation was highly conflictual and the objectives of considerable value. One blatant NTB is preemptive buying. This involves the purchase of particular goods and commodities so that the target of the activity will not have them available. During the Second World War the Allies often sought to outbid the Axis powers for materials that neutrals were willing to export to either side. Dumping is second kind of blatant NTB manoeuvre, this involves the sale of goods at a artificially depressed prices to drive the price of this particular good down in the world market so as to make it less profitable for the other countries selling it. This obviously will have an inhibiting effect on the trade of the state in question.

**Exchange Rate Manipulation**

This technique involves currency exchange rates. Policymaker may revalue their currency upwards. With revaluation imports would be encouraged because more foreign currency will be purchased with a given amount of one’s own money and exports will be discouraged because it will take more foreign currency to purchase a given amount of one’s own. Such an action tends to be deflationary in the importing country due to the increase in quantity of the relatively cheaper imported goods. Similarly the currency will be devalued, the impact on imports and exports would be the reverse of that engendered by revaluation. 14

**Effectiveness of Trade Manipulations**

When a policymaker is analysing a particular situation with respect to the degree to which trade manipulation techniques might allow the effective exercise of capability, certain questions receive top priority, if a policymaker is looking at an exporting nation one of the first to ask is, to what extent is the target’s economy dependent on exports? There are two subcomponents to this question. First, to what percentage
of GNP do exports comprise? Second, to what extent are exports important in particular economic spheres, especially those crucial to this particular state's development? To what extent does the target rely on the sale of just one or two products for its foreign exchange earnings? Are we in a position to materially affect the sale of those products? Finally, policymaker needs to investigate the degree to which the target's exports go to a single market. To what extent is it dependent on one particular actor in the marketing of its products?

Each of these questions helps the policymakers to ascertain the vulnerability of the exporting nation to trade manipulations. If a state depends heavily on foreign trade for its economic development it needs to export goods in order to obtain the foreign exchange required to purchase the necessary imports. If it can not export enough or the prices it receives are too low, such as has been the case of most developing nations that must rely primarily on exports of primary products, it must receive immense economic assistance or its economy will not progress. Similarly, to the extent that states rely primarily on the sale of one product, such as Latin American nations have had to do, any fluctuations in the quantity and prices of commodities can have immense effect. And if the situation is such that this one product is exported to primarily one nation, also a typical situation, the policymaker of the importing nation may be in a position to exercise overwhelming influence.

Similar questions would be appropriate with respect to the question of the vulnerability of importing nations. What proportion of its economy is dependent on the imports? To what extent is a particular product essential component of its economic system? And finally, to what extent is it dependent on one particular source for this particular import?

Despite certain misconceptions to the contrary, history shows that such policies have usually not yielded the benefits originally envisaged. Why might this be so? There are several explanations. First, threats of economic deprivation and the policies that attempt to bring this about, inevitably create immense feelings of hostility. Although hardships may occur, people learn to tolerate it and the very resentment engendered by the hardships makes them more willing to stand the deprivation. Sometimes tolerating hardships becomes a goal itself.15

Another point is that sometimes people simply learn to adapt. A restru-
cturing of their domestic economic situation may occur as improvisation and innovation develop and perhaps there will even be an underlying change in values. Third, some states possess relatively diversified economies and are just not very vulnerable. The more diversified a particular party’s imports and exports and the greater the range of suppliers and markets, the less susceptible it is to trade manipulation. Fourth, even if the product is of exceptional importance, the policymaker will usually lend every effort to find an alternative rather than submit to the crude use of economic coercion. Since in most situations the pressures applied are not universal but occur from a particular source or a combination of sources, alternatives usually exist. Also there are usually breaks in the sanctions. Only in situations where the items are not readily substituted for those that require a certain technological capability one simply cannot achieve, acquire or make use of, or those that depend upon the utilisation of certain natural resources that one cannot obtain elsewhere. Finally, of course, in some situations the target may be able to neutralise one’s efforts by taking counter measures.

If anything, embargoes are generally counterproductive because of the encouragement they give to the already existing desires for self sufficiency, or to develop alternative sources and substitutes. Generally the targeted state usually emerged stronger after the imposition of embargoes.

To conclude we can say that basically, only in rare cases do they produce the desired policy modifications and in some instances they can even be counterproductive. This is not to say that trade manipulation never is effective nor that it never should be considered. It is an option that is occasionally useful and might, in the right situation if rationally employed vis-à-vis the right target, be of some value. In certain cases moderate changes in the tariff and quota structures could bring about the sought after policy adjustments. This would most likely be true in a situation where the product is of critical importance and where one is the primary supplier or market. In each case the degree of vulnerability which is a reflection of a degree of need for trade in general, concentration with single partner and the significance of the particular product in question, must be weighed against the possibility of development of substitutes and alternatives, the willingness to
adapt, patriotic belt tightening, the reciprocal action. Generally the number of situations in which the careful cost-benefit assessment would indicate that trade manipulations would yield a positive operational result is small. In consequence trade manipulation should only be used sparingly and with considerable circumspection.

**ECONOMIC COERCION**

Sanctions: when vital interests are perceived to be involved.

Economic sanctions like force are political instruments. Like war they seek to achieve specific political aims: to compel the targeted state to comply with the preferred policies of the sanctioning state; to deter or if not to deter to punish an adversary; to eliminate a perceived hostile regime; or to communicate disapproval towards an adversary.

But almost cases of publicly imposed sanctions failed to achieve their political objectives. South Africa had been the target of such sanctions for decades without much ill effect. Israel has been embargoed by Arabs for years without any appreciable constraints, or the desired change in policy towards Arabs. The recent example of sanctions against Iraq did not force Saddam Hussain of Iraq to evacuate Kuwait. The main reason of the failure was not only that the targeted nations were usually able to avoid economic pain, but also that their leaders and populations recognised that their stake in maintaining their policies was high. Compliance was considered as the surrender of each nations dignity and independence to decide its own future.

In a clash between a nation's vital interests and economic benefits, high politics takes priority over low politics. Attempts at economic coercion are generally self defeating when the target state believes high political issues are at stake, instead such attempts strengthen the morale of the targeted nation and stiffens the resistance to negotiate. Indeed what is usually overlooked when sanctions are applied is that even if the leaders of the targeted state wished to comply they cannot, as they would be accused of capitulating to foreigner's demands and jeopardising national security and independence. In short they would loose domestic support if complied. The reason why sanctions are applied given their rate of failure is that they are expressions of displeasure, intended to change the policy through public opinion.
Sanctions when economic interests are involved are generally more useful. However, their success is dependent on three factors: 1) a high degree of control over the supply of goods and services the targeted state needs. 2) The intensity of need of the targeted state for the economic goods or services. 3) A calculation by the targeted state that compliance with demands made is less costly than doing without these goods or services. These conditions gave OPEC the leverage during the mid-1970s even though its members possessed few of the normal components of power. Most of the states who were members of OPEC had small populations, little industry and virtually no military strength. It should be noted that though the sanctions were successful in altering the terms of trade in favour of the OPEC nations by the rise in oil prices from 3 dollars in 1973 to 34 dollars in 1982, but the OPEC was not able to coerce the developed nations to change their policies towards Israel vis-a-vis Palestine. The slight change in stance in the early 1990s is due to changed geopolitical situation.

OPEC’s strong bargaining position for the decade after 1973 reflected five conditions: 1) The consumers were so dependent on imported oil that even sharp increases in prices did not reduce the demand very much. 2) There were limited possibilities for substituting other energy sources for oil in the short run. 3) A small number of producer nations controlled most of the international trade in this commodity. 4) The exporting nations had common or at least converging political and economic goals. 5) The oil producers were invulnerable to embargo by consumer states.

But such cartels tends to sow the seed of their own destruction by driving the prices up to such levels that cause consumers to do with less or cause new producers to enter the field. Thus by early 1980s the conditions that had given OPEC its leverage during the 1970s had begun to change. First, the steepness of the price increase resulted in genuine conservation measures such as designing more fuel efficient machinery. Second, the number of non-OPEC oil sources increased their share in the total oil output from 34% in 1976 to 70% in 1987. Third, the alternative energy sources like coal and natural gas production began to increase. The high prices of oil made coal and natural gas more viable.

Effectiveness of sanctions
Sanctions are more effective if applied collectively, individual national
sanctions are rarely effective. The critical condition is the cost calculation. Compliance is least likely if the cost to the targeted or coerced nation is perceived to be its national honour or prestige or independence. States prefer to suffer economic or low politics deprivation before yielding to high politics demands. To be more effective sanctions must be used in an invisible manner, such as delays in delivery of spare parts, drying up of credit in value of investments in the coerced nation, refusal to refinance loans etc. Such relatively covert subtle sanctions will ultimately be politically effective though with only moderate purely economic effects.

States have been more successful in attaining their goals by offering economic rewards than economic deprivation. United States followed divergent policies towards the vanquished after the Two World Wars. After the First World War U.S.A tried to use economic sanctions which resulted in the recessions of the 1930s and the establishment of Fascist Regimes and caused a lot of bitterness in the population of the targeted nations all creating the conditions for Second World war. Conversely America the most economically powerful nation after the Second World War initiated the Marshall Plan which transferred huge resources to the West Europeans and Japan to help rebuild their economies. (It may be noted that in late 1940s the Marshall Plan aid totalled a massive 2.75% of the G.N.P. of U.S.; however when the development of the Europeans was accomplished and the question of development for the Third World nations arose, the aid declined to 0.29% in the beginning of 1970s and finally to 0.0018% of the G.N.P.of United States in 1986.) The aid to European nations has led to lastling of friendship between the conquered and the conquerer till the late 1980s, leading to almost total interlinking and interdependence of their economies.

FOREIGN AID

Another major economic implementation instrument is foreign aid, the transfer of cash, credit, goods or technical assistance from one party to another. Used primarily, although not exclusively, in connection with orientation reflecting various degrees of support and cooperation in the pursuit of common or complementary objectives, foreign aid has long
been a commonly accepted policy technique.

In the eighteenth and the nineteenth century, for example European states often provided loans to various less developed states as a means of gaining colonial foothold. Subsidies of equipment and money was regularly a part of military alliances. After the First World War United States became the largest contributor. After Stalin's death even Soviet Union embarked on a large assistance program. Foreign aid has been and remains a substantial component of the foreign policies of a number of states like Japan, Germany, Britain, Sweden, Italy, China and Saudi Arabia. Obviously not all states have the economic strength to employ this instrument on an extended scale. Therefore in terms of overall magnitude foreign aid is basically an instrument utilized by the policymakers of the larger powers. Nevertheless even states with little economic strength occasionally may be able to productively use foreign aid in a number of carefully selected situations. 19

Categories of Aid

The first is development assistance: foreign aid is provided on the grounds that it will contribute in a meaningful way to the recipient's economic development. These programs may involve cash grants, the presumed purpose of which would be to enable countries to obtain capital necessary for rapid development or favourable credit arrangements such as long term low interest loans. 20

The second major category is military assistance, the supplying of money and material for military uses, including aid for defence support programs.

The third is technical assistance, the transfer of knowledge and skills from one party to another. 21 Relatively inexpensive, technical assistance provides personnel from the assisting party (whether it is a state or a non-state actor like MNC) to advice and cooperate with the recipient in a coordinated attack on such practical problems like improvement of crop yield, control of diseases, construction of roads, bridges or dams, educational advancement, hydroelectric power generation and so forth, and to do so on a more personal level than it is usually true in general economic development programs. Though technical assistance programs have constituted a very small portion of total foreign aid activity since the second World War. 22
Foreign Aid Objectives

What have the policymakers providing foreign aid sought to achieve by it? What been the objectives of various programs? This should be carefully analysed. Frequently there is considerable disparity between the stated objectives and the real ones, between rhetoric and reality.

Economic Development

Economic development has been a major objective of various foreign aid programs. While it is undoubtedly true that the policymaker of the assisting country have sought other goals under the guise of, or in conjunction with economic development, it is equally undeniable that in many instances development had been the basic objective. The individuals of aid providing nations sometimes believe that the states of the developed world owe the formerly colonised areas and peoples of Asia, Africa and Latin America something, and this something includes foreign aid. Some nations like U.S. have sought to further the development of democracy or capitalist system or favourable vote in the U.N. Some policymakers believe that with economic development states become more stable and less prone to internal unrest. This in turn reduces the possibility of external exploitation.

However, history does not sustain this view that there is a automatic relationship between economic development and democracy. For example the cases of Germany and Japan in 1930s and later former Soviet Union demonstrate. If one looks at the recipient states since the Second World war one finds that many nations are not concerned with democracy at all, and those that are concerned define it only in terms that are consonant with their traditions and objectives. Take the case of Pakistan, one of the largest recipient of aid from America during the 1980s, which invariably had dictatorship with short and unstable democratic form of government.23

Even less promising conclusions appear with regards to the relationship between economic development and capitalism. Similarly one cannot predict with confidence that development will be stabilising: it is dependent upon the characteristics of the recipient and the relationship of the level and type of performance to the demands and expectations of key groups. The process of economic development is uncertain and complex and there are times when it may be disruptive rather then stabilising. In many of the less developed countries order has been maintained for genera-
tions only through the ruthless use of force by the ruling classes. For example, the Arab Sheikdom of Kuwait, Saudi Arabia, etc. If economic development occurs and if new groups arise to challenge the control of the privileged, a potentially revolutionary system develops, like the case of Iran after the overthrow of Shah. Generally it is the groups that have already begun to rise who are the most revolutionary in their expectations. Economic development instead of increasing stability may increase instability and create precisely the opposite of the stable situation that the policymaker had hoped to achieve.

The idea that development will increase the likelihood of a peaceful foreign policy also is unsubstantiated. Both rich and poor countries have attacked and been attacked and there is little hard evidence to indicate that simply if a nation is economically developed it will pursue a peaceful foreign policy.

The policymakers of aid giving nations also need to analyse whether or not economic development is a "good" objective in a particular case. Since development presumably means the recipient will be stronger, one must ask whether or not that would be in the state's interest. This is not the kind of judgement one can make without considering the entire situation.

Sufficient Gratitude

Sufficient gratitude is the second major objective of giving aid. The aid giving policymaker expects the recipient in return for foreign assistance to have enough gratitude towards the assisting state's foreign policies and perhaps sustain or modify his own behaviour according to the assisting state's desires. This has been and continues to be a major objective of aid programs. Much to their chagrin both Former Soviet Union and United States have discovered that this objective of sufficient gratitude is seldom achieved. As part of its extensive aid to China the Soviets expected Mao Tse-Tung to follow the Soviet dictates on various issues in late 1950s, but instead a Sino-Soviet conflict developed.

Gratitude means very little in international politics. Recipient policymakers know that assistance is provided on the basis of self interest and they take it the same way. There reasons may be very different from the provider's, and they put the aid to unexpected uses. Such as Pakistan using development aid for developing nuclear weapons. They may seek aid only for prestige or simply for the purpose of maintaining themselves in power or even use it against on their provider's other
friends. Seldom do they feel they owe anyone any gratitude. And for the same reasons as discussed in connection of trade manipulations earlier in the chapter, recipients are seldom amenable to pressures. They adapt themselves to get along without; they resent efforts at coercion and fight it, there are alternative sources and they know it and so on.

Nonetheless in some cases a small amount of gratitude develops, and one cannot be certain that the actual or threatened aid manipulations never can be effective in producing desired policy modification. Regarding the first point, no doubt at times aid can be one means of helping to achieve and maintain a certain level of cooperation between like-minded parties, parties with similar or at least compatible objectives. And the possibility of not obtaining the assistance or of a reduction in current programs certainly will enter into the recipient policymakers calculations; occasionally it may be that in the context of one's overall policy patterns and objectives and a recognition that cooperative relationships with a given party are imperative, such activities will produce the desired outcome. The mid summer 1972 Soviet threat to reduce arms deliveries to Hanoi unless progress was made in negotiations with United States was just such an instance. But these comments do not negate the essential points. Even if some gratitude develops very seldom will it have an appreciable impact on the recipient in terms of placing the providing states in a position to exercise operational policy modifying capability, that is terms of increasing the recipient's responsiveness. And in those relatively few cases where capability can be exercised it usually is because of the importance of certain other factors, not because of any feeling of gratitude on the part of the recipient.

In recent years aid suppliers have become more cognizant of the limitations of foreign aid in producing policy modifications, have become somewhat more selective in their programs. They are also aware that although policy changes have often occurred in close temporal proximity to assistance manoeuvring, in most instances the modification have preceded rather than followed the manipulations. In other words, foreign aid has followed recipient policy changes rather causing it. The U.S. agreement to help Egypt reopen the Suez Canal in early 1974 came only after Egypt had adopted a somewhat neutral position between U.S.A. and U.S.S.R. The Soviet offer to finance the Egyptian High Dam came after the Egyptian
were rebuffed by America. Soviet aid to Iraq began only after July 1958 coup; it did not lead it. Generally foreign aid does not itself cause a major modification of policy, instead the opportunities for developing and cementing new relationships occur first and then aid may be an effective instrument to achieve that limited objective.

Support

Another major aim of foreign aid is providing support for the recipient. Here the policymaker does not attempt to persuade the recipient to modify its policy. It may be that one is not concerned with the issues per se and is seeking either to exacerbate situational difficulties or to bring about their resolution via a balancer orientation; maybe relationships with the recipient are already cooperative and one is seeking common or complementary objectives via a support or cooperation orientation. In any case the recipient's policies are already satisfactory to the provider, even if they are not exactly what the aid giver desires, but they are acceptable. The problem in this situation is that the recipient does not have sufficient capability to achieve the desired goal of the provider. Here the support is to remedy this capability deficiency.

Some support assistance is given for emergency short duration. For instance immediately after the Second World War Soviet Union was trying to pressurise Turkey and Greece for a favourable revision of the Montreaux Convention governing the Dardanelles Straits and concluding defence treaties similar to those signed by the East European nations. Faced with such a situation America was compelled to act. They provided 400 million dollar worth of economic and military assistance, in order the thwart the Soviet efforts.

Sometimes support is provided in an emergency situation but on a longer term, though not indefinite basis. After the Second World War the Marshall Plan was made to revive the West European economies, which proved to be a very successful.

Third type of supportive assistance is a little different. Sometimes there are more or less continuing program that purposely is not of the quality and quantity sufficient to enable the recipient to totally achieve that which it may desire. This type of assistance can give the policymaker many problems, however. Generally the provider in such cases is attempting to do two things. First, he wants to provide enough support to allow the
recipient some hope of achieving his objectives but not enough to really help him do it. Second, he seeks to develop sufficient gratitude so that the latter's policies will reflect the provider's interests. But this is a very risky operation and the recipient can easily become very disenchanted with the provider if he refuses to give the quantity and quality of aid desired, as was the case of Egypt in 1972, when it expelled Soviet advisors.

Finally sometimes a provider may have a program of continuous, nearly unlimited support. Take the case of Israel, although it does not automatically get everything it asks Washington to provide. But the American policymakers make sure that she receives everything necessary to maintain a first class military machinery and make sure that the rest of the world understands that this of a permanent nature. In this kind of relationship the recipient is as influential as the provider. Although Israel is dependent on United States for assistance, because of its commitment Washington is not in position to apply as much pressure as it might appear.

Foreign Aid : No Choice?

Policymakers considering the use of foreign aid not infrequently feel as if they are confronted with an impossible dilemma. On the one hand they are aware of the numerous difficulties with aid programs, they know that aid often does not contribute significantly to economic development, and that even when it does it frequently leads to counterproductive differential effects. They know that seldom do aid recipients develop a degree of gratitude that is sufficient to allow the provider to effectually exercise policy modifying capability. They further realise that aid often had gone down the drain as a result of some policy debacle by the recipient (Egypt's loss of 1967 war despite Soviet support) or because of regime change or reorientation (overthrow of Shah of Iran in 1979 despite American aid). Furthermore they are fully cognizant of the fact that their efforts may be offset by those of their competitors. Policymakers also know that many recipients employ the orientation of participatory nonalignment to the hilt, playing one potential source against another in an effort to extract maximum gain from, and minimal allegiance to all. Another problem is where aid has already been provided and it has not resulted in or yielded positive results, any movement
towards significantly reducing or eliminating it, is likely to produce strong negative consequences. Finally sometimes an provider may unwittingly allow itself to be gradually drawn into situations leading to political consequences which have not been thoroughly analysed, and thus may well be negative.

But despite all these actual and potential difficulties, operational policymakers often feel that they have no choice but to provide aid. They reason that although aid is not always successful in increasing the providing party's influence, sometimes it is, and atleast somewhat cooperative relationships are developed during the process. Furthermore, recipients and potential recipients want aid and will react negatively to adverse decisions. And nearly in all situations there are sources to which these parties can and will turn, parties that will be more happy to become aid provider. For example Egypt who has become an American ally after receiving massive support from Soviet Union after the Second World War.

While there are limited number of contingencies in which the policymaker's choices are so circumscribed, usually this is not the case and if aid is given on this basis it is the result of far too narrow and oversimplified view of the international politics. two things should be kept in mind, first, that the policymaker may seek to achieve or protect their objectives via the utilisation of military and/or communication and/or the negotiation policy implementation instruments as well as through the use of foreign aid, which is only one half of the economic instrument. Just because one does not utilise foreign aid does not mean that its state's policies cannot be implemented. Second, foreign aid is more often useful in connection with orientation involving varying degrees of support and/or cooperation. Not only are there other means of implementing those orientations, there are many other orientations and perhaps a different one would be more beneficial.

In conclusion it could be said that first, most policymakers have learned that economic instrument is considerably less effective than many assumed in the 1950s and 1960s. Seldom can it be used in such a way that the recipient will modify its policy under the threat or actual use of economic deprivation. Second, seldom does much gratitude develop in return for assistance. Third, seldom is economic tool particularly effective by itself. Instead it is useful primarily as a part of a coordinated
package of policy instruments. Fourth, often it has been successfully used to help sustain or support recipients whose interests and policies are already favourable. Finally in some cases its use has actually been counterproductive, creating conditions that were harmful to the provider.

**National Interest and Foreign Aid**

The fundamental action beyond national boundaries is national self interest or national security, it is on this criteria that the decision to grant or withhold aid ultimately rests. If the national self interest led to the decision that aid should be provided to assist in poverty alleviation or accelerate the pace of development in a poor nation, so much the better; but these would be subsidiary advantages and not the basis upon which the decision to provide aid was made. The particular choice would depend upon particular circumstances based on assessment of what is best for the national interest of the donor nation.

The history of foreign aid policy indicates that national interest perspective has been a prominent one. This could easily be seen in American aid decisions regarding India, and its changed perspective to the changed international geopolitical scenario. Foreign aid has been a method of maintaining a position of influence and control around the world by the various aid giving states on the recipients. In 1968 U.S. President Nixon remarked, "let us remember the main purpose of American aid is not to help other nations but to help ourselves." This clearly shows their perspective.

The basic long range goal of foreign aid is political. It is not economic development per se. The primary purpose of foreign aid is to supplement and compliment the efforts of the developing nations to enhance their strength and stability to defend their freedom.

There are five criteria for deciding how aid should be allocated. These are economic performance; security relevance; political democracy; historical association and global importance. The crucial aspect is that the donor nation's national interest should be furthered by providing aid to the recipient, what effect the aid has on the recipient is of secondary importance. Development assistance provides the aid giving nation giving nation with opportunities to influence economic, social and political changes abroad.