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U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

**INFORMATION MEMORANDUM**

TO: The Acting Administrator

FROM: A-AA/PPC, Barbara N. Turner /s/

SUBJECT: Aggressive and Intrusive Approaches to Asia Development

SUMMARY

This memorandum summarizes "aggressive and intrusive" approaches to promoting development in Asia in the early 60s, specifically Taiwan and the Republic of Korea (ROK), but also others. Discussion about this approach, also defined as "conditionality" or "tied aid," surfaces in some Congressional documents, which were the original sources mentioned in the request. However, the richest source of information about this period was the unpublished "Secret Successes of A.I.D." by Michael Pillsbury. The "Pillsbury Report" was a study which reviewed the history of USAID's role in promoting economic policy reform from 1960 until 1993.

DISCUSSION

**Introduction**

This memorandum responds to a request to "prepare an Information Memorandum on Congressional documents of the period 1962 - 1966, which detail the very intrusive, aggressive measures taken by the USG/USAID to ensure Taiwan and ROK did not fail in their development. Are there any other Asian countries where we used aggressive, intrusive tactics?"

While it is almost impossible to prove that U.S. influence alone was responsible for the Asian economic "miracle," a strong case can be made that the United States was an active participant in the creation of conditions that allowed economic growth to take off in Asia from the 1960s through the 1990s. On several occasions the United States tied assistance to economic reform, and when these reforms were enacted, economic growth ensued.

### **Conditionality of Aid and Results**

- ♦ Taiwan: In 1960-61, the United States offered a \$40 million grant conditioned on implementation of export reform policies. Policies were enacted and a vibrant private enterprise system flourished, which fostered economic growth.
- ♦ South Korea: The United States sent several messages to the South Korean leadership about its desire to see Korea liberalize economically, including holding up food aid in 1962 (despite the fact that South Korea had just endured two bad harvests) and a 1964 meeting in which the A.I.D. mission director told cabinet members that aid would be reduced and tied to economic reform. Within 18 months, internal USG memorandums marveled at the Korean turnaround.
- ♦ Indonesia: After Sukarno's ouster in 1965, the United States provided assistance conditioned on continued economic reform (rescheduling external debt, bring back Indonesia into the World Bank and IMF, and enacting an economic stabilization program). It also provided additional aid as a reward for the successful implementation of economic reform policies.
- ♦ India: The United States wanted to see India allocate more investment to the agricultural sector, which was being neglected in favor of a massive industrialization program. President Johnson attached a "short tether" (or monthly review of agricultural reforms) to food aid and suspended it when he perceived India not following through on its promises--even when India was facing drought and famine. After enacting its reform program (including significant increases in investment in the agricultural sector), India experienced the Green Revolution.

### **Common Traits Among the Case Studies**

- ♦ As noted above, the United States tied assistance to economic reform, and the ensuing policies were successful.
- ♦ With each country, the United States achieved influence not only through conditionality, but through USAID mission directors and other officials finding allies in the host government and working with them to encourage economic reform.
- ♦ In each country, the United States sought a diversion in resources from state-owned industries to private industry. In some cases this entailed the actual creation of a private sector, which some states had not yet developed for various reasons.
- ♦ In each country, economic growth was helped by the existence of American-trained technocrats.
- ♦ In interviews years after economic growth ensued (or in India's case, when growth ensued in the agricultural sector), senior government leaders gave significant credit to the United States for conditioning aid to economic reforms and for the types of economic reforms that the United States pushed.

**Sources**

- ♦ Dacy, Douglas C. 1986. "Foreign Aid, War, and Economic Development: South Vietnam, 1955-1975." Cambridge: Cambridge University Press.
- ♦ Pillsbury, Michael. 1999. "Secret Successes of USAID, with Declassified Documents on Economic Policy Reforms in Asia." Unpublished paper.
- ♦ Robinson, Thomas, ed. 1991. "Democracy and Development in East Asia: Taiwan, South Korea, and the Philippines." Washington, D.C.: The AEI Press.