How much “aid” will reach the tsunami survivors?

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While the corporate media has hailed the increased promises of assistance from the US, Australia and other wealthier countries to the tsunami-hit nations, the almost $5 billion pledged over the past fortnight will do little to overcome the extraordinary problems confronting survivors.

According to Britain’s Overseas Development Institute, at least $25 billion is needed to restore basic infrastructure and provide shelter. This raw estimate, however, does not take into account the amounts required to provide adequate food and health services to the more than five million people facing the outbreak of dysentery, malaria, pneumonia, cholera and other life-threatening diseases.

In Sri Lanka, for example, the United Nations World Food Program announced last week that it would distribute some 4,000 tons of rice, wheat flour, lentils and sugar. But this is enough only to supply approximately 500,000 people for two weeks. On current estimates, over one million people are now homeless in Sri Lanka, with around 400,000 having taken refuge in public buildings, schools and makeshift camps.

In Indonesia, where over 80 percent of western Sumatra’s towns and villages have been destroyed and more than 100,000 are dead, thousands face dying because no mechanisms exist for the rapid distribution of assistance. Aceh, the worst hit, has no airport capable of receiving heavy transport planes, with the nearest facility located in Medan, 400 kilometres from Banda Aceh, the regional capital. Two weeks after the tsunami, parts of the province have not received any assistance.

Even within the framework of official government assistance, the amount spent on foreign aid from the world’s richest nations has declined dramatically over the past decade or more. According to *Paying the Price*, a report published last December by Oxfam, the annual aid budgets of the top 20 donor nations are half what they were in 1960, in real terms. On average, G7 nations—Canada, France, Germany, Italy, Japan, the UK and the US—allocate only 0.19 percent of their Gross National Income (GNI) for international assistance.

The combined annual foreign aid from the world’s wealthiest nations is about $55 billion—far less than capital expenditure on the military. Britain currently spends eight times as much on its military as it does on aid, France 9, Italy 15 and the US 33 times. The US annual defence budget in 2003 was over $400 billion, or 3.6 percent of its Gross National Income (GNI), while its foreign aid was only $16 billion or just 0.14 percent of GNI. This is about a ninth of the $148 billion it has spent invading and occupying Iraq.

While aid from the economically powerful nations has always been devised to promote donors’ interests, the amounts and political purpose of this assistance has changed dramatically over the past two decades.

In the immediate aftermath of World War II, the US provided millions of dollars through the Marshall Plan to help rebuild war-devastated Europe, boost world trade and improve markets for American goods.

This program was expanded and became the model for the Organisation for Economic Cooperation and Development (OECD) and other Cold War international aid programs. It was never devised to eliminate poverty, but to try and undermine the Soviet Union’s economic and political sphere of influence. Within this framework, other imperialist nations, France and Britain and lesser ones such as Australia, set up assistance programs for their former colonies.

Various underdeveloped countries, or, at least, the ruling elites within them, benefited from these arrangements and some rudimentary infrastructure was developed during the Cold War period. But all this changed with the collapse and liquidation of the Soviet Union in 1991. The US and other imperialist nations slashed funds and adjusted their aid programs to the new reality. The US aid budget, for example, dropped by 32 percent between 1985 and 1995. International assistance to sub-Saharan Africa declined in real terms by almost 50 percent in the 1990s.

Behind the official government rhetoric of “poverty reduction” and “development assistance”, the international financial institutions also began devising new methods to extract more from the underdeveloped world.

Assistance and development loans to the less-developed nations started to come with increasing demands from donor nations and the international banks. From 1995 to 2000, for example, there were, on average, 41 conditions attached to every International Monetary Fund (IMF) loan to poorer countries. These included specific demands on exchange rates, pricing and market privatisation, financial sector regulation and privatisation of education, health and social welfare systems.

By 1999, IMF loans to sub-Sahara African countries had 114 conditions on average, with most requiring prior compliance before the finance, or part thereof, was granted. These directives were made irrespective of the social and economic impact on the recipient nations or factors outside their control, such as currency and commodity price fluctuations or access to international markets. In other words, compliance, rather than improving living conditions in the under-developed nations, worsened the poverty and undermined the existing, and generally inadequate, basic infrastructure in water, power, health, education and transport.

As Joseph Stiglitz, Nobel Prize winner and chief economist at the World Bank from 1996 until November 1999, admitted in 2000, the policies pursued by Washington and the international banks during the 1990s were akin to “using a flamethrower to burn off an old coat of house paint, and then lamenting that you couldn’t finish the new paint job because the house had burned down”.

The “aid” offered to Indonesia following the 1997-98 Asian economic crisis, for example, increased poverty significantly. To secure emergency assistance, the Indonesian government had to agree to privatise state services, restructure national banks, cut social spending and move to abolish price subsidies on fuel, electricity and food. These measures were clearly incompatible with the basic needs of the majority of Indonesians. The number living in poverty doubled to 100 million, and real wages plummeted by 30 percent during this period.

According to a World Bank report in 2002, Indonesia was the only country directly affected by the Asian financial crisis where current economic activity remained “significantly below pre-crisis levels ... [with] more than half of Indonesia’s population living on less than $US2 per day”. A UN World Food Program reported that 30 percent of Aceh’s population lived in poverty in 2002, with illness from malaria, dengue fever and hepatitis a “significant problem” for the overwhelming majority of the province, the layers most affected by the December 26 tsunami.

Like Indonesia, Sri Lanka is also dependent on international aid. But apart from some basic health programs and other limited measures, recent foreign assistance packages have done little to improve the position of the poor.

A high-profile international aid project was launched in June 2003, following the Tokyo aid conference, with representatives from the US, Japan, the European Union, the IMF, World Bank and Asian Development Bank. The $4.5 billion promised at the meeting was to be provided only after the Sri Lankan government agreed to introduce a number of so-called “poverty reduction” programs.

One of these, entitled “Regaining Sri Lanka,” drawn up by the Sri Lankan government in conjunction with donor countries and the banks, included agreements to increase the privatisation of Sri Lanka’s ports, health, education and other state sectors.

“Tied aid”, which forces countries receiving assistance to purchase goods and services from donor nations, is another notorious technique that ensures most foreign aid flows back to the donor. Although officially condemned by international financial institutions and the UN, “tied aid” has increased over the past 20 years

According to a recent UN survey, 84 cents of every US aid dollar returns to America in the form of purchased goods and services. Up to 75 percent of Canadian aid is tied, while Germany, Japan, France, Australia and numerous other donors insist that a large of proportion of these funds must be used to buy their goods and services. This can include anything from food products, telecommunications, transport, and technical advice to policing and security.

Last week, Australian Prime Minister John Howard made clear that his government’s $A1 billion tsunami aid package to Indonesia would not be channeled through the UN or other international aid agencies. His government, he said, did not want to see any “unnecessary bureaucratising” of the relief effort or the money being “put into the hands of others”. Australian aid will be distributed via a Jakarta-based planning agency and overseen by a committee headed by Howard and Indonesian President Susilo Bambang Yudhoyono. How this will work and how much will be distributed is still not clear, but much of it will flow back to Australian corporations.

In fact, approximately $1.8 billion per annum in official Australian foreign assistance is distributed to a select group of wealthy local companies involved in the “aid” industry. GRN International, which is owned by Kerry Packer, Australia’s richest individual, for example, receives $200 million per year for Australian aid projects. As AusAID, the official donor of Australian aid money, declares in its mission statement, its prime objective is to improve Australia’s “national interest”.

A large component of Australian overseas aid consists of payment for its military and police operations in the South Pacific. Australian Defence Forces have occupied the Solomon Islands since 2003, claiming this as international aid, and the Howard government recently threatened to suspend all assistance to Vanuatu unless it agreed to accept Australian police and government “advisors” inside the poverty-stricken South Pacific country.

Washington’s African Growth and Opportunity Act is another example of how foreign aid is directed back to US banks and corporations. Adopted by the US Congress in May 2000, the Act stipulates that African countries seeking American aid must comply with IMF “structural adjustment” conditions. Free market access to the US for African textile, clothing and footwear, however, is only provided if the manufacturers use nominated American raw materials.

One of the more blatant examples of “tied aid” is Washington’s HIV/AIDS assistance program. Under this policy, African governments seeking help for HIV/AIDS treatment are compelled to purchase all anti-AIDS drugs from the US, instead of cheaper generics from South Africa, India or Brazil. US drugs cost up to $15,000 per year compared to $350 for their generic versions.

The September 11, 2001 terrorist attack on the US also provided Washington with the opportunity to radically transform its international assistance. Aid would now be distributed according to Washington’s immediate military requirements and its so-called “war on terror”.

Pakistan became a major recipient of US aid, receiving over $600 million in 2001. Other countries previously deemed ineligible for assistance, but vital strategically for the “war on terror”, also began to receive funds. At the same time, under-developed countries that refused to back US demands in the United Nations for war against Iraq had their development funds cut.

Washington followed this by blocking assistance to any country that refused to grant American citizens immunity for human rights violation cases in the International Criminal Court. Likewise, underdeveloped countries that supported abortion rights were cut out of US aid.

Foreign assistance for long-term development not only dropped during the 1990s but donors also expanded their definition of aid to include spending on refugees in the donor country and the education costs of overseas students from the recipient nations. Debt relief was added into the donor nation’s overall aid spending. These calculations cut real assistance to the underdeveloped countries and artificially boosted official aid budgets.

Another means of inflating aid figures has been “technical assistance”. This involves forcing recipient countries to use expensive consultants and financial corporations from the donor nations. According to a 1999 UN estimate, technical assistance swallows up $14 billion per year, or about a quarter of total annual development aid.

Even as overseas aid to the less developed nations remains close to an all-time low, moves are afoot to modify OECD rules so that spending on so-called peace-keeping operations, or the training of foreign armies, can be counted as aid spending.

Last month, a coalition of Non Government Organisations warned that several countries, including Australia, Denmark and others, were lobbying for this change. This would allow them to artificially boost their aid budgets and claim to be meeting previously agreed UN Millennium Project targets, under which wealthy nations were to increase foreign assistance spending to 0.7 percent of their GNI by 2015.

Even this brief overview shows that foreign aid from the world’s wealthiest nations in the twenty-first century has little to do with overcoming the terrible poverty that afflicts most of the world’s population. On the contrary, it is a multi-billion dollar exercise that ultimately worsens the conditions of life for the oppressed.

Having ignored the deaths of thousands each year in South East Asia and the Indian sub-continent from typhoons, floods and other natural disasters, donor governments and the corporate interests they represent are using the tsunami disaster to expand their political, economic and military influence in the region. Their concerns are not and never have been humanitarian.

In January 2004, a major earthquake hit the ancient Iranian city of Bam, killing almost 32,000 people and destroying the city. While more than $1 billion in aid was promised by Western governments, only $17.5 million arrived. Twelve months after the catastrophe, survivors are still living in temporary accommodation, with little of the city’s infrastructure rebuilt. Given the recent history of “aid” what, therefore, is to be the fate of the tsunami survivors?

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