

MIDDLE POWERS AND DEVELOPMENT ASSISTANCE

MIDDLE POWERS AND DEVELOPMENT ASSISTANCE:
THE CASES OF AUSTRALIA, CANADA AND SWEDEN

by

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ABSTRACT

The foreign policy of a state accounts for its activities, attitudes and behaviour toward other sovereign political units existing in the international community. Historically the pinnacle of responsibility for the formation of foreign policy has varied. With the advent of democratically elected governments in the western world, this responsibility has befallen on the elected governing party. In the democratic west a newly elected government can theoretically alter the foreign policy program inherited from previous administrations. In actual practice a governing party operates in an environment of constraining forces which limit the ability of an administration to substantially deviate from existing foreign policy.

This thesis by addressing the formulation of foreign policy, will attempt to accomplish two primary objectives. The first is to illustrate many of the instrumental forces that play a significant role in the formulation of foreign policy. The other is to examine how the official development assistance (ODA) programs of three middle powers have undergone structural changes in order to reflect the respective donor's foreign policy.

This thesis will concentrate its examination of ODA resource transfers during two historical periods. The first stage will consist of the years of the First Development Decade 1960-1969, the second the

years of the Second Development Decade 1970-1979. These stages were selected because they signify the first concerted attempt by the nations of the advanced world to transfer development resources to states of the emerging world.

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CHAPTER I

ODA AND MIDDLE POWER STATES

International relations must be seen as an examination of how the states of the international community interact individually and collectively. This field of academic analysis has been complicated by two significant global developments. The vast increase in the number of sovereign states internationally is one; the other factor is the emergence of the United States and the Soviet Union as superpowers. As a result of this intricate international mosaic, scholarly writings have become overly concerned with the superpowers either individually or how they interact with other members of the international community. This concentration has resulted in little analysis of how middle and lesser powers conduct themselves within the global community. It is the primary objective of this thesis to examine and analyse how three particular middle powers have responded to one of the most complicated issues within the field of international relations. This issue focuses on the official development assistance extended by Canada, Australia and Sweden to resolve the development dilemma in the emerging world.

The first problem that must be resolved within this study is to determine the difference between a middle power and a super or great power. A middle power, unlike super and great powers, does not have the ability to project significant power on a global basis. This is not to say that some middle power states are not capable of projecting some

significant influence on a global basis in particular ways. Any definitions or examination of a middle power must centre around five components which determine the amount of power a state can project on a global level. These five components are military and industrial capacities, national population, resources and technical level of achievement. Even though these five traditional components measure the varying abilities of middle powers to project power on a global basis, they ignore some of the unique ways in which a middle power state can enhance its prestige and influence internationally.

One of the means used by some middle powers to enhance their status internationally is to actively participate in global debates and on deliberating bodies.¹ Such international agencies as the United Nations and its various councils, the Commonwealth and other regional organizations provide middle powers with the opportunity to be actively engaged in the global decision making process. Even though a middle power can be involved in various international organizations, its ability to project national power on a global basis may be limited by the degree of authority it has within these global organizations.²

The growing economic caliber of particular middle powers has vastly increased their status and influence internationally to the point where particular middle powers must be economically ranked as great powers.³ Canada is the best example of a middle power that has increased its status and influence internationally as a result of its economic capacities in the post war period. Canada obtained an unprecedented degree of importance for a middle power in such global

economic organizations as the World Bank, the International Monetary Fund and the Development Assistance Committee as a result of its economic capacity.

A middle power can also enhance its ability to participate and influence global developments if that state is seen as a significant actor within the international community. Traditionally the role played by Canada in United Nations sponsored peacekeeping forces in the early post war period is an example of a state acquiring this type of status in the international community. Recent analysts of international relations have even suggested that particular middle powers must become the catalyst for reform within the international community.⁴ Of particular concern for middle powers in the future is the ability to act as mediators between nations of the developed and emerging worlds. The response of middle powers to the dilemma of the Third World brings us back to the main feature of this analysis, official development assistance.

Most of the scholarly research into official development assistance (ODA) has concerned itself with how the great powers have attempted to resolve the plight of the emerging world. This thesis will examine how Canada, Australia and Sweden have responded to the plight of the Third World through their respective ODA programs. The time period of this analysis will concentrate on the First and Second Development Decades, 1960-1969 and 1970-1979. This will allow for an examination and analysis to determine the consistency or evolutionary developments in the ODA programs of these three respective middle powers.

Before any examination of the ODA issue, there must be an explanation of why these particular middle powers were chosen for the study. Even though these three nation states are located in different regions of the globe they share several common features. In particular these middle powers are economically advanced, have high standards of living and all three have achieved prominent levels of technical achievement. It is also interesting to note that all three of these states are tied economically into larger economic units: Canada's close economic association with the United States, Australia's growing ties with Japan and Sweden's trade with the European Common Market. Although these middle powers are similar in many respects there exist differences between them that has resulted in significant variation within their respective ODA programs.

The economic nature of these three middle powers has also been a factor which has affected ODA programs. When discussing the economic nature of these states four aspects must be examined. The first is the relative strength or weakness of each national economy and how this has effected ODA sponsorship throughout both development decades.⁵ This analysis must also determine whether these states are resource export oriented. If so, it must be determined whether such resource exports have been an integral component within the respective national ODA programs. The third aspect concerning the economic nature of these donors is to determine if they are major trading forces internationally. If any of these donors are determined to be significant trading forces, how have they used this relative strength to help the plight of the developing

world? The final economic feature that must be looked into is to determine if any of these states have developed national expertise in specific economic areas. If this has in fact been the case, it must be determined if such expertise has spilled over into the donors' sponsorship of particular development projects.

Formal membership in an alliance must be viewed as being an influential force in molding the foreign policy of any state in the international community. This thesis will determine whether alliance membership has had any impact on the Canadian, Australian or Swedish ODA programs. Of particular concern will be to determine whether the directional flow of the national ODA programs have been influenced by the constraints of formal alliance membership, or whether the process of detente has had any impact on these three ODA programs.

The fiscal and monetary capacities of many states in the international community have been constrained due to their economic dependence on foreign investment capital. The dependence on foreign capital has plagued nations of both the advanced and developing worlds. The reliance on foreign investment capital has presented problems for many middle powers internationally.⁶ It will be necessary to determine if Canada, Australia and Sweden have experienced a shortage of domestic capital and if so, what the resulting consequences have been for the respective national ODA programs. Another economic issue which has presented problems for several nations has centred around their balance of payment figures. What will be of prime concern is to observe if any of these donors has experienced balance of payment difficulties and if so,

how has it influenced the shape of the assistance program.

Certain members of the international community have maintained closer relations with each other than with other members of the international community. This relationship is usually based on common historical experience, on former colonial ties or because states share similar cultures. This analysis will examine whether the ODA programs of these three respective donors have been affected by such relations in two ways. The first is to examine if cultural, historical or former colonial ties determine the directional flow of ODA resources from these three middle power states. The second is to determine whether donors have used ODA to achieve specific cultural objectives in their own state.

The geographical location of a state has historically placed certain limitations on that state's foreign policy.⁷ This analysis will assess whether the geographical location of a donor has had any significant impact on its ODA program. In particular two aspects of geography's impact on ODA will be examined. The first is to determine if the flow of development resources from these three donors has been directed to specific regions of the emerging world. The other issue to be resolved centres around geographical isolation from other major economically advanced states. This is a relevant question because it must be determined whether Australia, as a result of its location, had been forced to assume specific development responsibilities in its geo-political region.

One of the most interesting facets of ODA that this thesis will

scrutinize are the domestic goals that a donor attempts to achieve through its assistance program. When discussing domestic features of a program three specific questions will be raised. The first concerns national attitude or opinion toward ODA and the resulting consequences for program sponsorship. The second is the degree to which donors structure their ODA programs in specific ways to maintain national support. The final question is whether these three middle power states have used their assistance programs as a means of achieving national political goals.

One of the common arguments presented concerning development assistance is that donors obtain economic benefits from their programs.⁸ If macro or micro economic benefits have indeed been obtained in the case of Canada, Australia and Sweden it will be revealed which domestic industries have benefited from development assistance contracts.

Operating an official development assistance program requires a bureaucracy. It will be necessary to examine the various assistance administrations set up by the three donors. Any examination of the assistance bureaucracies must determine whether the state, the private sector or charitable organizations were the primary motivating factor behind the formation of these assistance administrations. It will also be necessary to examine whether these agencies are autonomous or semi-autonomous organizations. If it is found that these agencies are not independent bodies it must be determined to whom they are accountable. Finally the budgetary process for the assistance agencies and how these agencies allocate resources amongst potential recipient states will be

examined.

The final facet of development assistance that will be explored concerns the various complex varieties of assistance which can be extended to a recipient state. The bilateral and multilateral assistance extended by Canada, Australia and Sweden will be the focus of this section.⁹ An attempt will be made to illustrate why there has been a reluctance to expand multilateral assistance and why bilateral assistance has remained consistently tied. Before any of the problematic issues are resolved it is first necessary to determine exactly what official development comprises.

Official development assistance must be seen as the transfer of resources from rich industrially advanced nations to less developed countries. This transfer occurs through capital allocations, the provision of technical assistance and the provision of agricultural-industrial products or raw materials. Through the provision of such assistance, it is theorized that developing states will be able to obtain the resources to help alleviate the capital and technological shortages that are occurring in the Third World. Through the provision of ODA it is theoretically possible to help induce the socio-economic development of the emerging world at a quicker rate than would normally be achieved. Lester Pearson has described development assistance in the following manner.

It is to reduce disparities and remove inequalities. It is to help the poorer countries to move, in their own way, into the industrial and technological age so that the world will not become more and more starkly divided between the haves and the have-nots, the privileged and the less privileged.¹⁰

Official development assistance must be seen as a stimulant that is attempting to reduce the economic inequalities that exist between advanced and developing nations.

When examining development assistance there are three theoretical justifications that attempt to explain why any industrially advanced state would maintain an assistance program. These theoretical justifications are based on humanitarian grounds, economic considerations and on strategic-political grounds. The humanitarian justification proposes that advanced states have a moral duty in helping to alleviate the human suffering being experienced in the Third World.¹¹ As a result of this moral duty advanced states transfer resources in an attempt to provide those resources which will encourage social and economic progress in the developing world. The economic justification for any advanced state maintaining an assistance program is based on two central arguments. These propose that official development assistance is a useful short term stimulant to a donor's domestic economy and leads, in the long run, to increases in trade for the donating country.¹² The last theoretical justification for ODA is based on the belief that advanced states obtain specific strategic political objectives through their assistance programs. Closely linked with the strategic political considerations of ODA has been the use of assistance as a means of maintaining liberal democratic states in the developing world.¹³ The following chapters will determine which of these theoretical justifications have been used by the three middle powers of this study

to support their ODA activities.

Over the last two development decades the resources committed to international assistance have increased dramatically. Accompanying this growth phenomena has been the rapid increase in government administration which has been charged with managing the aid programs. These two factors have influenced the manner in which assistance resources are distributed on a global basis. The distribution of development resources can occur along bilateral lines or through multilateral agencies.

The bilateral model describes the distribution of assistance between the governments of two states. All details concerning the type of aid being transferred and the terms of the assistance agreement are agreed upon by donor and recipient governments. In the bilateral process there is no role for a third party to act as a mediating force between donor and recipient. Bilateral assistance has historically been the favoured means of distributing resources to recipient states. In 1967 bilateral aid accounted for nearly 90 per cent of all official development assistance extended globally.¹⁴

The other means of distributing development assistance is through multilateral organizations. Multilateral aid describes the means by which donors pool their resources and allow some international administrative authority to distribute these resources as it sees fit. Donors using the multilateral route lose the ability to control where their resources are committed or what level of assistance is directed to specific recipients. The United Nations, its affiliates and regional

development banks have been the primary means by which multilateral aid has been distributed during the past two development decades.

A fundamental decision any aid donor has to make is whether to adopt an active or a reactive role concerning the distribution of its development resources.¹⁵ Donors who are considered active are extremely selective in deciding which nations receive ODA and in evaluating which projects in recipient states are going to receive assistance. In direct contrast to the active role, a state may follow the reactive route in determining how ODA resources are distributed to developing nations. In the reactive role a donor merely responds to recipient requests for assistance. The reactive donor does not critically evaluate the economic situation of the recipient, nor does the reactive donor question how particular projects fit into the economic plan of an emerging nation. The following chapters will determine whether Canada, Australia and Sweden have been active or reactive donors during the First and Second Development Decades.

Closely associated with the active or reactive roles is the question of how a donor allocates resources amongst recipients. Recipient nations receive assistance transfers in two distinct forms. They can receive assistance in program form or receive assistance flows which are allocated for specific projects.

Program aid describes the general acceptance on the part of a donor to transfer resources to a recipient which then decides how such resources are to be distributed within the emerging state. The donor which uses the program format has no knowledge of which projects will

receive these resources. Donors which use the program format also have exceedingly little interest in how recipients attempt to resolve their economic difficulties. The only prior examination a program donor makes about a recipient is that

The donor studies the development plan of the recipient country and satisfies itself that the plan is well conceived and that the administration of the recipient government can be trusted to apply aid efficiently without detailed control.¹⁶

Program assistance was used sparingly by donors throughout the sixties and seventies. Program sponsorship only achieved some degree of success with the formation of the international consortia to assist the developing nations of India and Pakistan.

In contrast to the program form of sponsorship, donors can allocate resources along project lines. In the case of project aid a recipient asks a donor for assistance in regards to a specific development project. The recipient must define the project to the donor and clearly relate how the proposed project will be beneficial to the development of the recipient. If the donor feels that the project being proposed is a rational decision, development resources will be allocated for that particular project. The following chapters will determine whether the middle powers in this analysis have opted for program or project development sponsorship.

Up to this point, there has been a concern with the various justifications for aid, the means by which assistance is distributed, the role donors can play in the distribution of resources and the various methods by which ODA is delivered to a recipient. Yet the most

controversial aspect of official development assistance that plagues all donors is simply what level of support a donor should maintain for its assistance program. When allocating resources to their program, donors are faced with constraints on funding levels. These factors include the present economic performance of the donor's economy, present and future balance of payment and trade figures and support for the assistance program amongst the domestic population.

Even though nations have been faced with the problem of deciding exactly what percentage of GNP should be committed to ODA, there have been guidelines established by the international community. These guidelines were outlined in the 1969 Pearson Report, Partners in Development: Report of the Commission on International Development. The essential body of the report suggested that "each developed country should increase its commitments of official development assistance to the level necessary for net disbursements to reach 0.70 per cent of its GNP by 1975, but in no case later than 1980".¹⁷ The Pearson Report also recommended that "each developed country should increase its resource transfers both official and private, to developing countries to a minimum of 1 per cent of GNP as rapidly as possible and in no case later than 1975".¹⁸ Even though these guidelines were recommended, advanced states were formally under no obligation to meet the specific target levels set in the report. This thesis will address the degree of support for ODA Canada, Australia and Sweden have committed themselves to and what particular difficulties these nations have experienced in attempting to set an equitable percentage of their GNP towards development assistance.

NOTES TO CHAPTER 1

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6. For an examination of some of the difficulties faced by middle powers as a result of their dependence on foreign capital see H. W. Arndt, "Economic Prospects for the 1980's, Regional Economic Relations", Australian Outlook 25 (1971); W.P. Hogan, "Economic, Technical and Military Aid by Australia", in J.D.B. Miller, ed., Australia's Economic Relations (Sydney: Angus Robertson, 1975); North-South Institute, North-South Encounter: The Third World and Canadian Performance (Ottawa: North-South Institute, 1977), pp.23-40.
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13. Ibid., p.24.
14. Pearson, op. cit., p.209.
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CHAPTER II

THE FIRST DEVELOPMENT DECADE

The period between 1960 and 1970 was declared by the United Nations and its member states as the first development decade. It was hoped that through an expanded global plan of international assistance there would be a serious attempt to resolve many of the socio-economic problems of the Third World. Through the expansion of global assistance it was hoped that some new world economic order would be achieved between advanced and developing nations. It is within this complex scenario concerning the economic development of emerging states that ODA plays a vital role.

The 1960s had been a period of uninterrupted economic expansion for the major industrial nations of the world. The shattered economies of Western Europe had rebuilt their national productive capacity to the point where they became significant internationally. The national economies of Canada and the United States continued to experience steady growth and prosperity throughout this period. The one glaring problem that threatened to change indirectly the continued economic expansion of the major industrial nations was the growing gulf that divided the world into advanced and emerging states. It was hoped that this growing gulf could be reduced in severity if nations of the advanced world made a serious attempt to transfer resources to nations of the Third World. Yet the attempt to encourage the socio-economic development of emerging

states was limited by the international climate.

The first and most significant factor which complicated the international system during this period was the ideological confrontation between West and East. This was directly responsible for the continued precarious relations between the United States and the Soviet Union. The inability of the two superpowers to resolve their differences resulted in complicating the foreign policies of many middle powers in the international community. As a result of this cautious climate internationally, many of the ODA programs of many states failed to achieve their potential in emerging states.

The confrontation in Vietnam was the other issue which complicated the international system during the 1960s, not only dividing nations along an East/West axis, but even nations of the West into supportive and nonsupportive camps. The growing involvement of the United States throughout the decade resulted in particular pressure being placed on many middle powers of the Western world to support Washington. As a result of this American pressure many middle powers were constrained in the formation of their foreign policies. Such pressure also resulted in placing particular constraints on the ODA programs of states within the international community. What will be examined in greater detail in this chapter is how the ODA programs of Canada, Australia and Sweden functioned within this international system.

CANADA

The most significant aspect concerning ODA is the level of support to which a nation commits itself. Canada's record concerning ODA sponsorship during the first development decade reflects the growing awareness that advanced nations had some responsibility in attempting to resolve the problems of the Third World. In the initial years of the first development decade Canada only allocated .17 per cent of its GNP toward official development assistance.¹

In fiscal year 1963 the level of ODA support maintained by Canada was below the average for countries belonging to the Development Assistance Committee (DAC). The average level of DAC support for the 1963 fiscal year was .36 per cent of GNP.² The Canadian program increased in size throughout this ten year period until .42 per cent of GNP was being committed to ODA in the 1969-1970 fiscal year.³ Table I illustrates and compares the actual growth of the Canadian program in relation to the ODA programs of other economically advanced states of the western world. The statistical evidence indicates that Canada's performance during the early half of the first development decade was modest for a state as economically advanced as Canada. The explanation for this occurrence will be analyzed in chapter four.

A major ODA issue that must be pursued when examining Canadian assistance in the 1960s, is to scrutinize the distribution of resources through bilateral and multilateral aid agencies. The distribution of

TABLE I
NET FLOW OF OFFICIAL DEVELOPMENT ASSISTANCE TO LESS-DEVELOPED COUNTRIES
AND MULTILATERAL AGENCIES: 1960-68
(In Millions of U.S. Dollars)

Country	1960	1961	1962	1963	1964	1965	1966	1967	1968
Australia	58.9	70.7	73.8	95.9	100.0	118.6	126.1	157.2	159.8
Austria	0.1	2.9	7.0	2.1	11.8	33.8	34.8	28.2	23.0
Belgium	101.0	92.1	69.8	79.7	71.3	101.6	76.1	88.8	88.0
Canada	75.2	60.6	34.5	64.9	77.9	96.5	187.1	197.9	174.7
Denmark	5.3	8.1	7.5	8.7	10.1	12.9	21.1	26.0	28.7
France	847.3	942.9	976.0	851.7	828.2	752.2	744.8	825.5	855.2
Germany	242.5	322.0	399.8	397.6	472.9	436.9	439.7	528.1	553.7
Italy	90.9	79.1	93.6	112.9	59.1	80.0	61.9	120.0	165.2
Japan	105.1	107.8	85.3	137.6	115.8	243.7	283.3	384.3	355.2
Netherlands	35.3	55.9	65.0	37.8	49.2	69.6	93.9	113.5	134.4
Norway	5.2	6.8	6.5	9.9	9.6	11.3	14.1	14.5	25.5
Sweden	6.7	8.4	18.5	22.9	32.8	38.1	56.9	59.9	71.4
Switzerland	3.5	7.9	4.9	6.2	9.2	10.7	14.2	13.0	18.8
United Kingdom	407.0	456.8	421.0	414.5	493.3	480.6	525.9	498.0	428.0
United States	2,702.0	2,943.4	3,271.5	3,627.0	3,611.0	3,570.8	3,599.0	3,599.0	3,347.0
Total	4,686.0	5,165.4	5,534.7	5,869.4	5,952.2	6,057.3	6,278.9	6,613.9	6,428.6

Source: Lester B. Pearson, Partners In Development (New York: Praeger, 1969), p. 380.

Canadian assistance through bilateral arrangements and multilateral aid agencies must be compared to the distribution of development resources in other nations. The striking feature concerning international development assistance in the 1960s was that between 85 and 90 per cent of aid was transferred bilaterally.⁵

In the early stages of the first development decade Canada distributed a significant share of its ODA through multilateral agencies. In fact Canada distributed a larger share of its development resources through such agencies than might be expected. An examination of ODA for 1962 would indicate that of the \$50 million distributed by Canada, \$37.4 millions was through bilateral allotments and \$12.8 million through multilateral agencies.⁶ These figures indicate that almost one quarter of Canadian assistance was distributed through multilateral agencies in 1962. By 1965 the percentage of Canadian ODA distributed through multilateral agencies had decreased to 20.34 per cent.⁷ The percentage of Canadian ODA distributed through multilateral agencies would decline further in the 1960s until in 1968, 19.6 per cent of ODA resources were distributed through such agencies.⁸

Grant assistance has traditionally been viewed by emerging states as the best variety of development assistance. Grant assistance increasingly became an integral component within the Canadian program during the 1960s. In 1962 44 per cent of the assistance extended by Canada to emerging states was in the form of grant assistance.⁹ The proportion of grant assistance within the program would remain constant throughout the years 1963-1967. In 1968 there was a major change in the

proportional size of development grants within the ODA program. In this year Canada increased the usage of grant assistance until grants accounted for 75 per cent of Canada's bilateral assistance.¹⁰

Another means by which an economically advanced state can extend assistance to an emerging nation is through the provision of development loans. To qualify as an ODA component these loans must be extended to emerging states on terms substantially below commercial terms.¹¹ Development loans must also have longer maturity periods in order to provide the recipient a longer repayment schedule than would normally be expected in business financing arrangements.

Canada's performance concerning development assistance loans during the 1960s can best be described as evolutionary. Up until the fall of 1964 Canada was critically condemned for the manner in which it was handling development loans. Canada came under increasing pressure from emerging states to change the terms of its development loan program. It was pointed out to Canadian aid administrators that Canadian development loans charged an excessive rate of interest and could not be justifiably considered as development loans. In 1964 Canada was charging an average of 4.7 per cent on development loans.¹² This rate represented the third highest interest rate charged to developing states amongst OECD and DAC members. Table II illustrates exact comparisons for individual donor states. The Canadian government in an attempt to reduce the severity of its loan component introduced the Development Loan Program in November of 1964.

The Development Loan Program was to meet specific development

TABLE II

AVERAGE FINANCIAL TERMS OF OFFICIAL COMMITMENTS: 1964 AND 1968

	Weighted Average Interest Rates (%)		Weighted Average Maturity Period in Years		Weighted Average Grace Period in Years	
	<u>1964</u>	<u>1968</u>	<u>1964</u>	<u>1968</u>	<u>1964</u>	<u>1968</u>
Australia	-	-	-	-	-	-
Austria	5.4	5.2	8.8	11.0	1.4	3.0
Belgium	3.0	3.2	20.8	21.9	4.5	3.0
Canada	4.7	1.1	25.1	43.5	4.9	8.6
Denmark	4.0	0.0	19.1	24.9	5.5	7.0
France	3.2	3.7	15.6	18.0	3.1	0.8
Germany	4.0	3.9	18.1	21.2	4.4	5.9
Italy	4.3	4.0	9.3	9.3	1.5	1.0
Japan	5.8	3.9	16.0	18.0	4.5	5.4
Netherlands	3.9	3.9	24.2	29.7	3.2	6.6
Norway	4.5	2.2	17.0	23.0	6.0	5.5
Sweden	2.0	2.5	10.0	34.0	4.5	9.6
Switzerland	5.0	4.9	7.5	13.5	2.0	NA
United Kingdom	4.1	1.3	14.0	24.8	5.1	6.3
United States	2.5	3.5	33.4	30.0	7.7	7.8

Source: Leter B. Pearson, Partners in Development (New York: Praeger, 1969), p.385.

objections and to remedy the criticisms concerning Canadian development loans. In particular the new loan program was to provide funds at interest rates below their actual market value. The terms of lending were to be similar to those of the International Development Association, the soft loan division of the IBRD.¹³ By 1968 the average interest rate on Canadian development loans fell to 1.1 per cent.¹⁴ This represented the lowest rate charged for development loans amongst donors of the western world. Table II differentiates the exact terms concerning loans for the major western donors in the 1964 and 1968 fiscal years. The second major component of the Development Loan Program concerned itself with revamping the maturity terms of loans being extended to emerging states. The maturity period of Canadian loans was extended until in 1968 Canada provided the longest maturity period on development loans.

Another major form of development assistance which was examined in the first chapter was commodity assistance. Canada's performance during the 1960s concerning commodity assistance must be seen as establishing a precedent within the international community. Between 1950 and 1965 commodity assistance accounted for 54 per cent of the Canadian ODA program.¹⁵ The bulk of this commodity aid was in grant form within the Canadian program. What was unique about Canadian commodity assistance during the period was that industrial raw materials as well as agricultural products were included in these development transfers. The exact significance of Canada deciding to include industrial raw materials within its commodity assistance will be examined below in

chapter four.

Another component that must be considered when examining ODA is technical assistance. Technical assistance "is essential to strengthen the administrative, technical and managerial cadres of recipient governments and improve their capacity to plan, co-ordinate and control the complicated internal and external factors that govern their economic fate".¹⁶ Canada's provision of technical assistance was not initiated during the first development decade but under the Colombo Plan.¹⁷ During 1964 and 1965 Canada allocated 12.5 per cent of its bilateral grant funds to technical assistance.¹⁸ Throughout the 1960s Canada distributed the bulk of its technical assistance along bilateral lines.¹⁹ This pattern of aid distribution resembled the norm for advanced nations maintaining ODA programs with a technical assistance component. Canada during this period did provide some technical assistance through multilateral agencies. The main multilateral agency which Canada contributed to was the United Nations Expanded Technical Assistance Program.

Development assistance can be distributed in program or project form. The major differences and objectives of these methods was examined in the first chapter. During this period Canada allocated ODA resources along project lines. The rationale behind this was that Canada was an active program donor which wanted to control where and how its development resources were used. Apart from support to multilateral aid agencies, Canada only extended general program assistance to one developing nation in the 1960s: India received \$125 million in soft

loans from Canada to be used for non-project general development purposes.²⁰

The Canadian ODA program must be interpreted as a program conducted by an active donor. Before giving its consent to any development project Canada critically evaluated how such a project would assist development. During the 1960s Canada allocated on the average three per cent of its grant aid to feasibility studies within potential recipient states. The one factor which limited Canadian support to any particular recipient, no matter how good its development plan, was country limitations. Country limitations were support ceilings which were set within the External Aid Office (EAO). These became increasingly important within the Canadian ODA program in the 1960s. The 1964-1965 fiscal year marked the beginning of a Canadian program that was rationally planned on a global basis. This global plan included a detailed formulation that outlined the exact funding of all recipient states. Up to this point Canada had allocated aid in a haphazard manner amongst recipient states.

A significant factor determining the directional flow of Canadian development assistance in the first development decade was Canada's association with the Commonwealth. The priority of the Commonwealth within the Canadian assistance program stemmed from Canada's initial involvement in the Colombo Plan. An examination of recipient allocation of Canadian assistance between 1950 to 1966 reveals that 90 per cent of all bilateral assistance went to Commonwealth countries.²¹ The late 1960s saw a major change in the recipient direction of Canadian ODA

resources. This change involved the extension of Canadian development resources to the French speaking states of Africa. From a review of the literature it is logical to conclude that Canada extended aid to French speaking Africa for primarily domestic political reasons.²² The significance of this decision will be examined in greater detail in chapter four.

One of the most crucial elements that has historically influenced Canadian politics has been the prime minister and it is no less true in the case of the Canadian ODA program. When the first development decade was still in its infancy John Diefenbaker was prime minister of Canada. The Diefenbaker years were marked by a rejuvenated form of Canadian nationalism. The result was a predominant concern for problems that directly affected or concerned Canada. It was this mentality that was directly responsible for Diefenbaker's policies concerning national defence and his attempt to reverse the growing Canadian economic dependency on the United States. As a result of these priorities the Canadian program during the Diefenbaker era was delineated to minor importance. This lack of importance is reflected in the fact that during the Diefenbaker years, Canada only committed .15 per cent of its GNP to development assistance.²³

When Lester Pearson was elected prime minister in 1963, the nature and course of the ODA program altered dramatically. In the five year period between 1963 and 1968 the program changed in three important ways. The most striking feature concerning the program during Pearson's term in office was the increased size of the program. This period saw

the national commitment toward assistance increase from .15 per cent to .28 per cent of GNP.²⁴ Another change within the program during the Pearson years was the terms of the assistance extended to recipient states. As earlier illustrated there was a major expansion in the percentage of assistance extended in grant form within the Canadian program during the 1960s. The final changes within the program took place in 1964 when Canada introduced soft loans for emerging states and expanded resource flows to emerging states of Latin America.²⁵

The resignation of Lester Pearson in 1968 marked a dramatic turning point in the Canadian assistance program. Pierre Trudeau's views on humanitarianism were directly responsible for the continued increase in the size of the assistance program.²⁶ The size of the ODA program increased from .28 per cent of GNP in 1968 to .42 per cent of GNP in 1970.²⁷ The ascendancy of Trudeau also coincided with a major change in the direction of Canadian sponsorship. The extension of Canadian assistance to French speaking Africa was naturally the great departure from the pattern of concentrating sponsorship on Commonwealth states.

The Canadian ODA program experienced changes throughout the first development decade, but one feature in the program remained constant throughout the period. This constant variable was the requirement of tying all bilateral aid.²⁸ The tying of assistance is a controversial issue because it usually increases the recipient cost of such assistance between 10 and 20 per cent.²⁹ Chapter four will explain why Canada tied virtually all bilateral assistance.

The administration of the Canadian ODA program during the 1960s underwent two major bureaucratic revisions. The first structural revision took place in 1960 and the second in 1968. Each of these bureaucratic restructurings reflected the growing size and complexity of the Canadian assistance program during this period.

Prior to 1960, the responsibility for the assistance program was shared by three government departments, the Department of External Affairs, the Department of Trade and Commerce and the Department of Finance.³⁰ In November of 1960 the administration of the ODA program was centralized under an autonomous External Aid Office (EAO). The EAO was headed by a Director General who reported to the Secretary of State for External Affairs. Funds for maintaining the EAO and its expenditure budget were included in the finance estimates for External Affairs.

The Director General of the EAO was to be assisted in the formation of assistance policy by the External Aid Board (EAB). The EAB was to be comprised of the Director General and representatives from the Bank of Canada and the Departments of Finance, External Affairs and Trade and Commerce.³¹ The EAB had a purely consultative function in that it reviewed all major submissions to cabinet on bilateral aid matters.³² The principle function of the EAB was to harmonize differing departmental views concerning aid issues prior to Cabinet meetings. The EAB formulated such integral assistance issues as country allocations, determined the allocation of each specific type of ODA being extended and determined which development projects were to receive capital funding.³³

The increasing size of the Canadian assistance program throughout the 1960s and the growing number of administrative problems within the agency, forced the government to reorganize the administration of the EAO. The result of the reorganization was the formation of the Canadian International Development Agency (CIDA) in 1968. The new administrative agency was to have an expanded staff of bureaucrats to handle the administrative duties of the ODA program.

Even though EAO was reorganized and the number of administrators increased, there were several administrative similarities between the new agency and the old EAO. One was the semi-autonomous status the agency was given under the Secretary of State for External Affairs. The head of CIDA was now called President instead of being referred to as the Director General. Many of the functions of the CIDA President reflected many of the administrative duties of the EAO Director General. The President and CIDA were instructed to

- A. to operate and administer Canada's economic assistance program.
- B. to ensure co-ordination in the operations of other departments concerned with various aspects of development programs.
- C. to consult and co-operate as appropriate with international organizations and agencies and with Canadian voluntary agencies active in developing countries.
- D. to co-ordinate Canadian efforts to provide emergency assistance.³⁴

Like the Director General of the EAO, the President of CIDA was to be assisted in administrative decisions by a consultative and advisory

board. This group of advisory assistants was the Canadian International Development Board (CIDB). The CIDB was headed by the President of CIDA and fellow board members were composed of officials from the Departments of External Affairs, Trade and Commerce, Finance and the Bank of Canada.³⁵

One of the most important factors considered when the Canadian International Development Agency was established was to increase the effectiveness of Canadian assistance. The effectiveness of assistance was to be expanded by gradually weakening the control of the Department of Finance over aid spending.³⁶ CIDA was particularly concerned with limiting the Department of Finance's ability to control assistance disbursements to multilateral aid agencies.

The ODA program is financed within the general governmental budget and presentation of aid expenditure is in Planning Programming Budgeting System form. Aid estimates for the upcoming fiscal year go to the Standing Committee on External Affairs and National Defence for approval. Once the level of assistance has been approved, CIDA is given the authority to sponsor development projects or contribute to multilateral agencies up to this approved level.

Cabinet extends its control over CIDA and its operations through the allocation of budget funds for the assistance agency. This control through the budget is accomplished by having CIDA's funds allocated in three specific financial blocs each geared to a specific operational function. One bloc of funds is allocated to financing the administrative costs of the department, another is allocated toward

financing the grant assistance component of the program and the final bloc is used to finance Canadian loan assistance.³⁷ Through the specific allocation of funds along these three particular avenues cabinet is able to have some influence on the character of the ODA program and the administrative process within CIDA.

One of the most unique financial features within CIDA's administration is the issue of non-allocated funds. In most aid agencies non-allocated funds at the end of the fiscal year are placed back into the general budgetary fund. Canadian aid administrators have never encountered the problem of carrying over uncommitted funds from one fiscal year to another. In 1965 administrators established a special account within the Consolidated Revenue Fund which uncommitted development funds were deposited. By the 1970-1971 year this special account had a balance of \$289 million.³⁸

The Canadian assistance program during the first development decade was continually in a state of flux and undergoing dynamic alterations. Some of these changes within the program can be explained theoretically as outlined in the first chapter, while other changes must be clearly seen as being unique to Canadian circumstances. Was the Canadian program unique or did the ODA programs of Australia and Sweden experience comparable developments during this period?

AUSTRALIA

Australia's development assistance program during the 1960s was the most consistent of the three programs. This consistency can be partially explained using some of the theoretical aspects examined in the first chapter: but these theoretical explanations fail to explain some of the unique features within the Australian program. This chapter will address the structural and administrative changes in the ODA program during this period in order to understand the foreign policy objectives of Australia.

The most unusual features of the Australian program in the 1960s was the relative stability of program sponsorship. The program in 1961 committed .44 per cent of GNP toward ODA; in 1963 the level had increased to .51 per cent and in 1970 the level of sponsorship increased to .59 per cent of GNP.³⁹ The Australian program during this period did not experience the dynamic increase in sponsorship as the Canadian program. This stability partially rests on the fact that Australia's initial level of funding was substantially higher than the initial level sponsored by Canada.

During the first development decade Australia used its ODA program to achieve two major foreign policy objectives: establishing a security system for Asia,⁴⁰ and trying to prevent the development of Communist movements in Asian countries.⁴¹ The Australian ODA program contributed to regional security by aiding the economic and industrial development

of particular nations of the region. In an effort to institute some type of regional security system, Australia began to establish better diplomatic relations with India and Pakistan in the early 1960s.⁴² In a further attempt to better relations with these two states Australia extended ODA resources. The Australian concern for regional security resulted in Australian ODA being extended to Indonesia, the Philippines, Malaysia and Singapore.⁴³

During the 1960s almost the entire Australian ODA program consisted of grant assistance.⁴⁴ As illustrated earlier grant assistance is the most favoured form of resource transfer between donor and recipient. Such transfers are really outright gifts and grants are generally considered the best means of transferring development resources to emerging states. Australia's grant assistance during this period experienced a high degree of tying.⁴⁵

Throughout the first development decade Australia distributed 90 per cent of its ODA resources through bilateral agreements. Australia preferred bilateral distribution because it reinforced the ability of the ODA program to achieve political and security objectives. Of prime concern to Australian foreign policy makers was the willingness to use ODA resources in order to promote a group of stable non-communist states in the area.⁴⁶ It was anticipated that such a development would result in "an institutionalized community to serve common economic and social interests and to provide machinery for dealing with disputes".⁴⁷

As mentioned earlier Australian development assistance was composed entirely of grant assistance. The largest element within this

assistance was outright development grants which allowed emerging states to purchase Australian equipment and products required in their development process.

During the early years of the ODA program the Commonwealth was a significant force in determining the direction of development assistance resource flows.⁴⁸ The Australian concern with the Commonwealth resulted in India and Pakistan receiving a substantial bulk of Australian assistance during the 1950s. Accompanying the Australian desire to maintain relations with India and Pakistan was the importance of Papua New Guinea in the ODA program. The 1960s marked a major change in the direction of Australian development resource flows. Throughout this ten year period the percentage of ODA flows directed to Asian Commonwealth states declined while the percentage directed to Papua New Guinea increased. Table III illustrates this shift in assistance sponsorship throughout the first development decade.

Throughout the 1960s Australian foreign policy makers were faced with the growing problem of the Vietnam War. Australia initially was actively involved and had provided a combat division. As the confrontation continued to escalate Australian foreign policy makers increasingly questioned Australia's involvement. The result of this evaluation was the decision to gradually withdraw Australian troops from the combat theatre. The last remaining Australian troops were removed from Vietnam in December of 1971. As a result of the decision to withdraw its forces, Australia turned to its ODA program to achieve political and security foreign policy objectives in Southeast Asia. As

TABLE III

AUSTRALIA'S EXTERNAL AID PROGRAM IN MILLIONS OF AUSTRALIAN DOLLARS

FISCAL YEAR	56-57	58-59	59-60	60-61	61-62	62-63	63-64	64-65	65-66	68-69
Papua New Guinea	19.872	27.574	32.664	39.226	45.548	51.050	61.778	66.598	72.600	90.000
Total Economic Aid	35.26	41.86	51.88	59.48	65.35	75.92	86.39	95.77	107.12	140.00

Source: G. Greenwood, and N. Harper, eds., Australia In World Affairs (Sydney: Australian Institute of International Affairs, 1968), appendix, table 5.

a result development assistance was extended to Eastern New Guinea, Indonesia, the Philippines, Malaysia and Singapore during the remaining years of the first development decade.⁴⁹

A unique feature within the program was the extension of assistance along project lines. Australia, like Canada, distributed the vast bulk of its assistance along project lines.⁵⁰ Australia favoured the project format because it allowed it to determine exactly which projects were to receive assistance. There seems to have been an underlying belief amongst Australian aid administrators that project assistance was also beneficial to nations receiving Australian assistance. This was based on the belief that Australia had achieved a higher level of knowledge concerning matters crucial to the economic development of a nation.⁵¹ Australia was apprehensive about losing control of its ODA program. This concern resulted in the development of two paradoxes within the ODA program. The first was that Australia only distributed 10 per cent of its program resources through multilateral agencies. The second was the predominance of the geo-political area of Southeast Asia within the assistance program.

The administrative mechanism maintained by Australia during the first development decade reflected the unique nature of the ODA program. Australia's aid administration was not a unified collective agency, but was divided into two separate indigenous departments. The Department of External Affairs was given the bureaucratic task of administering Australia's general bilateral and multilateral assistance.⁵² The Department of External Affairs was renamed the Department of Foreign

Affairs in 1970. The administration of assistance directed to Papua New Guinea was placed in the hands of the Department of Territories, which underwent a name change in 1970 and became known as the Department of External Territories. The decision to have assistance directed to Papua New Guinea under a separate administrative department, reflected the importance of this area to Australian foreign policy makers.

Australian aid administrators like their Canadian counterparts, favoured extending assistance along project lines. Australia, like Canada, also put the bureaucratic responsibility of initiating development projects in the hands of prospective recipients. Recipients were required to formulate detailed plans concerning each project requiring Australian development assistance. An additional detailed explanation of how the project receiving assistance was to fit into the overall national development plan was also required from recipients. After the assistance administration received these detailed reports, officials would examine and determine whether the proposed project was feasible and to determine the level of sponsorship to be extended.⁵³ The high level of Australian bureaucratic involvement in development projects in recipient states parallels the theoretically active role a donor state can play in determining how its ODA resources are to be used.

Australia's development assistance program during the first development decade was a program geared to maintaining specific foreign policy objectives. Exactly what these objectives were will be examined in chapter four. The selection of recipient states and the ODA program

during the 1960s fit into a larger scenario concerning Australian foreign policy.

SWEDEN

Sweden offers an example of how an ODA program that virtually was nonexistent in the early years of the first development decade grew into one of the most extensive programs. The Swedish development program was influenced by the humanitarian concepts discussed in the first chapter. Of the three national ODA programs being investigated, it is the Swedish program that presents some of the most unique developments concerning international assistance. The evolution of the Swedish program has had not only major consequences for recipient states, but has also had a major impact in the Swedish nation itself. The most outstanding feature of the Swedish program during this period was its constant rate of growth in GNP percentage. Table IV illustrates this growth.

The growth of the Swedish program illustrates the concern that the Swedes attributed to this complex issue. Development assistance and level of program sponsorship were such prominent issues in Swedish politics that in 1968 Sweden promised to raise assistance expenditures until they reached one per cent of GNP. What was so radical about this decision was that they committed themselves to reach this goal in six years. This was a major commitment, considering that in 1968 Sweden only had six years of total experience in international development assistance. It must also be noted that only Sweden reached the one per cent of GNP level of funding as outlined in the Pearson Report amongst

TABLE IV

Swedish Development Assistance as a Percentage of GNP

Fiscal Year	Percentage of GNP
1962	0.12
1963	0.14
1964	0.18
1965	0.19
1966	0.25
1967	0.25
1968	0.28
1969	0.43

Source: Steven Arnold, Implementing Development Assistance (Boulder, Colorado: Westview, 1982), p.106

major DAC members. The promotion of ODA to a level of national concern in Sweden is a phenomenon which must be explained compared to the Canadian and Australian cases.

One of the most distinct features which explains the importance attributed to international aid within Sweden is that ODA enjoyed support amongst the Swedish population and political parties.⁵⁴ Only in Sweden did all political parties favour a major expansion of the ODA program. The only major ODA issue which divided the parties was the question of sponsorship level. Unlike Canada and Australia, Sweden publicized its aid program amongst its population and political parties, this indirectly resulted in ODA becoming an issue of national and public concern.

The initial name given to the Swedish assistance agency was the Agency for International Assistance. It was created in 1962 by incorporating several private aid agencies into a collective government agency. These included church groups, corporate interests and trade union representatives.⁵⁵ The representation of virtually all sectors in Swedish society in this new administration reflects the concerns and importance attached to development assistance amongst the Swedes. The situation is in stark contrast to the involvement of similar groups in Canada and Australia. Support amongst the Swedish trade unions for ODA and for expanding assistance in an attempt to help Third World States industrialize is in stark contrast to the position of unions in Canada and Australia. In both of these countries unions were very cautious about voicing support for the industrial development of the Third World.

The cautiousness stems from the fact that unions in these two countries see the economic development of the Third World as an indirect employment threat to unionized workers in the industrialized world. In Canada and Australia, as a result unions have been very low keyed in their support for their respective national ODA programs.

The Swedish program was among the first ODA programs to focus attention on projects aimed at meeting the needs of the poor of emerging states. The uppermost concern for Swedish administrators was to dispense resources in such a manner that they helped the immediate material and living conditions of the national populations of emerging states. As a result of this ratiocination in the Swedish program, health, education, nutrition and population control programs received the bulk of funding.

The Swedish program must be seen as an international ODA program. The international nature of the program is reflected in Sweden's extension of assistance to 87 emerging states during the first development decade. The recipients were located in all geographical areas of the globe and included communist states. Sweden was one of the first DAC members to extend development assistance to emerging states of the communist world. In 1968 and 1969, Sweden extended ODA resources to Cuba and North Vietnam.⁵⁶

Even though humanitarian justifications were influential in explaining the Swedish assistance program, there was one economic factor which came into play in the program. The one economic concern that was expressed by the Swedes was the continued decline of Swedish exports to

emerging countries.⁵⁷ Sweden, unlike Canada and Australia, did not tie its development assistance to the purchase of Swedish goods or services. The refusal of Sweden to tie its aid on humanitarian grounds resulted in many recipients accepting Swedish development revenues but spending these financial resources in other countries. In an attempt to help encourage emerging states to spend Swedish development revenues in Sweden, Swedepop was formed in 1964.⁵⁸

Swedepop was to be a consortia of Swedish companies and aid administrators whose primary objective was to enhance the prestige of Swedish industrial firms amongst emerging states. It was intended that an enhancement of the Swedish industrial image internationally would result in a greater share of Sweden's development funds being spent in the nation. Swedepop was also designed to resolve the problem that Swedish firms were not large enough to compete against foreign competition. These foreign corporations continually undercut Swedish firms to win development contracts.⁵⁹ It was expected that Swedepop would allow firms to pool their resources and sales efforts, in an attempt to come up with integrated development offers. Swedish aid administrators hoped that Swedepop would obtain some of the economic benefits for Swedish firms that had been usually obtained by tying ODA transfers.

In 1965, the Swedish government decided that a major restructuring of its aid administration was required. This was required due to the expanding size of the program and its increasing array of functional responsibilities. The decision to reorganize the bureaucratic structure

of the Agency for International Assistance resulted in a new administrative agency that was larger in size and more complex in nature. This new agency was the Swedish International Development Authority (SIDA).

The new aid agency was attached to the Ministry of Foreign Affairs.⁶⁰ A particular similarity between SIDA and CIDA was that even though both of these administrative agencies were under the control of their respective departments for foreign or external affairs, they both enjoyed a large degree of autonomy in the formation of aid policy. The head of SIDA is known as the Director General, who is appointed for a six year term of office by the government. The Director General, although considered a senior government official, is not a governmental minister.⁶¹ The Director General of SIDA is assisted in conducting administrative decisions by a group of ten individuals known as The Board. Board members are appointed representatives of political parties, trade unions, industrial corporations and major commercial and financial interests. Since the formation of SIDA, the major objective for the agency was

that SIDA was to be only a planning and implementing body, not a policy making one; policy was to be directed by the Ministry of Foreign Affairs and the Ministry of Finance⁶² under the ultimate authority of the Swedish parliament.

In practice, SIDA steadily increased its administrative independence from these two governmental offices during the first development decade. The explanation of how SIDA expanded its ability to control Swedish assistance policy is attributable to factors in the program. Exactly what these

factors were will be examined late in chapter four.

The budgetary process that has evolved in Sweden reflects the importance attached to the development assistance issue, and reflects the independence of SIDA within the governmental administrative process. In Sweden, there is a long and complex formula that is used to determine exactly what budgetary funding the assistance program will require for the upcoming year. On the first of each September, SIDA must submit a fiscal estimate to the government outlining what level of financing will be required for the next fiscal year. The SIDA estimate then is closely scrutinized by representatives of the Ministry of Foreign Affairs and of the Office for International Development. The examination of the SIDA estimate by these two financial watchdogs is limited in scope. This financial examination is limited because SIDA's estimates usually range around one per cent of Swedish GNP. Since the Swedish parliament, the Riksdag, has approved of extending the equivalent of one per cent of GNP toward ODA, these financial accountants have not really been able to have a major impact on SIDA's budget. Once the budget has cleared the examination conducted by representatives from the Ministry of Foreign Affairs and Office for International Development, the budget is submitted to the Ministry of the Budget which then takes the SIDA budget and coordinates it with the estimates of other departmental ministries. The Ministry of the Budget then submits all the departmental budgets to the Swedish parliament on the first of January of each year.

As soon as the SIDA estimates for the upcoming year have passed this stage in the budgetary process, hearings are initiated to examine SIDA's

commitments to specific development projects in various recipient states. These hearings are conducted by the Committee on Foreign Affairs and the Director General of SIDA plays a very active role in the hearing proceedings. Representatives of the Ministry of Foreign Affairs use the hearings to examine the activities of SIDA and to question the Director General on matters concerning assistance policy. These hearings conducted by the Committee on Foreign Affairs usually complete their inquiries in March which allows the SIDA budget to enter the next budgetary stage. This stage is the Parliamentary debates concerning Sweden's ODA program and includes the examination of SIDA's development objectives for the upcoming fiscal year. The Parliamentary debates usually run through the months of April and May. Once the proposed SIDA budget clears the Parliamentary debates a vote is taken to determine whether parliament approves of the assistance program. When parliamentary approval has been obtained, SIDA is free to administer the assistance program within the financial guidelines outlined in the assistance budget. The budgetary process that the Swedish development program must go through is much more complex than the budgetary format used in either Canada or Australia.

The multilateral-bilateral split of the Swedish program resembled the Australian and Canadian programs during the early and mid years of the first development decade. Sweden distributed the bulk of its assistance along bilateral project lines and only extended a small percentage of its program aid to multilateral agencies. As the Swedish program matured through the 1960s, there developed a re-allocation of resources within the program. The first change was a dramatic increase in the level of Swedish

support extended to multilateral aid agencies. Sweden increased its funding toward multilateral agencies to the point where multilateral agencies received 30 per cent of Swedish ODA resources in the 1968-1969 fiscal year.⁶³

Another development in the Swedish program concerned bilateral assistance. Beginning in 1968 Sweden shifted its funding emphasis away from bilateral project assistance to bilateral program assistance.⁶⁴ The Swedes shifted their sponsorship toward the program format for two specific reasons. First the Swedes felt that recipients should be responsible for carrying out development decisions themselves. There was a growing attitude within SIDA that emerging states should make development decisions on their own, since they technically knew what their particular difficulties were in the development process. Swedish officials also believed that program aid would allow recipients greater manoeuvrability in responding to development problems in their nations. Swedish aid administrators also felt that program assistance would also reflect the principal feature of Swedish foreign policy, neutrality. Program assistance was to remove the few remaining strings in the Swedish assistance program that might make it look as if it was intended to achieve foreign policy objectives.

The 1960s also saw a major change in the direction of Swedish sponsorship. During the initial years of the program, Sweden extended assistance to a number of emerging states. Between 1965 and 1966 Sweden was extending assistance to over eighty emerging states. In 1968, SIDA administrators began to realize that Sweden had to concentrate its

assistance flows if these flows were to accomplish meaningful results. As a consequence Swedish officials decided to concentrate assistance on a smaller number of recipient states and concentrate on those states which were experiencing the highest level of poverty and the lowest rate of development progress.

The Swedish development assistance program during the 1960s is an example of how an economically advanced state can respond to the complexities of the Third World. In the initial years of the first development decade, Sweden had an assistance program that was in its infancy. What was unique concerning this program was its continued growth, as well as the extent of national and political support it obtained throughout the decade. The growth in sponsorship and national support indicate how important this foreign policy issue was in Sweden. Even though Sweden must be seen as a latecomer in providing an ODA program, it has set an example for other DAC members and developed states to follow. Sweden, unlike Canada and Australia, was not content to follow traditional ideas and limitations concerning development assistance. By the end of the first development decade Sweden became internationally recognized as the evolutionary force in development assistance.

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56. Cunningham, op. cit., pp. 164-165.
57. The Economist, "Swedevelop," The Economist 217 (October-December, 1965): 763.
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CHAPTER III

THE SECOND DEVELOPMENT DECADE

The global inability to resolve the problems of the Third World during the 1960s increased expectations that these problems would be resolved in the second development decade. For emerging states, the 1970s held out the hope that many of their glaring social and economic problems would either be resolved or reduced in severity. The resolution of these problems would allow many emerging states to reduced the gap that divided nations between an advanced and developing world.

Even though development assistance was a prominent foreign policy issue, it must be noted that development assistance operated under certain international constraints. These constraints indirectly limited the ability of the three middle powers being examined, to maintain ODA programs free from such restrictions. In the second development decade, international development assistance was directly influenced by three key international occurrences.

The first international development that radically altered the nature of ODA programs was the process of detente between the United States and the Soviet Union. Detente directly reduced the ideological content of the foreign policies of many middle power states. The improved relations between East and West had in many instances dramatic and unique consequences for the ODA programs of the three middle powers being

examined. During the 1970s Canada, Australia and Sweden were able to alter many of their traditional foreign policy objectives due to the improved international climate. This analysis will attempt to illustrate how the ODA programs of these three middle powers changed during the 1970s as a result of detente.

Another major development which indirectly had a significant impact on the ODA programs in the 1970s was the growing complexity of the Middle East situation. The Israeli Arab confrontation of 1973 and the resulting oil embargo had grave consequences for nations of the advanced and emerging worlds; the rapid price escalation of oil on the international market. Closely tied to the price increases for oil was the problem of future supply. Nations of the advanced world now were forced by international events to face the growing realization that oil no longer was an abundant energy resource. The rapid price increases for oil and the inability to guarantee future supply altered the ODA programs being examined by affecting the economies of their respective national states.

The final international development which had a significant impact on ODA was the economic stagnation of the advanced economies of the world. This economic recession coincided with the sharp price escalation for oil in the mid and late 1970s. As a result of this global recession, nations of the advanced world experienced recurring economic difficulties throughout the period. Economic stagnation, high inflation, high levels of unemployment and mounting government deficits were the outcome of this period. As a result of these economic factors, donor states were forced to alter their ODA programs to reflect the realities of the new economic

conditions being experienced in the advanced world. The willingness of donor states to alter their ODA programs as a result of these international economic conditions marked a radical departure from the utopian conceptions of the first development decade. The latter half of the second development decade illustrated the willingness of advanced nations to concentrate their focus of attention on domestic, political and in particular economic issues. Development assistance in the second development decade deviated from many of the humanitarian principles established during the first development decade.

CANADA

The level of Canadian ODA sponsorship during the first half of the second development decade maintained the commitment Canada made during the 1960s. This commitment was to increase the percentage of GNP delegated toward international assistance, as Table V shows. The table indicates that during the first half of the 1970s Canada continued to increase the size of its assistance program. By 1975, Canada committed .54 per cent of its GNP toward ODA which was a significant improvement from the 1961 fiscal year when .15 per cent of GNP went toward assistance. The .54 level maintained by Canada in the 1975 fiscal year was still below the .70 per cent level suggested in Partners in Development which Canada agreed to in principle. }

As illustrated in Table V the level of Canadian ODA sponsorship steadily declined throughout the later years of the second development decade. By the 1980 fiscal year Canada was maintaining an ODA program in GNP terms as it had maintained in 1970. The inability of Canada to expand its ODA program during the second development decade must be seen as a setback not only for emerging states, but for Canada who had viewed itself as being an important force in international assistance. }

The direction of Canadian ODA flows in the second development decade remained virtually parallel to the lines maintained during the first development decade. For Canada the primary areas of concentration continued to be the Commonwealth, French speaking Africa and the

TABLE V

CANADIAN NET DEVELOPMENT ASSISTANCE

DISBURSEMENTS AS A PERCENTAGE OF GNP

FISCAL YEAR	FUNDING LEVEL
1970	.40
1971	.40
1972	.41
1973	.42
1974	.47
1975	.54
1976	.46
1977	.50
1978	.52
1979	.46
1980	.42

Source Steven H. Arnold, Implementing Development Assistance (Boulder Colorado: Westview, 1982), p. 4.

Commonwealth Caribbean.¹ The only other geo-political area to receive significant amounts of Canadian development assistance was Latin America. Latin America presents problems when determining whether the region plays a decisive role within the ODA program. One school interprets Canada's involvement in Latin America as a significant and crucial role while the other school sees Canada as an insignificant participant in Latin American development.² When discussing ODA flows in this period nine emerging states were designated as areas of concentration for the Canadian program. India, Pakistan, Sri Lanka, Malaysia, Nigeria, Ghana, Tunisia, Cameroon and Senegal were the main beneficiaries of the Canadian program. The one other geographical region which received significant flows during the second development decade was the Commonwealth Caribbean region. Towards the close of the decade Asia absorbed nearly 50 per cent of Canada's program, 20.5 per cent was directed to Commonwealth African states, 20.2 per cent was directed to French speaking nations of Africa, 4.2 per cent Caribbean states and 5.2 per cent to Latin America.³

During the onset of the second development decade Canada pledged to increase its level of support to multilateral aid agencies. Canada committed itself to having 25 per cent of its ODA resources distributed through multilateral agencies.⁴ An examination of the statistics concerning Canada's program in this period indicates that Canada did in fact manage to reach this specified goal.

As examined in chapter two, commodity assistance was an integral component within the Canadian program. Though commodity assistance decreased as a percentage of the program during the late years of the

1960s, Canadian aid officials were still interested in extending development resources through commodity transfers.⁵ Statistics show that commodity assistance did remain a relevant component within the Canadian program. In fiscal year 1977-1978, Canada transferred \$230 million in agricultural commodities to emerging states.⁶ This figure represents almost 21 per cent of the total program for this fiscal year. Canada's provision of agricultural products is also a prime means of illustrating Canada's desire to distribute a significant share of its development assistance resources through multilateral aid agencies. Of the \$230 million of agricultural assistance extended, \$97.5 million was distributed through multilateral food assistance agencies.⁷

In an attempt to make the program more conducive to development in emerging states, Canada maintained some of the more positive aspects of its program while improving on others. Grants and long term loans continued to be important components in the program during the 1970s.⁸ The one area where Canada made considerable progress during this period concerned tied assistance. In 1970, Canada committed itself to having at least 20 per cent of its bilateral assistance untied during the second development decade. Canada became so committed to this goal that in 1975, 40 per cent of Canadian ODA was untied.⁹ This figure represents a substantial improvement over the Canadian tendency to virtually tie all its bilateral assistance during the first development decade.

The two areas where Canada failed to make any progress concerned debt relief and the opening up of the Canadian market to the exports of emerging states. From an examination of the literature pertaining to these

issues, it seems that Canada was one of the most reluctant OECD members to accommodate these particular needs of emerging states. Concerning the issue of debt relief Canada has been adamant in its belief that the debts of Third World states should not be simply written off.¹⁰ The issue of debt relief seems to have presented Canadian aid officials and governmental officials with a degree of difficulty. Tariff protection and import quotas have been the other means by which Canada has failed to enhance the development process of the Third World. Canada has not helped in the material development of emerging states by limiting their ability to sell their manufactured goods in the Canadian market. If emerging states could sell more of their domestic production in the Canadian market, it would allow them to raise the development revenues which they require. The unwillingness on the part of the Canadian government to open up the Canadian market to the manufactured goods of the Third World has even drawn the criticism of the OECD. The OECD noted that in the 1970s Canada was one of the least successful of the Western nations to open up its domestic market to goods produced in emerging states.

The administrative organization and procedure of the Canadian program during the 1970s remained virtually unchanged since the incorporation of CIDA. The administrative restructuring that did take place in this period was primarily concerned with encouraging some type of rational policy making within the aid bureaucracy. In 1971, CIDA was divided into four administrative branches. These branches concerned themselves with assistance policy, multilateral, bilateral and special assistance programs.¹¹ It was expected that by organizing the activities of the

Canadian program in this manner, Canadian ODA would be more rational and efficient. In a further attempt to introduce some variance of a rational policy making process in Canada's assistance administration, country book evaluation became a normal administrative practice in the period. Country books were detailed examinations of the economic situation of the recipient and outlined Canada's commitment of funds to date and intended future expenditures.¹² Country book studies were designed to provide relevant information to CIDA officials in an attempt to help them make rational development decisions.

In the midst of the 1977 fiscal year, Canada introduced some significant changes concerning CIDA's spending authority. One of these fiscal changes dramatically altered one of the most unique features within the Canadian program. This feature had been the ability of CIDA to forward uncommitted funds from one fiscal year to the next. Uncommitted assistance revenues at the close of a fiscal year were now to be automatically placed back in the general revenue fund. The other fiscal alteration which took place in 1977 was the level of assistance the Secretary of State for External Affairs could extend without having to get Treasury Board approval. In countries with established Canadian development projects the limit was set at \$3 million and \$1 million in other countries, food and transfers between \$500,000 and \$1 million were permissible and the level of emergency assistance was raised to \$250,000.¹³ Expenditure commitments over these amounts required Treasury Board examination and approval.

During the second development decade ordinary Canadians and

politicians became more aware of the ODA issue and the plight of the Third World. This increased awareness was facilitated by the growing coverage of the issue in the Canadian media and by the international perspectives of Pierre Trudeau. It was during the 1970s that development assistance became an institutionalized and accepted responsibility for the Canadian state to be engaged in. The willingness of Canadians and the Canadian government to be engaged in this complex scenario, reflects many of the justifications formulated earlier in this investigation as to why an economically advanced state would maintain an ODA program.

The second development decade for the Canadian assistance program was not as dynamic or as evolutionary as the first development decade. The changes which did occur in this ten year period must be interpreted as merely a fine tuning of the administration initiated during the 1960s. Perhaps the best means of interpreting Canada's actions in the period is to view Canada as a maturing ODA donor state.

AUSTRALIA

During the second development decade the Australian ODA program came under some of the same pressures as the Canadian program had encountered. Some of these pressures are accountable to international phenomena while others must be clearly seen as unique to Australia's geo-political location. The issue of national funding toward ODA in the Australian case highly resembles the Canadian situation during this period. Table VI illustrates the percentage of GNP Australia committed to assistance during the second development decade. The statistical data indicates that Australia's ODA performance was marginally better in the first half of the decade than in the second. Australian support of ODA paralleled Canada's in that both nations committed a smaller portion of GNP in the last fiscal year of the second development decade than in the first year. It is also interesting to note that Australia and Canada committed the largest percentage of GNP toward ODA in the 1975 fiscal year.

The directional flow of Australian ODA resources during the second development decade remained unchanged from the pattern established during the 1960s. The Australian program continued to concentrate its focus of attention on Asia and the South Pacific region. This concentration is reflected in the emerging states which Australia extended resources to. Papua New Guinea, India, Pakistan, Indonesia, Thailand, Malaysia and Vietnam were the seven Asian countries which received the bulk of Australian assistance.¹⁴ The magnitude of flows directed toward Papua New

TABLE VI

AUSTRALIAN NET DEVELOPMENT ASSISTANCE
DISBURSEMENTS AS A PERCENTAGE OF GNP

FISCAL YEAR	FUNDING LEVEL
1970	.59
1973	.44
1974	.55
1975	.60
1976	.42
1977	.45
1978	.55
1979	.52
1980	.48

Source: Steven H. Arnold, Implementing Development Assistance (Boulder Colorado: Westview, 1982), p.4.

Guinea is striking. In the 1972-1973 fiscal year Australia contributed \$220 million Australian toward international assistance. Of this, \$145 million or 65 per cent was directed toward Papua New Guinea.¹⁵

Australian contributions to multilateral aid agencies throughout the first development decade accounted for 10 per cent of the total program. With the advent of a Labour government in 1972 there was a serious commitment to increase Australia's allocation of resources to multilateral aid agencies.¹⁶ In the 1970-1971 fiscal year Australia distributed 11.5 per cent of its ODA resources through multilateral aid agencies.¹⁷ In the 1975-1976 fiscal year resource allocations to multilateral agencies had increased to 14 per cent of the program.¹⁸

The greatest similarity between the first and second development decades was the nature of the components which made up the program. In the 1970s, Australia continued to distribute its development assistance in grant form. Long term low interest development loans never became an integral component within the program. Commodity assistance remained a significant factor within the program during the second development decade. The nation to receive the bulk of Australia's commodity assistance in this period was Indonesia.¹⁹ In 1973-1974 fiscal year Australia made provisions for emerging states to purchase Australian wheat on special credit terms.²⁰ The Australian decision to provide for such agricultural assistance highly resembles the American use of PL 480 to achieve specific foreign policy and domestic economic goals through the provision of agricultural commodity assistance.

Two areas where Australia failed to improve its performance were the areas of tariff reductions for imports from emerging states and the insistence of Australia tying bilateral assistance. In 1973 the Australian government did reduce tariffs by 25 per cent on imported manufactured goods.²¹ Yet this tariff reduction did not result in any significant increase in the imports of manufactured goods from the Third World. Only clothing and textile imports to Australia increased as a result of the lowered tariff barriers. The Labour government came under increasing pressure in 1974 and 1975 to limit clothing imports in an attempt to reverse the decline of the Australian clothing and textile industries. Throughout the 1970s, Australia continued to tie the vast bulk of its bilateral assistance, justifying tying on the basis that it had the right to obtain some indirect economic gains while assisting in the development of emerging states.

In early 1973, the Parliamentary Joint Committee on Foreign Affairs examined the administrative procedures of the Australian ODA program. The report of the findings of the committee were highly critical of the program. The report noted that there was inadequate aid evaluation within the assistance administration.²² The committee also noted that the assistance administration was in a tangled state of bureaucratic confusion.²³ In response to the findings of the committee the government decided to re-organize the assistance administration. The outcome was the founding of the Australian Development Assistance Agency (ADAA). The ADAA was to be a semiautonomous administrative body that was to be responsible for the administration and evaluation of the Australian ODA program. The

head of the ADAA was to report and was responsible to the Minister of Foreign Affairs. The staff for ADAA was to come from the Foreign Affairs Ministry and was to be regarded as a separate agency removed from Foreign Affairs. The major justification for the creation of ADAA was to encourage an efficient assistance administration that rationally examined Australian development commitments.²⁴

Throughout the second development decade Australia continued to dispense the majority of its assistance bilaterally. Yet there was a major change in bilateral assistance in the 1970s. Australia began to dispense a greater percentage of its bilateral assistance along program lines versus its traditional reliance on project assistance.²⁵ The explanation for this occurrence will be examined later in chapter four.

The most revolutionary development in the Australian program in the 1970s was the provision of development resources to communist states in 1975. North and South Vietnam were the beneficiaries of this decision. This must be seen as revolutionary considering Australia's attitude toward such regimes in the 1960s. The actual sums involved in the ODA transfers to communist states were relatively small. For example, in 1975 \$2.5 million worth of commodity assistance was extended to South Vietnam.²⁶ The extension of ODA resources to communist states marked a significant turning point in Australia's foreign policy.

The second development decade must be clearly seen in the Australian context as not introducing many departures from the assistance pattern established in the first development decade. Australia in the 1970s merely fine tuned its assistance program and aid administration in

response to changes in the international and domestic fields. Official development assistance remained an integral means of maintaining specific foreign policy objectives.

SWEDEN

Of the three national assistance programs examined the Swedish program in the 1970s must be clearly seen as being the most idealistic. Sweden not only managed to reach the significant plateau of .7 per cent of GNP dedicated toward ODA but increased transfers until they accounted for nearly one per cent of GNP. Table VII indicates the exact level of funding during the second development decade. The only year Sweden failed to maintain this sponsorship was in 1980. The drop was due to administrative problems in approving commitments for new development programs.

The directional flow of Swedish funds in the 1970s was directed to emerging states which "promoted structural change leading to improving social and economic equalization".²⁷ As a result of this policy goal twenty emerging states became the focus of Swedish bilateral assistance.²⁸ Seven emerging states were designated as front line states during this period and absorbed three-quarters of Swedish bilateral assistance.²⁹

During the 1970s Sweden also continued to distribute 35 per cent of its ODA resources through multilateral agencies: the remaining 65 per cent was distributed bilaterally along program. The terms of Swedish assistance remained amongst the most generous offered by DAC member states. Ninety-nine per cent of Swedish assistance remained in grant form with no tying provision included in these grants.³⁰ A flaw in the Swedish program was the meagre size of the technical assistance component.

TABLE VII

SWEDISH NET DEVELOPMENT ASSISTANCE
DISBURSEMENT AS A PERCENTAGE OF GNP

FISCAL YEAR	FUNDING LEVEL
1970	.38
1973	.56
1974	.72
1975	.82
1976	.82
1977	.99
1978	.90
1979	.94
1980	.76

Source: Steven H. Arnold, Implementing Development Assistance (Boulder Colorado: Westview, 1982), p.4.

Throughout the latter half of the decade Sweden devoted between 11 and 15 per cent of its ODA resources in providing technical assistance.³¹

In 1972, the Parliamentary Commission of the Review of Sweden's International Development Co-operation was established. The findings of the Commission were published in April of 1977. The report basically proposed no major changes concerning SIDA or Sweden's overall assistance program. The report did however outline what should be the primary objectives of the Swedish program. These objectives formulated that Swedish ODA resources should be extended to those emerging states who attempted to

1. encourage the promotion of the growth of resources.
2. economic and social equalization with a focus on the poorest countries and poorest people
3. to those states attempting to achieve economic and political independence
4. to those states that support democratic social development.³²

The Commission also recommended the formation of a public development finance corporation which would encourage Swedish private investment in emerging states. In 1978, this recommendation gave rise to the Fund for Industrial Co-operation with Developing Countries, SWEDFUND. The formation of SWEDFUND was also designed to encourage joint ventures between industries in Sweden and developing states.

The one major administrative change that occurred within SIDA in the period was the expansion of the role of SIDA's overseas Development Co-operation Offices (DCO's). In the 1960s the DCO's mainly concerned

themselves with administering Sweden's involvement in assistance sponsorship. This traditional role was expanded in the 1970s when the DCO's were called upon to help prepare SIDA's country programs as well as participate in the preparation and implementation of development projects.³³ In 1973, the DCO's became attached to the local Swedish embassy and SIDA was given the right to instruct both DCO and embassy on development issues.

In the 1976 election, the Social Democrats, which had retained power since 1932, were defeated by a quasi-conservative party. Even though this election marked a turning point in Swedish politics, the electoral outcome virtually had no impact on the ODA program. The new ruling party quickly stated that they would continue to support the assistance policies initiated under the Social Democrats. The new government was adamant that ODA would continue to receive approximately one per cent of Swedish GNP in the future. The change in political leadership thus had no significant impact on the program during the second development decade.

Sweden during the 1970s continued to dispense its ODA resources in a manner that reflected its staunch neutrality in the international arena. This is reflected in Sweden's extension of development resources to communist regimes: Angola, Cuba, Mozambique and Vietnam. The willingness on the part of the Swedes to sponsor these emerging states did not deter their willingness to continue extending assistance to original recipients. As a result Ethiopia, India, Kenya, Pakistan, Tanzania and Tunisia continued to receive Swedish development resources.

If there was to be one ODA issue in Sweden which illustrated any

degree of variance between the two development decades it was the loss of optimism. Sweden, as well as other donor states, realized that the problems of the developing world were complex and would require significant resources and time to resolve. The seventies illustrated that the problems of the Third World could not be resolved by rapid infusions of resources and capital from the advanced world. If the problems of the emerging world were to be resolved, it would require a significant investment on the part of donors and recipients for some time to come.

NOTES TO CHAPTER III

1. George Cunningham, The Management of Aid Agencies (London: Croon Helm, 1974), p. 130.
2. Ibid., p. 130.
3. North-South Institute, North-South Encounter: The Third World and Canadian Performance (Ottawa: Supply and Services, 1977), p. 132.
4. Canada, Secretary of State for External Affairs, Foreign Policy for Canadians (Ottawa: Information Canada, 1971), "International Development," p. 11.
5. Ibid., p. 15.
6. North-South Institute, op. cit., p. 140.
7. Ibid., p. 140.
8. Canada, op. cit., p. 16.
9. North-South Institute, op. cit., p. 140; Peter C. Dobell, Canada's Search or New Roles (Toronto: Oxford University Press, 1972), p. 37.
10. North-South Institute, op. cit., p. 37.
11. Cunningham, op. cit., p. 125.
12. Ibid., p. 130.
13. North-South Institute, op. cit., p. 123.
14. J.D.B. Miller, Australia's Economic Relations (Sydney: Angus Robertson, 1975), p. 125.
15. Ibid., p. 123.
16. W.J. Hudson, Australia in World Affairs 1971-1975 (Sydney: Allan Unwin, 1980), p. 126.
17. Gordon Greenwood, Australia in World Affairs 1966-1970 (Sydney: Cheshire, 1974), p. 169.

18. Henry S. Albinski, Australian External Policy Under Labour (Vancouver: University of British Columbia Press, 1977), p. 182.
19. Miller, op. cit., p. 125.
20. Albinski, op. cit., p. 209.
21. Ibid., p. 211.
22. Ibid., p. 181.
23. Ibid., p. 181.
24. Ibid., p. 181.
25. W.J. Hudson, Australia's New Guinea Question (Sydney: Thomas Nelson, 1975), p. 109; Albinski, op. cit., p. 182.
26. Albinski, op. cit., p. 180.
27. Arnold, op. cit., p. 124.
28. The twenty program states that were selected by the Swedes to receive support were Angola, Bangladesh, Botswana, Cape Verde, Chile, Cuba, Ethiopia, Guinea-Bissau, India, Kenya, Laos, Mozambique, Pakistan, Sri-Lanka, Swaziland, Tanzania, Tunisia, Vietnam and Zambia.
29. The eight frontline emerging states were Tanzania, India, Bangladesh, Kenya, Mozambique, Sri-Lanka, and Zambia.
30. Arnold, op. cit., p. 120.
31. Ibid., p. 120.
32. Ibid., p. 111.
33. Ibid., p. 113.

CHAPTER IV

ANALYSIS OF THE ODA PROGRAMS

The first chapter of this comparative thesis examined the general theories of development assistance and the objectives of donor states. Chapter two examined the assistance programs maintained by Canada, Australia and Sweden during the First Development Decade, 1960-1969. Chapter three illustrated the several evolutionary trends experienced in the three respective ODA programs during the Second Development Decade, 1979-1979. The final chapter of the thesis will analyze and explain the assistance programs of the three middle powers of the study. Of particular interest will be the logic behind the changes within these ODA programs between the two development decades.

The first question that must be resolved is why these three middle powers maintain assistance programs. As illustrated earlier there are basically three motivating reasons that explicate why an advanced state would maintain an assistance program. These three justifications were based on international humanitarianism, economic objectives and strategic-political considerations.

When international humanitarianism is applied to the ODA issue it must be seen as an attempt to improve the living, health, nutritional and educational standards of the Third World. Humanitarian considerations within the Canadian program illustrate how dynamically the program evolved

in this twenty year period. In the early 1960s the Canadian program, although it had humanitarian qualities to it, was not primarily influenced by humanitarian reasons. As the program matured and grew throughout the period the humanitarian principle grew in importance.¹

The economic justifications of maintaining an assistance program has theoretically been an influential force in explaining why an industrially advanced state would maintain an ODA program. It is debatable whether this economic justification can be applied to Canada in either of the development decades. The Canadian assistance program reached a sponsorship peak in 1975 when .54 per cent of GNP was committed to the program.² This figure is too negligible in economic terms to have any significant macro economic impact on the Canadian economy. What will be examined later in this chapter are the micro economic benefits that have been obtained by particular industries and companies operating in Canada as a result of ODA contracts.

Strategic-political justifications were an integral factor within the Canadian program, particularly in the First Development Decade. The decision to extend significant resources to emerging states of the Commonwealth reflected strategic-political considerations on the part of Canada and aid administrators.³ In the 1960s Canada believed that it had a particular obligation to assist emerging states of the Commonwealth. As a result the vast bulk of Canadian ODA during this period was directed to Third World Commonwealth states.⁴ The Second Development Decade witnessed the second major strategic-political consideration within the Canadian program. This was reflected in the decision to extend significant amounts

of future Canadian ODA to the nations of Francophone Africa. The decision to extend assistance to this geo-ethnic region was based primarily on domestic political criteria.⁵ Exactly what these domestic goals were will be examined later in this chapter.

One of the most contested issues concerning the Australian program during this twenty year period is the relevance of humanitarian considerations. Critics state that the primary motivations behind the program were strategic-political objectives for the immediate geo-political area surrounding Australia.⁶ The best means of illustrating that humanitarian considerations played an integral role in the program is that virtually all the bilateral assistance extended was in grant form throughout this period.

Even though humanitarian considerations were an influential factor in explaining why Australia maintained an assistance program, the other motivating factors behind the program were strategic and political in nature.⁷ The Australian program, although concerned with the socio-economic development of the Third World, was expected to achieve two specific foreign policy objectives. These foreign policy goals were concerned with establishing some type of security system for Asia;⁸ and trying to prevent the development of communist movements in Southeast Asia.⁹ Through the provision of development resources to selected emerging states, the Australian program attempted to encourage Asian governments to initiate economic and social reforms.¹⁰

An examination of Australian assistance refutes the economic justification for an advanced state maintaining an ODA program.

Australia, like Canada, did obtain some short term micro-economic benefits from the tying of its assistance. These were of a short duration and really were unable to influence the economic performance of the Australian economy due to the limited size of the ODA program. The benefits that were obtained by Australian industry as a result of ODA contracts will be examined later in this chapter.

Of the three national ODA programs examined in this analysis it is the Swedish program that must be seen as being strongly influenced by the humanitarian concepts of assistance. The Swedish program has continually avoided many of the short term political and economic limitations that were examined within the Canadian and Australian programs. The level of program sponsorship, the generous terms of assistance extended and the concentration on the poorest and most underdeveloped states of the Third World reflect the humanitarian motivation behind the Swedish program.

The strategic political rationale cannot be justifiably applied to Sweden. Sweden, in contrast to Australia and Canada, was never motivated by political factors while it conducted its assistance program. It is this unique quality within the program that resulted in assistance being extended to emerging states throughout the world regardless of their political affiliation or ideology.¹¹

Throughout both development decades Sweden maintained an assistance program that has resulted in no macro or micro benefits for the nation. Swedish ODA, unlike that of Canada and Australia, was never tied, thus eliminating virtually any economic justification or maintaining an assistance program. Of all DAC members Sweden has always been cited as

the single donor who obtained no economic advantages from its provision of official development assistance.¹²

Even though Sweden throughout both decades obtained virtually nothing economically from its assistance program, there were two recent developments that might indicate that this situation may be changing. The first indication that Sweden may be looking for some economic benefits from its assistance program became evident with the formation of SWEDFUND in 1978.¹³ The exact significance and functions of SWEDFUND were outlined in chapter three of this analysis. The second indication that Sweden may be attempting to obtain economic benefits from its ODA program is to examine the allocation of resources to the industrial mining and construction sector of its program. In the last three years of the Second Development Decade this particular assistance sector received a significant increase in sponsorship. In 1978 this sector received 18.6 per cent of all Swedish assistance, in 1979 the level of sponsorship was increased to 24 per cent and in 1980 this sector received 46.8 per cent of all Swedish flows.¹⁴ It is too early to determine whether Sweden will perhaps alter the terms or concentration of its assistance in the future in an attempt to obtain micro economic benefits for its national economy.

Any comparative analysis of development assistance must closely scrutinize the level of national support dedicated to this international issue. The level of Canadian sponsorship for the ODA program during the two development decades warrants detailed analysis. Of particular concern will be the explanation of why Canada maintained a conservative program during the early and middle years of the First Development Decade.

In the initial years of the period the Canadian government maintained that ODA was primarily the responsibility of other states in the international community. During this period Canada viewed its international peacekeeping duties as its primary foreign policy responsibility.¹⁵ As a result of this rationale the Canadian assistance program was one of the lowest funded programs amongst nations of the advanced world. During the 1960s Canada was also reluctant to expand its level of ODA sponsorship because it viewed itself as a capital-importing nation and could not theoretically afford to sponsor an expanded ODA program.

The later years of the First Development Decade and the Second Development Decade saw an expansion in the sponsorship level of the Canadian program. The international philosophies of Lester Pearson and Pierre Trudeau were directly responsible for encouraging Canada to commit a larger share of its GNP towards assistance. Closely linked to the political leadership factor was the growing familiarity amongst Canadians about the development dilemma of the Third World. Canadians in the 1970s realized that Canada had a moral responsibility in attempting to resolve the problems of emerging states. During this period Canada became aware that it had an important role in the events and activities of the international community as a middle power. This comprehension also extended into the ODA issue which indirectly encouraged Canada to support an expanded assistance program. The final element which encouraged Canada to expand its program was the realization that Canada was a major economic force internationally. Due to Canada's economic capacities it was seen as

appropriate that it should sponsor a program that reflected the economic position of the Canadian state. The decline in program sponsorship in the latter half of the Second Development Decade must not be interpreted as a withdrawal of Canadian support for international assistance. This decline was accountable to administrative problems and capacity difficulties in the Canadian assistance bureaucracy.¹⁶

The unique feature concerning the Australian development assistance program was the relative stability of sponsorship throughout both development decades. Compared to the Canadian and Swedish programs, the Australian program over the period never experienced significant increases in program sponsorship. This consistency in sponsorship can be explained by one major argument. This is that Australia's initial level of program funding was substantially high in relation to other DAC members. Since the initial level of funding was at a much higher level of GNP, Australia did not require the vast increase in order to conduct a reasonably funded ODA program.¹⁷

Australian officials and aid administrators note that the relative stability of sponsorship in the program reflects Australia's economic inability to sponsor an expanded program. Officials noted that Australia was a capital importing state and any expansion of the ODA program would drain development funds away from the domestic economy. The allocation of additional funds toward ODA would create recessionary pressures within Australia.¹⁸ It is a combination of these explanations that has continually been presented by Australian officials in explaining why sponsorship had not been substantially increased in the twenty year period

of this analysis.

Of the three national programs being examined only one achieved the degree of sponsorship as prescribed by Lester Pearson in Partners In Development. In 1961 Sweden directed only .06 per cent of its GNP toward ODA. Through increases in sponsorship Sweden was able to direct 1.0 per cent of its GNP to assistance in the 1975-1976 fiscal year.¹⁹ The level of support directed toward ODA since the mid 1970s has earned Sweden the reputation of being the most generous contributor amongst donors of the Development Assistance Committee. Sweden has also enshrined the principle of allocating one per cent of its GNP toward international assistance within the national budgetary process. This budgetary commitment will ensure that future governments no matter what their political affiliation, will continue to commit this level of support to the national program.

As outlined in the first chapter, there are basically two approaches that a donor can take concerning the distribution of its assistance resources. Development resources can be distributed along the format endorsed by active donors or along the lines favoured by reactive donors. Of the three middle powers examined in this analysis, Canada must be clearly seen as being the most active donor state. This is based on five particular developments in the program over the twenty year period. The first indication that Canada was an active donor is evident in that it distributed the vast bulk of its bilateral assistance along project lines. Closely associated with this decision was the insistence of evaluating each development project before committing any ODA resources to the project. The Canadian examination of proposed projects did not stop at

this stage. Canadian assistance administrators then evaluated the overall national development plan of the respective recipient to determine how any proposed project would fit into the overall national plan. The active role Canada played in evaluating and supervising development projects in recipient states did not terminate at this stage. As illustrated in the second and third chapters Canada used commodity assistance to help raise development funds in recipient states. Canadian aid administrators continually kept a watchful eye on the governments of recipient states to ensure themselves that these funds were committed to ODA projects. The final example of the active role maintained by Canada during the period was the use of Country Program Booklets by assistance administrators. These allowed Canadian administrators to record and evaluate the progress of each emerging state receiving Canadian development resources.

Throughout both development decades Australia like Canada was very particular how its development resources were used. This concern resulted in the bulk of Australian assistance being distributed along project lines. Even though Australia must be clearly seen as an active donor, its rate of activity within recipient states cannot match the rate maintained by Canada. Administrators of the Australian program maintained the theoretically active role in the program for a specific reason. Australia by being an active donor, ensured that its ODA program achieved specific political and security objectives. Of prime concern to Australian foreign policy makers was the concern that its ODA resources would promote a group of stable democratic states in Southeast Asia.²⁰ By remaining an active donor Australia ensured that its ODA resources were used to achieve these

policy objectives.

Sweden, in contrast to Canada and Australia, must be seen as a reactive donor throughout the 1960s and particularly in the 1970s. The reactive nature of the Swedish program is illustrated by two unique developments in the program. The most striking evidence supporting this argument is that Sweden distributed its assistance along program lines. This is in contrast to the Canadian and Australian approaches concerning the distribution of their ODA resources. The reactive role of the Swedish assistance administration is also evident in the lack of critical evaluation conducted by the Swedes when extending assistance resources. The Swedish aid administration never initiated a complicated evaluation process to determine whether a particular development project was a rational decision on behalf of the recipient. Swedish officials felt that such an evaluation would be a violation of Sweden's stance of neutrality and that recipients must bear the responsibility for their own development decisions.

Chapters two and three illustrated that all three middle powers of this comparative analysis distributed the bulk of their ODA along bilateral lines. Of the three national programs of the study it is the Canadian program which has made a serious attempt to channel more assistance through multilateral agencies. *NOB NOB* In the 1980 fiscal year Canada distributed 38 per cent of its total program through international agencies,²¹ compared to 25 per cent in 1970.²² Sweden distributed 26 per cent of its total program multilaterally in 1980,²³ while Australia managed to distribute 27 per cent multilaterally in 1980.²⁴ All three donors have

been reluctant to distribute the majority of their ODA multilaterally for either of two basic reasons. The first involves the donors quest for maintaining control of its ODA flows by selecting specific recipients and determining the funding level for each recipient. The other strategic reason why Canada and Australia favour bilateral assistance is that aid extended along these lines allows donors to include tying provisions if they so desire.

The issue of tied bilateral assistance also raises the contentious dilemma of observing the micro-economic benefits that particular industries have obtained through ODA contracts. Critics of tied bilateral assistance propose that the selection of development projects by assistance administrations, is an attempt to bolster the econmic performance of particular economic sectors or industries of the donor's economy.²⁵ From the information compiled in this analysis this critical interpretation cannot be applied to the Canadian or Australian programs. Both nations throughout both development decades allowed recipients to determine how the tied bilateal aid being extended was to be disposed of. The concentration of ODA contracts going to particular economic sectors of these national economies is not the result of tied bilateal assistance, but the consequence of the national expertise that has become associated with these countries internationally. Throughout this period Canada acquired an international reputation for possessing technological expertise in the production of hydro-electric energy, mining and rail transportation. Australia during the 1960s and 1970s was regarded as an industrially advanced nation specializing in administrative procedures,

communication systems and transportation technology. Even the Swedes came to be regarded as leading authorities concerning hydro-electric production, medical sciences, pharmaceuticals and educational training. Many Third World nations approached Canada, Australia or Sweden for assistance in these respective fields in order to take advantage of the knowledge that has been compiled in these advanced nations. The concentration of donor assistance along these avenues of specialization merely reflected the requests of recipients to extend ODA in these areas, not the result of tied bilateral assistance on the part of the donors.

Development assistance programs and aid administrations, like any governmental department or policy area, operate under particular national constraints. The first of these has been the national attitude toward ODA in the respective donor states. In all three of the cases of this analysis it was found that all political parties and the overwhelming majority of the electorate, support the principle of transferring resources to the emerging world. The only time governments have come under pressure to limit assistance expenditures has historically been when recessionary pressures have been experienced in respective donor economies.

Assistance administrations in donor states have structured their ODA programs in unique manners in order to reduce the possible criticism of transferring resources to the Third World. Canada and Australia through the provision of assistance along project lines, have used project identification as a means of maintaining national support for their ODA programs. Project identification allows aid administrators to illustrate

to their national populations and political parties what assistance resources have accomplished in the various recipient client states.²⁶ Sweden has never really utilized project identification in its ODA program. This is mainly attributable to the fact that Sweden allocates the vast bulk of its ODA along program lines, compared to the Canadian and Australian reliance on project sponsorship.

Another structural method employed by assistance administrations to maintain national support for ODA expenditures was to tie bilateal assistance. The tying provision ensured that the revenues allocated to ODA were spent by recipients in the donors domestic economy. The tying provision has been used by aid administrations and government officials to counteract the possible allegations that recipients were acquiring capital allocations and not recycling them in the donor's economy. Canadian and Australian officials throughout the period of this analysis believed that the tying provision ensured that their ODA expenditures would be recycled within their national economies. The recycling of ODA revenues in the domestic economies reduced the anxiety of aid administrators that their administrative practices and funding levels may come under attack, if recipients failed to channel back intended financial donations.

Chapters two and three illustrated that Sweden refused to tie its bilateral assistance throughout both development decades. As a result of this administrative practice Swedish aid administrators and the ODA program came under increasing pressure in the mid 1970s to ensure that Swedish funds were recycled in the national economy. In response to this growing problem and criticisms of SIDA's administrative practices, the government

introduced SWEDFUND. SWEDFUND was an attempt to encourage joint ventures between industries operating in Sweden and those in developing states. Through these joint ventures it was expected that emerging states would be encouraged to acquire Swedish technology and manufactured goods. Such a development would help ensure that funds extended would in fact be recycled in the Swedish economy, thus removing some of the recent pressures being experienced by both SIDA and government departments. The test of time will reveal if Sweden has managed to resolve this problem in its program without having to resort to tied bilateral assistance.

One of the most interesting features concerning the directional flow of sponsorship in this period concerns the Canadian decision to extend assistance to Francophone Africa. The Canadian decision to extend ODA to this region reflects how an assistance program can be used by a donor to achieve domestic and external political objectives. The first of these objectives was to illustrate to the international community the bicultural nature of the Canadian nation.²⁷ The other political objective of the ODA program during the period was to counteract Quebec's aspirations for a direct and official role in "la Francophonie Africaine".²⁸ Canadian officials were concerned that Quebec, as a result of Canada's aid concentration on Commonwealth states, might initiate a provincial ODA program of its own. The extension of significant resources to Francophone Africa was a convenient means of defusing this issue between Quebec and Ottawa.

Geographical location within the global community has also been an influential factor in determining the directional flow of Australian

resources. Australia's geographical location in the developing region of Southeast Asia has increased the geo-political responsibilities of Australia in the region.²⁹ As a result of these regional responsibilities Australia has continually concentrated the bulk of its ODA program amongst developing nations of Southeast Asia. This also explains why Australia has committed such a significant share of its ODA resources to Papua New Guinea. Since the mid-1970s Australia has become increasingly concerned with the growing presence of the Soviet Union in Southeast Asia. Assistance administrators have used the Australian program as a means of checking this growing Soviet involvement in this region.

The Second Development Decade witnessed an important directional response in the Swedish and Canadian assistance programs. This was the decision on behalf of both donors to increase resource flows to the least developed states of Africa. The decision reveals that both states are willing to redirect and re-evaluate their ODA programs in response to global development requirements. It is the adaptability of the ODA programs of these two middle powers that may act as a catalyst internationally to encourage other donors to increase the flexibility of their assistance programs.³⁰

Alliance membership and detente have had an important effect on two of the national programs examined in this analysis. In the 1960s Canada and Australia did not extend ODA resources to communist states of the emerging world. Australia's foreign policy throughout the First Development Decade was adamantly anti-communist and this resulted in Australia becoming actively engaged in the Vietnam War. In the 1960s,

Canada conducted regular relations with communist states, yet remained reluctant to improve or expand contacts beyond this point. Both Australia and Canada were limited in the direction their foreign policies and ODA programs could take toward states of the communist world as a result of alliance commitments and constraints.

Detente between the United States and the Soviet Union in the 1970s reduced the hardline posture of many national foreign policies. The easing of tensions between East and West also had an impact on the directional flow of ODA programs globally. It was during this period of improved international relations that both Canada and Australia began to extend ODA resources to emerging states with communists governments. In the Australian case the advent of a Labour government as well as detente are factors that explain the extension of ODA resources to communist states of Southeast Asia.³¹

Throughout this twenty year period Sweden remained a neutral non-aligned state in the international community. As a result, Swedish foreign policy and the ODA program were not hampered by alliance commitments or radically altered as a result of detente. In the 1960s Sweden did not extend any appreciable amount of aid to emerging states of the communist world. During this period the program was still too small in terms of fiscal capacity to include such developing states. As the program increased in terms of GNP sponsorship, SIDA began to extend assistance to new recipient states. Among these new recipients in the early 1970s were North Vietnam and Cuba who began to receive assistance in 1971.³² The Swedish assistance program never really experienced the

pressures of alliance membership in determining the directional flow of its ODA program. The only factor which has determined the number of recipient states the Swedes could extend assistance to was the fiscal limitation of SIDA's budget. Political affiliation and ideology were never critical factors in determining if a developing state was eligible for Swedish development assistance.

Chapter one illustrated that the economic capacities of some middle powers have increased dramatically in the post war era. The economic capacities of many middle power states has enhanced their ability to act and mediate in economic issues on a global level. Yet the willingness of Canada, Australia and Sweden to use their national economies to assist the development of the Third World throughout both development decades has remained cautious. All three nations continue to impose import duties on manufactured goods produced in the Third World in order to protect domestic industries. The continued imposition of tariffs by these three states must be seen as detrimental to global development. Throughout the late 1970s the average tariff level imposed on manufactured goods from the Third World averaged 6.6 per cent for Sweden, 10.2 per cent for Canada and 21.0 per cent for Australia.³³ The Swedes in the 1970s have been more willing to open their national market up to the exports of the Third World. Yet the Swedes have been unwilling to remove the remaining barriers in order to ensure that the national economy is protected from an unrestricted flow of manufactured goods from the emerging world.

Canada and Australia have maintained higher tariff levels in order to protect inefficient industries operating within their national borders.

Tariff barriers have been used by both national governments as a means of protecting their respective textile and clothing industries from inexpensive imports from the Third World. Australia has maintained tariffs on manufactured goods in an attempt to slow the steady decline of its manufacturing sector. In the last seventeen years the Australian manufacturing sector has declined 8.3 per cent in terms of gross domestic product.³⁴ In the 1976-1977 fiscal year the Canadian government, in an attempt to aid its textile and clothing industries, overrode its international obligations under the Multi-fibre Agreement, by imposing global quotas on all imported clothing and textiles.³⁵ It is evident that all three of these donors have been reluctant to open up their national markets to Third World imports if such an occurrence will jeopardize domestic industries and employment levels.

Throughout the 1960s and 1970s Canada's and Australia's economic trade remained heavily dependent on the export of primary commodities. The ability of both of these states to produce surplus agricultural and industrial commodities also had a significant impact on their respective ODA programs. Commodity assistance remained an integral component within the Canadian and Australian programs throughout both development decades. Commodity assistance is an issue which raises substantial debate concerning the effectiveness of such development assistance. Critics of commodity assistance argue that the disposal of commodity surpluses depresses both the international and local recipient markets for the products being transferred between donor and recipient.³⁶ Opponents of commodity assistance have also been vocal in suggesting that surplus

commodity transfers widen the gap between the real value and the nominal value of an assistance program.³⁷

In order to avoid these criticisms CIDA placed certain qualifications on Canadian commodity assistance. Canadian assistance administrators noted that any commodity assistance extended by Canada was to be only on a short term basis. The time provision was expected to avoid the dilemma of providing commodity assistance on a long term basis as experienced by the United States under PL 480. The most unique aspect of Canada's commodity aid in this twenty year period was the inclusion of industrial materials in its ODA transfers. In the 1960s, fifty per cent of Canadian commodity assistance was composed of industrial elements.³⁸ The justification of providing industrial materials was based primarily on two concepts within CIDA.

The first justification to support commodity assistance was that Canada only supplied emerging states with those industrial commodities which were in short supply in their national boundaries.³⁹ The provision of scarce industrial goods eliminated the need for emerging states in this supply situation to purchase commodities on the international market, resulting in a further drain on their domestic and foreign currency reserves and a decline in their growth rate. Canada also provided industrial elements because such aid would help maintain employment in recipient states.⁴⁰ Canadian administrators felt that one of the most important achievements that emerging states must obtain was full or near full employment, to encourage further economic investment and directly stimulate the development process.

Throughout both development decades, Australia maintained a commodity assistance component in its ODA program. The major contrast between Australian and Canadian commodity transfers during this period was the predominance of wheat and wheat flour in the Australian program. In the concluding years of the Second Development Decade, Australia was willing to provide between 250,000-400,000 tons of wheat and flour to developing states experiencing food shortages.⁴¹ Australian food assistance has traditionally been extended on a year to year basis. Australian aid administrators like their Canadian counterparts have been reluctant to enter into long term commodity agreements with emerging states. It has been a long standing belief in the aid department that year to year food commodity agreements encourage developing states to improve their domestic agricultural productive capacities, thus eliminating the need to import foodstuffs. A unique feature about the commodity aid extended by Australia was the extension of such assistance along program lines.

Any analysis of development assistance must explain why donor states have channeled substantial levels of aid to particular recipients. The importance of India in the Canadian program and the flow of Australian resources to Papua New Guinea warrants explanation. During the 1960s and the early 1970s India was the largest recipient of assistance in the Canadian program. The administrative justification for extending a high level of assistance to India was founded on four basic principles. In particular Canada's shared colonial experiences with India and later their common membership in the Commonwealth laid the foundations for close relations between the two nations. As a result of Canada's membership in

the Commonwealth, it felt it had a major commitment to extend assistance to developing nations of the Commonwealth. Closely associated with this concept of responsibility was the level of poverty, high rate of malnutrition and the desperate Indian need for assistance that account for the high levels of aid extended by Canada.

The importance of Papua New Guinea in the Australian program becomes self-evident with an examination of the ODA flows to this emerging state. The flow of development resources to Papua New Guinea accounted for nearly 50 per cent of the Australian program throughout the 1970s. There is a logical explanation why Australia has been willing to become so actively involved in this emerging state. Papua New Guinea, unlike other developing states, was one of the last remaining areas of colonial administration. Papua New Guinea never really achieved any level of industrial or administrative progress while at this colonial stage. With the withdrawal of the traditional European power players from the Pacific region the administration of this emerging state fell into Australian hands. Canberra was willing to accept this responsibility because "it is in Australia's direct interest to ensure that the independent nation of Papua New Guinea should be placed in a situation where it can sustain a stable government and societal order".⁴² As a result of this commitment, Australia poured in hundreds of millions of dollars in development assistance to provide Papua New Guinea with the modern infrastructure and economic base to encourage it to achieve these ends. Assistance administrators felt that once Papua New Guinea had achieved a moderate level of socio-economic advancement, it would be able to sustain a stable

social and political system. This philosophy explains why this emerging state received the lion's share of Australian development assistance throughout both development decades.

The dependence on foreign investment capital for sustained economic growth has been a protracted problem for many economically advanced states. Throughout the 1960s and 1970s Australia and particularly Canada were reliant upon foreign investment capital to spur economic expansion and development. This dependence accompanied by sporadic problems with balance of trade and payment figures and the effects of economic recessions and growing governmental debt, had indirectly limited the size of both ODA programs. This economic scenario has forced both the Australian and Canadian governments to conduct themselves cautiously in financial matters. As a result all government departments including assistance administrations, have had their budgets closely scrutinized in recent years. Even while operating under such economic constraints both Canada and Australia have remained committed to official development assistance. The question that remains to be resolved is whether ODA sponsorship in future years will be expanded or contracted depending on the health of the national economies of the respective donor states.

The final facet of development assistance examined in this chapter concerns the administrative bodies established to run the national ODA programs, and in particular the impetus for their formation. In the case of Canada and Australia the motivating forces for the formation of aid bureaucracies were state-generated. The origin of the Swedish assistance administration is in stark contrast to the other two. When the Swedish

government in the early 1960s decided to establish an assistance program it turned to private, religious and charitable organizations with experience in dispensing aid. These non-governmental organizations had built up a small yet well organized and trained group of administrators to dispense their respective resources. The Swedish government simply absorbed all these various private organizations into the national aid administration, in order to take advantage of the experience developed by these non-governmental organizations. Even though these assistance administrations have had various origins they all share one feature. All three ODA bureaucracies are accountable to ministries of foreign or external affairs. None of the three aid bureaucracies of this analysis is a completely autonomous agency. Where the agencies do differ is in the relative degree of independence they have concerning the distribution of their development resources. When measuring the degree of departmental autonomy the Swedish and Canadian administrations must be seen as possessing a considerable degree of independence, while the Australian administration has relatively little. For emerging states the origins of assistance administrations or their degree of autonomy are not relevant issues. In the eyes of developing nations the primary function of the assistance agencies of advanced states, is to help facilitate the flow of resources required by the Third World in its quest for socio-economic advancement.

CONCLUSIONS

The primary purpose of this comparative analysis was to illustrate how middle powers formulate foreign policy. The study examined official development assistance, a particular foreign policy issue and illustrated how Canada, Australia and Sweden formulated their assistance policies during the 1960s and 1970s. The comparative analysis examined each national ODA program paying close attention to unique features or developments within each. The final chapter of the study examined each ODA program in order to illustrate how assistance policy was to accomplish specific foreign policy objectives. It became evident by the conclusion of the study that official development assistance, even though an emotional issue, is merely another facet of international activity that must complement a state's foreign policy.

The ability of middle powers to mold their assistance programs in order to accomplish international objectives reveals how states formulate foreign policy. In particular, the analysis of official development assistance has revealed that there are international as well as domestic pressures that are influential in determining the direction of a state's foreign policy. Middle powers in particular must pay close attention to the international arena when formulating foreign policy objectives. The state of relations between the United States and the Soviet Union throughout the period of this analysis has been one of the greatest barometers in determining the foreign policy options available to middle

power states. The related duties of alliance membership and the responsibilities of geo-political location have also been instrumental forces in the foreign policy formation process. Domestic political leadership, the economic performance of a national economy and domestic support for international programs have also played a role in determining the direction of middle power foreign policy. The combination of these international and domestic pressures have played a significant role in the direction and nature of the ODA programs and the foreign policies of the three middle power states of this comparative analysis.

NOTES TO CHAPTER IV

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23. Arnold, op. cit., p. 117; OECD, op. cit., p. 132.
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25. For an examination of the critical features of tied bilateral assistance refer to Lester B. Pearson, Partners in Development (New York: Praeger, 1969); Cunningham, The Management of Aid Agencies; Hassan M. Selim, Development Assistance Policies and the Performance of Aid Agencies (Hong Kong: Macmillan, 1983).
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