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**Examples of Successful
Models of Development**
Country Overviews

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OVERVIEW

The countries reviewed in this document are considered by many to be successful examples of development in which U.S. assistance played a significant role. These overviews provide background information on USAID's development strategy, funding levels, and projects in each country. They are not meant to represent neither an in-depth analysis of the overall impact of U.S. assistance, nor the development progress or level of sustainability of the countries. For further reference, the reader will find a bibliography on each country, as well as statistics on selected socio-economic indicators.

While assistance to these countries was provided under various historical, political and economic contexts, common themes can be drawn from the experiences and outcomes. The expertise, technology and resources invested, along with effective strategies targeted at specific problems, facilitated the productive potential of the countries by promoting political stability, averting threats to peace, fostering economic growth, reducing unemployment rates, and encouraging governments to undertake policy reforms.

With U.S. assistance, these countries were able to increase exports, develop new trade partners, adopt market-oriented policies and benefit from new opportunities in the world economy. The ability of the countries to generate revenue and invest in technology, infrastructure and human resources was a significant element in achieving sustained economic growth.

Common themes that emerge from a review of U.S. assistance to these seven countries include:

Economic Policy Reform - Costa Rica and Taiwan are salient examples of countries that adopted economic policy reforms that led to significant increases in economic growth rates. In the 1980s, Costa Rica agreed to enact certain policy reforms as a condition for USAID funding. Many of these reforms targeted the financial sector, while others involved export promotion and privatization. These reforms allowed Costa Rica to recover from the economic crisis of the early 1980s and gradually liberalize its economy. In Taiwan, USAID influenced the formulation of economic policies that promoted private enterprise development.

The broad development strategy agreed to by both governments emphasized monetary stabilization, agricultural production, infrastructure building, and private industrial investment.

Institution Building - Whether at the public or private level, resources were allocated to establish or strengthen local institutions. In Taiwan, the Sino-American Joint Commission on Rural Reconstruction (JCRR) implemented successful agricultural programs, including land reform and the reorganization of farmer associations. The efforts of the JCRR to establish a market-oriented growth strategy in agriculture provided the foundation for Taiwan's successful development. In Korea, assistance was provided to establish several institutions critical to the development process: the Korean Institute of Science and Technology, the Korean Development Institute, the Office of Rural Extension, and the Korean Educational Development Institute. It should be noted that, in most instances, the stronger the economy grew, the stronger local institutions became.

Infrastructure - Funding targeted at capital projects has had a lasting impact in the development of these countries. The construction of ports, roads, highways and airports helped revitalize the tourist industry in Tunisia, and achieve a substantial increase in exports in Chile. In Thailand, transportation and telecommunication systems were built to link Bangkok to outlying regions. In Turkey, the construction of a steel mill and several electric power plants laid the foundation for the country's industrialization.

Professional Training - Participant training programs sought to provide opportunities to previously excluded segments of the population, and were especially significant in Thailand and Chile. Large numbers of host country nationals received either specialized skills training or university-degree programs in the United States. And, upon returning to their respective countries, many of them held high positions in the government and private sector. Several observers commented that having a skilled, educated labor force was crucial to implementing and capitalizing on policy reforms.

Crisis and Security Issues - In several countries, U.S. assistance was targeted to address threats to security or avert crisis situations. For instance, the United States increased funding substantially to Costa Rica in the decade of the 1980s due to the war in Nicaragua and the economic crisis of the 1980-82 period. During the reconstruction period after the Korean war, U.S. aid was a major factor in

sustaining Korea's economy, and provided the foundation for sustained growth. In Thailand, security issues were paramount in the establishment and continuation of USAID assistance programs.

Methodology

The research for this document involved a review of USAID and non-USAID evaluations and studies, as well as consultations with specialists on some of the countries. It was prepared in response to a request for a review of these seven countries. Each country overview was researched and written by a different staff member of the Research and Reference Services Project of USAID's Center for Development Information and Evaluation. The overviews reflect the individual approach and style of the researchers.

OVERVIEW OF U.S. DEVELOPMENT ASSISTANCE TO CHILE
Prepared by Dana Ireland

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Introduction

Chile was governed by democratic rule from the 1930s until 1973, when the Pinochet military coup overthrew the government of President Salvador Allende. The military regime eliminated all constitutional democratic processes. Many politicians, political activists, government employees, labor leaders, journalists and scholars were imprisoned, exiled, killed or disappeared. In 1990, President Aylwin reinstated democracy.

The United States has provided Chile over \$1.5 billion from 1946 to 1993. The total economic assistance was about \$1.2 billion, and military assistance about \$300 million (USAID 1994). From the period of 1980-1989, USAID was not present in Chile. Real figures of economic assistance between 1946-1993 are as follows:

1946-1948 approximately \$ 4 million (post-war relief period);
1949-1952 approximately \$ 2 million (Marshall Plan period);
1953-1961 approximately \$170 million (Mutual Security Act period);
1962-1969 approximately \$700 million;
1970-1979 approximately \$300 million;
1980-1993 approximately \$ 80 million.

Through 1980, Chile was the third largest Latin American recipient of U.S. foreign assistance in absolute terms, and received the most development assistance per capita of any Latin American country (Apodaca 1980:14). Chile's economic results from 1984 onwards stand out from those of other Latin American countries, recording the best growth rate in the region during the 1980s. Real GDP grew 6.3 percent in 1984 and steadily increased, registering 10 percent in 1989 (Europa 1993: 169).

U.S. development assistance to Chile began in the 1940s, and has had lasting impact on the present day in several sectors in rural and urban Chile. This report provides an overview of U.S. development assistance in education, training, and human resource development; health, sanitation, and nutrition; public administration; transportation, and public works; industry, mining, and energy; housing, urban and community development; and privatization.

U.S. Development Assistance by Sector

Education, Training and Human Resource Development

From 1964-1976, approximately 272 Chilean men and women received post graduate and empirical research training in Chicago in economics and education. A total of 2,033 individuals were trained from the 1940s to 1976, and many of them held key government positions upon their return to Chile. Chile was second only to Brazil in number of South American participants selected for training in 1961 (USAID 1964: 3,6).

In the 1990s, the Education and Human Resource Division of USAID extended its commitment to environmental conservation. The United States provided technical and capital assistance for the national education system. The program has successfully integrated environmental education into the national curriculum.

USAID provided financial assistance to the Center for Legislative Research and Assistance (CEAL). CEAL is the first nonpartisan research and education center focused specifically on providing expertise in democratic policy-making issues (Arias-La Forgia 1994).

Health, Sanitation and Nutrition

U.S. assistance provided resources to establish the Inter-American Department of Public Health Works (DCIOS) in 1943. DCIOS completed 72 health-related projects, including the construction and supply of hospitals and clinics, construction of water supply and sewage systems, training of public health officials, and combatting communicable diseases. Other projects included training in preventive medicine, environmental sanitation, immunization campaigns, and child nutrition programs.

The United States provided \$5 million to the National Council for Food and Nutrition (CONPAN) to establish an effective family planning program. This project produced nutrition models that have been requested by other countries. In a 1980 international exhibit on educational materials held in Uruguay, CONPAN was cited as one of the leading contributors to the health and nutrition fields. CONPAN's breast feeding manual, which was prepared under the USAID nutrition program, was selected as the best document presented.

Public Administration

The government of Chile instituted several tax reforms as components of its internal tax administration modernization program of Chile. At the same time, audit techniques were updated and an auditors' manual was published. Government officials, appointed to implement these changes, received training in the United States in tax administration and management. A Customs Advisory Office was established under the modernization program and customs officials were also given short-term training in the United States and Puerto Rico.

Transportation and Public Works

In 1954, with USAID funds, the U.S. Federal Aviation Agency (FAA) and the U.S. Weather Bureau provided technical assistance to Chile in civil aviation administration and, as a result, a new Civil Aviation Planning Group was created. In addition, under a reorganization of the National Meteorological Service, the Air Traffic Control Department and the Electric Communications Department were established as a division of the Ministry of Defense.

U.S. grants were also provided in 1955 to assist in road and highway construction. In 1966, U.S. advisors began a technical assistance program for the Ministry of Public Works, and

participants were trained in the United States and in other countries in the various facets of road construction and maintenance.

Funding was allocated for the construction of the Pan American Highway, Chile's most important central transportation artery. Financing was also provided for the design of ports, including San Vicente, Valdivia, Puerto Montt and Castro. **From 1973 to the end of the 1980s, Chile's exports increased by 333 percent (Europa 1993: 172).**

Other economic assistance from the United States contributed to the construction of Santiago's International Pudahuel Airport and the Concepción Airport. Pudahuel Airport is served by 18 international airlines (Europa 1993: 172).

Industry, Mining and Energy

In 1952, USAID provided economic and technical assistance to the Industrial Cooperation Service (SCTI). In 1954, a ten-year technical assistance project initiated by USAID provided training in geology. Subsequently, the school of Geology at the University of Chile was established in 1958 through this project.

U.S. economic assistance financed the construction and equipment procurement for the copper industry. By 1970, copper accounted for 75 percent of Chile's exports (Europa 1993:169). In the 1980s, Chile was the world's leading copper producer. Copper accounted for 45.5 percent of the export value with production of 1.26m. metric tons in 1982 (Europa 1993:170).

Housing, Urban and Community Development

USAID grants and loans played a major role in solving Chile's housing shortage. In 1960, under a 12-year technical assistance project with the National Housing Agency (CORVI) and private agencies, \$1.2 million was designated to construct 30,000 housing units. Other construction grant programs provided economic assistance to produce houses and community centers for low-income families living in rural regions. From 1975 through 1980, over 14,000 low-cost housing units were constructed through the Housing Investment Guaranty Program.

Labor and Trade Union Development

USAID assistance for the development of Chilean labor relations commenced as early as 1953. The assistance was designed to foster a free-trade union movement by training ministry officials and labor leaders. Over 400 participants have been trained in the United States and other countries.

Privatization

State-owned sewage and sanitation companies have been sold to private investors with U.S. development assistance. Chile is one of the few developing countries in the world with a

successful privatization program. In 1988, Chile was cited as being the leader and expert in privatization projects in the developing world. The lessons learned from Chile's experiences are studied and used as implementation models for other developing countries.

Conclusion

In terms of sustainability, USAID leaves Chile with established programs in the sectors of education, health, transportation, housing, privatization, and industry. With Chile's reputation in the health and privatization fields, lessons learned are shared with other developing countries, demonstrating that U.S. development assistance has allowed countries to evolve to a position of providing assistance to other countries.

"Chile ...represents a special opportunity. A modest amount of assistance rendered by USAID in Chile not only will pay special dividends there but it can be translated into usefulness for privatization elsewhere in the world with possible greater potential benefit per dollar spent than in almost any other developing country."

Paul Elicker
Executive Director, Center for Privatization (1988:4)

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OVERVIEW OF U.S. DEVELOPMENT ASSISTANCE TO COSTA RICA
Prepared by Kathleen M. Horkan

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Introduction

Costa Rica differs from its Central American neighbors in many respects. With a stable political system and no army, the country has not suffered from the internal civil wars that plagued El Salvador and Nicaragua. Costa Rica, which has enjoyed close relations with the United States throughout its history, has received U.S. economic assistance since 1946. During the 1970s, U.S. assistance averaged about \$9 million per year (Newton et al. 1988:18). The Carter Administration considered cutting off economic assistance to the country in 1978 due to its relatively high per capita income (Barry 1989:82). In the 1980s, however, Costa Rica became a major recipient of aid. From 1982 to 1989, the United States channeled approximately \$1.2 billion to Costa Rica (USAID 1994). The two main reasons for the substantial increase in assistance were the war in Nicaragua and Costa Rica's severe economic crisis in the 1980-1982 period.

In July 1983, President Reagan named a National Bipartisan Commission on Central America, chaired by Henry Kissinger, to recommend a medium-term U.S. policy toward the region. The President proposed legislation in February 1984, known as the Central American Initiative, which included most of the Commission's recommendations and requested \$8.4 billion in U.S. assistance for the period 1984-1989 (Rosenberg 1988).

This report examines USAID's development strategy in the 1980s and the impact of U.S. assistance. The focus is on this decade for two reasons: the bulk of U.S. economic assistance was provided to Costa Rica during this period, and documentation on the impact of this assistance is available.

USAID Strategy in Costa Rica in the 1980s

USAID, together with other international donors and agencies (e.g., the World Bank and the IMF), supported a major stabilization effort in Costa Rica in the 1980s (Newton et al. 1988:5). The main goal of U.S. economic assistance to Costa Rica since 1982 has been to "assist in preserving the country as a model of democratic, broad-based development in the region" (USAID 1988:2). Most of the U.S. assistance to Costa Rica during this period was given in the form of Economic Support Funds (ESF). ESF was provided through a Cash Transfer Program consisting of two components: dollar transfers and a local currency program (Newton et al. 1988; Rosenberg 1988). The cash transfers provided dollars that the Costa Rican Central Bank sold to local businesses to pay for U.S. imports. The local currency (*colones*) generated from the sale of these dollars was placed into a Special Account, which was used for development projects agreed upon by USAID and the Government of Costa Rica. Most of the local currency projects were private-sector-oriented, and many supported export-oriented industry (Newton et al. 1988:xvii). For example, the Costa Rican Coalition for Development Initiatives (CINDE), an organization that promotes investment and exports, was created with USAID funding.

Under the Cash Transfer Program, which was based on conditionality, Costa Rica and the U.S. signed program agreements; to receive funding from the United States, Costa Rica agreed to enact certain policy changes. Many of the policy reform efforts have encouraged the allocation of credit to the private sector, and have supported the liberalization of the financial system through the deregulation of interest rates and banking activities (Newton et al. 1988:xv). Two additional policy objectives included export promotion and privatization of public holdings. Central to USAID strategy was a focus on export-led growth, particularly the promotion of non-traditional exports.

Impact of U.S. Assistance

Costa Rica's economy recovered from its crisis of the early 1980s. Since 1982, there has been a substantial growth in production, labor productivity, and participation in international trade (Batchelder 1994:iii). From 1982 to 1992, real wages rose from 37 to 59 percent in every production sector. The unemployment rate decreased from 9.2 percent during 1982 and 1983 to an average of 4.6 percent during 1989-1991, and in 1992 it dropped to 4.1 percent (Batchelder 1994:iii). **From 1982 to 1987, the value of Costa Rican non-traditional exports increased from \$171 million to \$390 million (Newton et al. 1988:Appendix B-6).**

Several USAID and non-USAID documents examine the effects of U.S. economic assistance to Costa Rica during the 1980s, and many argue that U.S. assistance played an important role in Costa Rica's economic recovery. USAID's Center for Development Information and Evaluation (CDIE) published a report entitled, *The Effectiveness and Economic Development Impact of Policy-Based Cash Transfer Programs: The Case of Costa Rica*. This report evaluates the Cash Transfer Program in Costa Rica from 1982 through 1987 (Newton et al. 1988). During this period, U.S. economic assistance amounted to \$953.1 million, including Development Assistance, PL-480 food aid, and ESF Cash Transfers. An important outcome of the program was its ability to provide external financial support to assist in Costa Rica's recovery from the 1980-1982 economic crisis (Newton et al. 1988:53). Another accomplishment of the Cash Transfer Program has been that USAID, as part of a joint effort with the World Bank, the IMF, and the Government of Costa Rica, made a "substantial positive impact on Costa Rican economic policies," as well as on the Costa Rican economy (Newton et al. 1988:xviii, 29). According to the report, **the liberalization of the Costa Rican economy and the promotion of private sector activities on the part of the Government of Costa Rica "are due largely to its policy dialogue with A.I.D."** (Newton et al. 1988:26).

In a report on *A.I.D. and Economic Policy Reform: Origins and Case Studies*, Michael Pillsbury agrees that U.S. economic assistance to Costa Rica had positive results. Costa Rica is one of the 13 "success stories" that Pillsbury examines in his report. He argues that USAID's efforts in Costa Rica helped the country to recover from its crisis, and he points to the GDP growth rate (4.2 percent annual average from 1983 to 1992), and its average annual increase in non-traditional exports (28 percent since 1983) (Pillsbury 1993:93). Pillsbury concludes that, with advice and funds from USAID, Costa Rica made a recovery from its crisis of the early 1980s and gradually liberalized its economy (Pillsbury 1993:95).

A USAID report on Costa Rica's economic performance from 1982 to 1992 states that USAID contributed to the increase in available goods and services, and that USAID's contribution "may have been greatest in assisting economic policy reforms" (Batchelder 1994:2). Another USAID report that discusses the implications of U.S. assistance to Costa Rica, *AID in Costa Rica: 1982-1992*, claims that the macroeconomic results of USAID bilateral assistance have been good (Rosenberg 1988). The author argues that the balance of payments support, combined with policy reforms and export programs, has been successful in stabilizing the economy and "putting it on the road to export-led growth" (Rosenberg 1988:20). A 1989 report by the U.S. General Accounting Office (GAO) on the impact of U.S. assistance in Central America in the 1980s states that high levels of U.S. aid "helped to halt economic decline in El Salvador, Honduras, Belize, Costa Rica, and Guatemala, but each country remains dependent on external assistance" (GAO 1989:5). The GAO report also argues that U.S. efforts to promote economic stabilization and structural adjustment "were relatively successful" in Costa Rica, Belize, and Guatemala (GAO 1989:38).

One criticism of U.S. economic assistance to Costa Rica is that the United States helped to set up a "parallel state" in the country (Barry 1989:82). In other words, USAID created an infrastructure of private sector institutions "designed to undermine corresponding public ministries and agencies" (Barry 1989:82). Examples of this "parallel state" include the creation of the Costa Rican Coalition for Development Initiatives (CINDE), the Private Agricultural and Agro-industrial Council (CAAP), and the Agricultural School for the Humid Tropics (EARTH). According to the CDIE evaluation of Costa Rica's Cash Transfer Programs, the funding of this agricultural school was "an inappropriate use of Cash Transfer monies. Its expected development impact is limited because of a low economic rate of return" (Newton et al. 1988:60).

In short, this report has focused on the general impact of U.S. development assistance to Costa Rica during the 1980s. Further research is required to evaluate assistance to Costa Rica since 1946, as well as review its impact by sector. The USAID Mission in Costa Rica plans to produce eight sector case studies and a synthesis overview of USAID's contribution to Costa Rican development over the past 50 years. The eight sectors are agriculture/natural resources, health/population, human resources (basic education and general training), economic infrastructure, export development, financial sector (including housing finance), governance and democracy, and economic stabilization and adjustment.

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OVERVIEW OF U.S. DEVELOPMENT ASSISTANCE TO KOREA
Prepared by Michael Cacich

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Description of U.S. Assistance to Korea¹

Overview

U.S. foreign assistance to Korea totaled approximately \$12.6 billion from 1946 to 1975; over half of this amount was in military assistance. In addition, Japanese aid totaled about \$1.0 billion and other foreign assistance reached \$1.8 billion (Steinberg 1982:26; Mason 1980:165).

**Summary of Economic and Military Assistance to
South Korea from the United States**
(Millions of U.S. dollars for U.S. fiscal years)

	1946-52	1953-61	1962-69	1970-76	Total
Economic Assistance	666.8	2,579.2	1,658.2	963.6	5,745.4
Military Assistance	12.3	1,560.7	2,501.3	2,797.4	6,847.3
TOTAL	679.1	4,139.9	4,159.5	3,761.0	12,592.7

(Source: Mason, p. 182, adapted from USAID "U.S. Overseas Loans and Grants.")

The U.S. presence in Korea since 1945 can be divided into four distinct periods:

- 1945 to 1948 -- the occupation of Korea by the U.S. Military Government and the Government Appropriations for Relief in Occupied Areas (GARIOA) Program;
- 1948 to 1949 -- efforts to establish a viable Korean government and the Economic Cooperation Administration (ECA) Program;
- 1950 to 1953 -- United States participation in the Korean War and United Nations Civil Assistance Command Korea (UNCACK) Program; and

¹ The following sections describing U.S. foreign assistance to Korea are derived from Mason et al., which, in turn, drew heavily from the Harold Koh paper, "The Early History of U.S. Economic Assistance to the Republic of Korea, 1945-1955." See either of those works for a more thorough review of U.S. assistance.

- 1953 to 1962 -- United States participation in Post-War Reconstruction and the United Nations Korea Reconstruction Agency (UNKRA) and the Korea Civil Assistance and Command (KCAC) Programs.

The objectives of the United States, which are reflected in the magnitude, composition, and administration of assistance, differed during each period.

Early U.S. Assistance Programs to Korea 1945-1948

Aid programs in Korea began on September 9, 1945 under the U.S. Military Government with three stated objectives:²

- to fulfill the promises at the Cairo and Potsdam Conferences to establish a free and independent Korea;
- to make Korea strong enough to be a factor of stability in Asia; and
- to build up the new Republic as a display window of democracy for other Asian countries to see and emulate.

World War II had left Korea in a precarious position -- split between north and south and also cut off from the Japanese economy on which it had been reliant. The segregation of Korea from Japan disrupted traditional markets and sources of skilled labor and technical and managerial expertise. The separation from the North left South Korea with shortages of coal, electricity, and fertilizer, leaving agricultural production at an all time low. The relief program that accompanied the U.S. Military Government (1945-1948) was the Government Appropriations for Relief in Occupied Areas (GARIOA), which targeted three basic aims:

- prevention of starvation and disease;
- boosting of agricultural output; and
- massive provision of imported commodities to overcome the pervasive shortages of most consumer goods.

\$500 million in economic aid was provided by the United States during this period, mostly in the form of food, fertilizer, clothing, fuel, and other commodities, with only 10 percent of the total going toward reconstruction. Under this program, more than half a million metric tons of fertilizer were imported with the goal of making South Korea a net exporter of foodstuffs, especially rice, by the 1950s.

Major rehabilitation efforts were not seen as feasible at this time because: the U.S. Congress was reluctant to provide more funds; the "Korea question" was still being debated in the U.N.;

² An important factor affecting these objectives was the assumption that Korea would become unified. This assumption was held until 1947, when it became increasingly clear that this unification would not happen, and that South Korea would need to stand on its own.

and many in the United States believed that Korea would be united, and thus efforts to make South Korea self-sustaining were not necessary (Mason 1980:168).

Although the primary objective of the U.S. Military Government was short-term prevention of starvation, disease, and unrest, certain actions taken in land reform and education had longer-term consequences. Some progress had also been made in the rehabilitation of transportation, communications, reforestation, fishing, and mining.

Land Reform. The U.S. Military Government established in 1948 the New Korea Company, Ltd. and a National Land Administration that sold 487,621 acres, representing more than 96 percent of the agricultural lands formerly owned by the Japanese, to 502,072 tenants. The next year, following provisions of the newly adopted Korean Constitution, large Korean landholdings were distributed. Mason concludes, "It was without doubt, the most significant accomplishment of [the] U.S. Military Government" (Mason 1980:168).³

Education. With the exodus of the Japanese, the U.S. Military Government sought to expand educational facilities and change the character of instruction, which under the Japanese was seen as a vehicle of "Japanization." During this period, primary school attendance nearly doubled and secondary school attendance tripled. Teacher training programs were introduced, women were encouraged to attend school, and local control of education through popularly elected school boards was promoted. While many of these innovations did not survive, Mason concludes that "there is little doubt that the educational activities undertaken during the period of U.S. Military Government contributed to development potential in later years" (Mason 1980:171)⁴. Krueger and Ruttan concur:

All observers of Korea's phenomenal performance point to the availability of a literate labor force as having been an important prerequisite for the degree to which Korea could capitalize on the policy reforms (Krueger and Ruttan 1983:13-19).

³ See Chapter II, "Land Reform and the Disposition of the Japanese Vested Properties," in Harold Koh, *The Early History of U.S. Economic Assistance to the Republic of Korea, 1945-1955*, for additional details about land reform in Korea.

⁴ For more details of the educational system in Korea see: Chapter 10, E. Mason, et al. *The Economic and Social Modernization of the Republic of Korea*, 1980; Chapter 2, "An Evaluation of the Uniqueness of Education Growth in Korea" and especially pages 80-98, 'Foreign Contributions to Education in Korea'; Noel McGinn, et al. *Education and Development in Korea*, 1980; or Chapter IV, "Educational Reform," p. 58-70, Harold Koh. *The Early History of U.S. Economic Assistance to the Republic of Korea, 1945-1955*, especially Chapter IV, "Educational Reform," p. 58-70.

Effectiveness of Early U.S. Assistance Programs to Korea 1945-1948

An assessment completed in 1948 by the Economic Cooperation Administration (ECA) concluded that the U.S. Military Government had accomplished its limited economic objectives fairly successfully: starvation and disease had been prevented, some repair and maintenance had begun, and some technical assistance programs were started. As agricultural and industrial production was still below pre-World War II levels, with manufacturing at only 20 percent capacity, the content of aid was changed accordingly to give greater emphasis to production inputs and less to relief supplies. An example of this shift in emphasis was the large inflow of aid-financed fertilizer which contributed significantly to a 25 percent increase in grain production (Mason 1980: 172).

U.S Assistance to Korea 1949-1950

In 1948, plans were made to terminate the U.S. Military Government and establish the Republic of Korea. The State Department began to plan for the development of South Korea, focusing on long-term survival rather than relief.

It was agreed that on January 1, 1949, the Economic Cooperation Administration (ECA) would take over responsibility of the American aid program to Korea. In anticipation of this shift the first government-to-government pact, the ROK-US Agreement on Aid, was signed between the United States and Korea on December 10, 1948. The pact was similar to the Economic Cooperation Administration agreements with Western European countries, and required the Korean government to follow certain economic stabilization policies (which included balancing its budget, regulating foreign exchange, effectively disposing of vested properties, establishing a reasonable exchange rate, etc.). During the first half of 1949, the ECA continued a GARIOA-type relief program to import fertilizer, agricultural supplies, raw materials, and petroleum products. Later that year, the ECA drew up a three-year recovery plan focusing on three basic areas of capital investment necessary to attain a viable Korea: development of coal, expansion of thermal power generating facilities, and construction of fertilizer plants.

The ECA development plan was initially defeated in Congress and had to be re-cast. The new bill, entitled the Far Eastern Economic Assistance Act, authorized only \$110 million of the \$150 million requested for FY 1951, which meant the ECA had to cut back on the capital investment portion of its plan.⁵ Despite this set-back, the ECA program was considered successful, and in February 1950, Korea was able to arrange for its first export of rice to Japan since the liberation. Despite this achievement, inflation continued to be a problem and source of contention between the United States and Korea. An "aide-memoire" was sent from Secretary

⁵ To some observers, the difficulty in getting the bill passed and the failure to approve the complete aid package was a reflection of American sentiment. Some believed that this wavering provided impetus for the North Korean decision to invade later that year (Mason 1980:174).

Acheson to the Korean Government threatening that the entire U.S. aid program to Korea would be re-examined unless the Korean Government did something about inflation. Koh writes:

This aide-memoire is the clearest example available of American use of the aid lever to achieve an internal reform in Korea for remedial actions taken after American Protests led to a significant drop in the money supply in the six month[s] preceding the North Korean invasion (Koh 1975:9).

The total appropriations for American assistance during the life of the ECA Program in Korea was \$230 million, including funds transferred from GARIOA. Among the most significant achievements of the ECA period are the recommendations made by two Federal Reserve Bank officials concerning banking reform and monetary policy. The recommendations were made in an attempt to check inflation in the closing days of ECA.⁶

U.S. Assistance to Korea during the Korean War, 1950-1953

When North Korea invaded the South, all hopes of a recovery plan were put on hold. Once again, relief rather than development became the focus. A military-run relief and assistance program was organized under the United Nations, and civil relief programs were initiated, of which the most notable was the Civil Relief in Korea (CRIK) Program. A U.N. Security Council Resolution of July 31, 1950 gave the responsibility of administering this program to a military unit known as the UN Civil Assistance Command Korea (UNCACK); which was later renamed Korean Civil Assistance Command (KCAC) when it came under the control of the U.S. Army. The mission of this program was to prevent civilian disease, starvation, and unrest while hostilities were underway. Though considered a U.N. program, \$420 million of the \$457 million in relief goods provided under the program were from the United States. This program was considered successful in preventing the outbreak of mass starvation or epidemics (Mason 1980:175).

A second organization, the United Nations Korea Reconstruction Agency (UNKRA), was created in December, 1950 by the U.N. General Assembly in anticipation of a quick end to the war. The mission of this organization was to "lay the economic foundations for the political unification and independence of the country" through multilateral support (Mason 1980:175). UNKRA was created under the belief that Korea would be united after the war and would require a massive economic rehabilitation program. The objectives of UNKRA were to provide relief and rehabilitation supplies, transport and services for Korean industry, as well as to relieve suffering and rebuild the country. The funds to support UNKRA were to come from U.N. member countries, with the United States pledging to provide 65 percent.

⁶ See chapter III of Koh, *Banking Reform* in *The Early History of U.S. Economic Assistance to The Republic of Korea, 1945-1955*, for further details.

In terms of relief operations, UNCACK was considered successful. One author wrote:

In cooperation with the local officials, they were remarkably successful in preventing widespread starvation or the serious epidemic diseases normally typical of refugee conditions. Thousands of tons of foodstuffs and huge quantities of clothing were distributed to the evacuees; millions of persons were vaccinated and injected with anti-cholera and anti-typhus vaccine; refugee camps were set up and housing provided.⁷

Multilateral funding and support did not materialize for UNKRA, and generally the development planning efforts of UNKRA barely got under way.

Economic Assistance to Korea, 1945-1953
(Millions of U.S. dollars)

	GARIOA	ECA	CRIK	UNKRA	TOTAL
1945	4.9				4.9
1946	49.9				49.9
1947	175.4				175.4
1948	179.6				179.6
1949	92.7	23.8			116.5
1950		49.3	9.4		58.7
1951		32.0	74.4	0.1	106.5
1952		3.8	155.2	2.0	161.0
1953		0.2	158.8	29.6	188.4
Total	502.5	109.1	397.8	31.7	1,040.9

(Taken from Mason, p. 177; adapted from BOK, *Economic Statistics Yearbook*, various years)

The above table, taken from Mason, illustrates by program the amounts of economic assistance to Korea between 1945 and 1953. All but a small percentage of UNKRA assistance came from the United States. This aid, in addition to the foreign exchange earned from the sale of goods and services to the United States and U.N. forces in Korea, financed almost all of Korea's imports during this time period.

In 1952, a U.S. Presidential mission under the leadership of Henry J. Tasca travelled to Korea to prepare a development plan to be used as the programming document by the new Eisenhower Administration for its aid program to Korea. That mission advocated a "unilateral" U.S. aid

⁷ W.D. Reeve, *The Republic of Korea: A Political and Economic Study*, 1963, cited in Koh, p. 11.

program over a multilateral U.N. program. The United States, acting on the recommendations of the report, established the Office of the Economic Coordinator (OEC) and the Foreign Operations Administration (FOA). The U.S. government established the OEC in Seoul, under U.N. Command, to oversee and coordinate the various aid programs. (The OEC was eventually replaced by a unilateral U.S. Aid Mission.) In July 1953, following the signing of the truce on July 27, a more important agency was established, the Foreign Operations Administration (FOA), which was seen as the "final recognition that the United States was assuming the large burden of military and economic assistance to Korea" (Mason 1980:180). FOA was created to deal with the reality of a divided Korea and the fact that it would need its own defense forces. The U.S. Congress appropriated \$200 million to this agency. A designated representative of FOA was to serve as the economic coordinator for the entire relief and rehabilitation program and also be the senior staff officer in charge of economic affairs of the U.N. Command.

UNKRA and KCAC were the operational arms of FOA. UNKRA programmed its own funds and provided technical assistance and program support to FOA in the areas of industry, mining, education, vocational training, fisheries, irrigation, forestry, flood control, housing, and hospitals. KCAC, on the other hand, programmed CRIK funds and worked in the areas of transportation, communication, public works, power, agriculture, public health, and social affairs. A third arm of FOA was AFAK, which worked in two types of activities: construction, i.e., of schools, churches, etc., in local communities and with units of the ROK army, and Civilian Medical aid. The FOA was later re-designated as the International Cooperation Administration (ICA), a semi-autonomous agency of the Department of State with a mission in Seoul.

In evaluating the accomplishments of these agencies, Koh notes:

[M]ost of them did not begin to make considerable contributions to development until after 1955. It is fair to say, however, that the operations of the FOA and the OEC were largely consumed by largely [sic] unsuccessful attempts to coordinate their activities with the Korean government (Koh 1975:15).

Effectiveness of Early U.S. Assistance to Korea 1948-1953

During the period 1945 through 1953, American economic assistance to South Korea totaled nearly \$1.2 billion. Most of that assistance came in the form of relief supplies -- food, clothing, medical supplies, etc. But this assistance also included substantial quantities of "reconstruction supplies," namely fertilizer, petroleum products and unprocessed materials. Mason notes that, prior to the war, and "despite the disturbed conditions existing in South Korea, some progress had been made by 1950 in setting the Korean economy on its feet." The war destroyed those gains. But subsequent war-relief efforts enabled agricultural and manufacturing production to return to 1949 levels. Mason concludes:

perhaps the most that can be said is that American economic assistance kept the South Korea economy in existence during this period, with standards of living, though low, no lower than in many other less-developed countries (Mason 1980:180).

Post-War Reconstruction (1953-1962)⁸ and the Post Transition High Growth Period in Korea (1965-1975)

From 1953, the United States recognized a responsibility for economic and military assistance, and Korea became in essence a client state (Mason 1980:181). Foreign aid, dominated by aid from the United States, was the major factor in sustaining the Korean economy during reconstruction after the Korean War and until the early 1960s (Kim 1979:155). From 1953 through 1962, economic assistance amounted to roughly \$2 billion, and military assistance roughly \$1 billion. Foreign assistance financed nearly 70 percent of total imports from 1953 through 1962, and was equal to nearly 80 percent of total fixed capital formation and eight percent of GNP. Despite this massive assistance, the annual growth rate in GNP was only 4.2 percent. Many USAID officials wondered whether South Korea was to remain a pensioner of the United States indefinitely (Mason 1980:181). Krueger and Ruttan, however, commenting on the significance of aid in the immediate post-war period of 1953-1955, noted that:

It is almost unimaginable that political and economic stability could have been maintained in the absence of concessional assistance in these years when Korea was regarded as completely uncreditworthy in the private capital markets (Krueger & Ruttan 1983:13-19).

The period 1963-1964, however, marked a transition as Korea began its shift to an export-led growth model, increased domestic savings, and decreased reliance on foreign aid. By the end of 1965, Korea had arranged a settlement with Japan that called for large financial flows from Japan over the next decade. Korea had also begun negotiations with the IMF and the World Bank. These factors, combined with the growth in Korean exports and better access to world capital markets, meant Korea was less dependent on foreign economic assistance. Throughout the 1963 to 1975 period, U.S. economic assistance to Korea continued at a level of about \$200 million a year, though its composition changed markedly. Non-project grants declined steadily and were discontinued in 1972. Project grants remained at a low level throughout and amounted to less than \$1 million. Whereas more than 95 percent of the foreign economic aid from 1953 to 1962 was supplied by the United States, the U.S. share of the total fell below 50 percent after 1970. The principal sources of U.S. aid after 1965 were development loans on concessional terms and PL-480 sales and loans. During the high growth decade of 1965-1974 the percentage of aid imports to total imports was only 17 percent (down from nearly 70 percent).

U.S. technical assistance in the mid-1960s shifted away from micro-management of the Korean economy to broader concerns for research, economic planning, and assistance with the export program. Aid-generated local currency funds were used, beginning in 1964, to support a series of economic and social studies on various aspects of the Korean economy. These included studies of the financial system, grain marketing, and land tenure conditions (Mason 1980:202-3).

⁸ This section focuses mainly on economic assistance. For a review of military assistance, see Mason (beginning on page 182).

Aid loans from the United States and Japan in the late 1960s helped finance three new fertilizer plants and expand power-generating and transportation facilities and other infrastructure. Commercial loans and suppliers' credits from the same two countries contributed to the rapid expansion of the export manufacturing industries, and soon became more significant than aid funds.

Modern industrial technology in South Korea is almost entirely a foreign import. "U.S. aid has made a considerable contribution to this transfer of technology through project financing, development loans, and the provision of large number[s] of technical experts" (Mason 1980:200). A critical element of U.S. foreign assistance in the later years involved support for the creation of the Korea Institute of Science and Technology (KIST) in 1966 and the Korean Development Institute (KDI) in 1971. KIST was intended to help facilitate the adoption of modern technology in Korean industry. The Korean Development Institute was to assist the Korean government with research and analysis of critical economic policy and planning problems.

Impact of U.S. Aid to Korea⁹

Overview

Impact needs to be assessed at several levels. First, economic assistance kept the Korean state afloat during the periods prior to, during, and following the Korean War. Monetary assistance left the Koreans without major foreign debt and allowed imports to sustain an initial import substitution policy. Once assistance from the United States (in the form of grants) started to diminish after 1965, Korea was positioned favorably to use commercial loans and switch to an export-led growth strategy. Technical assistance was important because it supported and gave credence to reform elements within the government and the country in general and assisted in the establishment of key research and policy institutions.

Impact of U.S. Economic Assistance

Several authors note how critical economic assistance was to Korea's survival during the critical years from the mid-1940s to the mid-1960s. Steinberg writes:

Could the Koreans have achieved the development successes they did without the United States? The answer is probably "yes" after the trauma of the Korean War and the early recovery period, but at a slower rate.[sic] The role of the United States was critical to the survival of Korea from 1945 to 1960, let alone for its continuity as an independent nation. After that, U.S. assistance was useful but peripheral. In fact, as development

⁹ For additional details of the development impact of economic assistance to Korea, see Krueger and Ruttan, especially pages 13-20; Koh; or Mason. See Mechau for a detailed account of development output by sector.

proceeded at a rapid rate, U.S. foreign assistance, which had long gestation periods for projects, was a retarding factor on Korean performance, an interesting commentary on foreign assistance (Steinberg 1982:44).

Krueger and Ruttan note:

[T]here is the undefeatable conclusion that aid had, in the immediate recovery period (to 1956), been absolutely essential to the maintenance of the Korean economy. Given conditions in 1953, the South Korean economy could not, without assistance, have recovered sufficiently to undertake the necessary reforms or, for that matter, to have achieved very much even if those reforms had been undertaken (Krueger and Ruttan 1983:13-17).

Influence on Policy Reform

Krueger and Ruttan rightly suggest that it is difficult in any situation to document or measure the ways in which ideas are transmitted, but they note a number of instances that suggest that the United States did influence policy changes that permitted South Korea's success. For instance, there is substantial evidence that economists from the USAID Mission were involved in discussions leading to stabilization programs of the late 1950s and early 1960s. American economists and consultants, financed by USAID, were involved in the latter stages of the dialogue and policy reform of the early 1960s, the budget and credit reforms of 1964, as well as later tariff liberalization programs. The United States also financed the training of many Koreans in the United States

On a subtler level, Steinberg suggests that donor involvement can transcend support levels. He notes that numerous Korean officials have commented on the value of early U.S. assistance in terms of the influence that the donor brought in support of certain institutions or concepts within the Korean government.

The interest and views expressed by the donors, both in policies and projects, enabled Korean technocrats to convince the top executive and legislative leadership that certain policies and approaches were important. This seems to have been a highly significant factor, at least to the recipients (Steinberg 1985: 85).

Impact on Institutional Development

U.S. assistance can be credited for assisting in the establishment of some institutions critical to the development process, e.g, the Korean Institute of Science and Technology and the Korean Development Institute, as well as the Office of Rural Extension, and the Korean Educational Development Institute, among others. Steinberg does note that "the impetus of the majority of institutional innovations came from within the Korean government." In describing the impact of investments in KDI and KIST, Mason notes, "both institutions attracted many Korean scholars home from abroad and have achieved recognition for the quality of their work within and outside Korea" (Steinberg 1985:87).

Conclusion

Most studies conclude that, without massive foreign assistance, South Korea would not have survived as an independent political entity for the two decades after 1946. Mason writes:

[T]he massive inflow of foreign assistance before and during the Korean War was essential to the survival of South Korea as an independent country. Continuation of a high level of economic assistance for the decade after the war probably spelled the difference between some (1.5 percent per annum) and no growth in per capita income. Without this growth, the economic condition of the population would have remained desperate, political cohesion would have deteriorated, and the foundations for subsequent high growth would not have been forged. Thus, aid played a critical role for two decades from the mid-1940s to the mid-1960s. Since then, it has added perhaps 1 percent to the already high growth rate and therefore can be characterized as relatively inconsequential. The fact that the earlier aid had been on a grant, rather than loan, basis made it possible to rely on large amounts of foreign commercial loans rather than aid in the latter half of the 1960s. (Mason 1980:203-204)

Foreign assistance, dominated by aid from the United States, was the major factor in sustaining the Korean economy during reconstruction after the Korean War and until the early 1960s. (Kim 1979: 155). By the 1970s, foreign assistance had become a relatively minor factor, being replaced by export earnings and foreign private capital.

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OVERVIEW OF U.S. DEVELOPMENT ASSISTANCE TO TAIWAN
Prepared by Kathleen M. Horkan and Laura Williams

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Introduction

Much has been written about the Taiwan success story. As one of the "four tigers," Taiwan has experienced rapid economic growth with an equitable income distribution. Between 1965 and 1981, Taiwan's economy averaged 9.4 percent real growth per year in gross national product (Lau 1990:3). The literature and USAID documents on Taiwan discuss the factors that contributed to this growth: its colonial history; a relatively modern infrastructure (partly due to Japanese occupation); high level of government commitment to economic development (Alam 1989:86); the strategies of export promotion and realistic interest rates (Lau 1990:4); and private domestic investment (World Bank 1993:5). Many other factors are also examined in the literature, including the impact of U.S. economic aid.

Overview of U.S. Aid

Between 1951 and 1968, Taiwan received nearly \$1.5 billion in U.S. aid from the United States (Lau 1990:47). Forty percent of the aid was channeled into infrastructure -- roads, dams, power, and communications; 22 percent to agriculture; 20 percent to develop and support human resources; and the remaining funds went to industrial development (Mooney 1979:2). About a quarter of U.S. aid to Taiwan was project assistance. The rest was nonproject aid in the form of surplus agricultural and other commodities that were imported to meet domestic needs (Mooney 1979:2). The aid provided the country with raw materials for agricultural and industrial production (Lau 1990:18).

Impact of U.S. Aid

Several documents discuss the positive impact of the U.S. economic assistance program. According to a USAID document entitled, *Country Studies of the Rural Poor: Taiwan and Tunisia*, calculations with a "No-Aid Growth Model" show that aid more than doubled GNP growth rates, quadrupled growth of GNP per capita, and had a 2.0 multiplier effect on Taiwan's investment (USAID 1977:32). The main reason that aid was important in Taiwanese economic growth was that it "eliminated a critical foreign exchange bottle-neck" (USAID 1977:32). A comparative study of economic growth in South Korea and Taiwan points out that U.S. economic and military aid to Taiwan in the 1950s and early 1960s "helped create the stable economic and political conditions that enabled the economy to thrive" (Lau 1990:4). In *Growth With Equity: The Taiwan Case*, the authors argue that U.S. aid helped to stabilize the economy, and it allowed the country to purchase capital and industrial producer goods that Taiwan could not obtain through primary exports alone (Fei et al. 1979:27-28). However, the authors state that "some popular notions about the large quantitative role played by U.S. foreign aid early, and private investment later, are factually incorrect" (Fei et al. 1979:311). Although aid encouraged the important policy changes of 1961, public and private foreign capital contributed to less than six percent of cumulative investment during the 1953-1972 period (Fei et al. 1979:311).

Joint Commission on Rural Reconstruction

Also important to consider in an examination of U.S. assistance to Taiwan is the establishment of the Sino-American Joint Commission on Rural Reconstruction (JCRR) in 1948. This Joint Commission, staffed with both Taiwanese and American administrators and technicians, managed the portion of U.S. aid earmarked for rural development. From 1951 to 1965, the United States channeled \$10.6 million through the JCRR for agriculture (USAID 1977:Appendix A5). A document that discusses the structure, programs, and impact of the Joint Commission concludes that it played an important role in Taiwan's postwar growth (Mooney 1979:11). Agricultural programs undertaken by the government in the early 1950s, with technical assistance from the JCRR, set the stage for further growth of Taiwan's economy (Mooney 1979:6). Land reform and the reorganization of farmer associations were two of the most important programs.

The JCRR also funded and initiated new farming techniques and introduced new crops and markets. It was "behind the introduction of asparagus and mushroom cultivation, which led to the highly successful production and export performance of those commodities" (Fei et al. 1979:45-46; Kuo et al.1981:56). In addition, the JCRR was successful in increasing the production of fish, contributing to the reforestation of large areas, bringing about improvements in rural health services, and organizing an effective planning system (Yager1988:3). **According to one author, the JCRR "became a rare example of successful bureaucratic entrepreneurship in the field of development, and probably the only such binational organization in history" (Yager 1988:3-4).**

Influence on Policy

Governments and Markets in Economic Development Strategies: Lessons from Korea, Taiwan, and Japan specifically addresses the importance of U.S. influence in Taiwan (Alam 1989:81). Instead of trying to promote political liberalization, the United States sought to influence economic and social policies through a number of means, including direct U.S. presence in various organs of the economic bureaucracy (Alam 1989:81). *Promoting Effective Development Policies: A.I.D. Experience in the Developing Countries*, discusses the significant role of the United States in the "Nineteen Points" Economic Program agreed upon with the Republic of China in 1960 (Gulick and Nelson 1965:7). This Program was designed to control the level of military expenditures, develop non-inflationary fiscal and credit policies, liberalize foreign exchange control, and carry out a number of other measures (Gulick and Nelson 1965:7). On the basis of these undertakings by the Chinese Government, the United States was willing to provide aid. It was also understood that one objective of the five-year program was the termination of U.S. concessional economic assistance at the end of the period (Gulick and Nelson 1965:7).

Conclusion

In a 1966 evaluation of the results of U.S. economic aid to Taiwan, the author concludes that, despite some flaws, the overall effect of the aid program in Taiwan was positive (Jacoby, 1966:90). USAID influenced the formulation of Taiwan's economic policies and "thereby fostered Taiwan's development" (Jacoby 1966:40). Through U.S. influence, development became a Chinese national goal and private enterprise was promoted. The broad development strategy jointly agreed upon by USAID and the Government of the Republic of China emphasized monetary stabilization, agricultural production, the building of infrastructure, and private industrial investment (Jacoby 1966:42-43).

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Introduction

The United States has provided economic development assistance to Thailand for the past four decades. As an *Advanced Developing Country* with a vibrant future in trade and investment, Thailand has provided a wide range of lessons in development. Not only has Thailand's development experience been widely acknowledged as a success story, but both Thai and American individuals realize and applaud the fact that U.S. assistance has had a vital impact in accomplishing this aim:

In sum, AID and the other official and private American (and other donor) agencies that have been helping the Thais achieve their own development and change objectives have been associated with a successful experience (Muscat 1990:3).

American economic assistance to Thailand totaled around \$1 billion, or an average \$25 million a year over 40 years. (Muscat 1991:30). The largest component has been the "mission-funded" programs of USAID and its predecessor agencies that provided a total of \$907.7 million (Muscat 1990:33). The program's high funding years ran from 1966 to 1969. The USAID program in Thailand has been composed largely of projects.¹⁰

"Since the Second World War, the U.S. government has been a major contributor to our development efforts here in Thailand. American assistance has contributed to the progress we have made during this period, and we Thai are sincerely grateful for the help received from our American friends" (USIS 2).

H.E. General Prem Tinsulanoda
Prime Minister of Thailand
October 1987

Point Four: 1950-1954

President Truman authorized \$10 million in military assistance to Thailand under the unexpended China Aid Act of 1948. On September 19, 1950, the United States and Thailand signed an Economic and Technical Cooperation Agreement under the "Point Four" program, which became the basis for future economic support. During the early stages of U.S. development aid, the Thai government requested that assistance concentrate on agriculture, health, and communications.

¹⁰ Funds are allocated as a project when donor and recipient agree on detailed uses of the funds for specific activities.

Infrastructure Building

Thailand lacked the level of development, especially of transportation and communications facilities, which is often found in countries formerly under colonial rule.

As a result, U.S. resources were concentrated heavily in the construction of physical infrastructure. In 1958, "The Friendship Highway", the first major highway that linked Bangkok to the undeveloped Northeast (148-kilometers), was constructed by the United States at a cost of about \$20.5 million. During the Vietnamese conflict, airfields, roads, and other infrastructure were developed which yielded economic benefits (USIS 5-6). One hundred and ten irrigation reservoirs were completed in the Northeast through Thai-U.S. collaboration between 1951 and 1958 (USIS 12). Between 1950 and 1964, more than \$40 million in aid and development loans went to Bangkok's power distribution system and generating capacity. By 1963, \$4 million in American aid helped complete a telecommunications system that linked Bangkok to outlying regions (USIS 16).

"The infrastructure built by the United States in the initial phase of our relationship was critical for expanding government services outside Bangkok and provided the foundation for further development" (Frontlines 1986:7)"

Dr. Snoh Unakul
Secretary-General of the National
Economic and Social Development Board

Participant Training Programs

Since 1950, approximately 15,000 Thais have received education and training in the United States "Most of the present Thai leadership in government and industry received education and training in the United States," said Wanchai Sirirattna, Director-General of Thailand's Department of Technical and Economic Cooperation (Frontlines 1986:8). "In 1986, 163, or nearly 40 percent, of these leadership¹¹ positions were held by former AID participants. About 40 percent of the provincial governors had been participants, mainly for long-term training. Of the 130 former participants in the seat of national government in Bangkok, 91 had earned graduate degrees under their training, including 15 doctorates. Several had been participants two or three times, including long-term education and subsequent short training opportunities" (Muscat 1990:55).

U.S. aid to public administration began in 1955 when the U.S. International Cooperation Administration (one of USAID's predecessors) agreed to help create the Institute for Public Administration (IPA) at Thammasat University. A U.S. contribution of approximately \$2

¹¹ Leadership positions such as secretaries of ministries, provincial governors, and directors-general.

million, under a ten-year grant, established the premier public administration training institution in Thailand, where most civil servants receive training. Forty-one Thais were sent to the United States for training, and 40 staff members from Indiana University came to work for the IPA (Baldwin and Maxwell 1975:37). Technical training and education continued in the form of fellowships and development projects that built participants' expertise in health, agriculture and other areas.

When one asks Thais in business, government, or academia what they think has been the most important contribution of the U.S. aid program to the country's development, the answer virtually always is the same: **training** (Muscat 1990:49).

Security

The following three quotes illustrate the importance of security issues involved with U.S. assistance:

The security of Thailand, and by extension that of the United States, in its broadest dimensions has been the motivation for American economic and military support to the Thai government (Steinberg 1986:1).

Security considerations have been paramount in the inception, continuation, and composition of the U.S. aid program in Thailand, although the foci have sometimes shifted over time -- from regional, to internal, to international. They have been prompted by such fears as invasion from the People's Republic of China, regional security after the French defeat at Dien Bien Phu, deterioration of conditions in Laos, the incipient and then active communist insurgency in Thailand, Thailand as a base for action in the Vietnamese War, the international trade in narcotics, and the Vietnamese invasion of Cambodia (Steinberg 1986:9).

AID estimated in 1969 that 75 percent of the program in Thailand was for counter-insurgency activities. By 1973, the USAID mission director could characterize the program as of two types: "security with development aspects" and "development with security aspects (Steinberg 1986: 9-10).

One successful program born out of this situation was the Accelerated Rural Development program (ARD). Designed in 1962, its aim was to extend government control to rural areas, especially in the Northeast, during a period of public insurgency. A total of \$63.6 million was spent to accomplish the services provided by the ARD (Steinberg 1986:11). While road building served as the main thrust, schools, health centers, and administrative offices were also built under the program. Rural security was further stepped up between 1965 and 1970 when the number of police stations in the rural areas rose from 150 to more than 1,000 U.S. funds helped finance a 50 percent increase in the number of policemen (USIS 21).

Agriculture

The first agricultural programs began in 1950. By 1973, the United States spent \$36 million for various programs including irrigation, soil and water management, agro-economic development, and agricultural credit and marketing (USIS 30). By the 1960s, one third of planted areas were devoted to improved varieties in rice and other crops. The new breeds increased yields from 10 percent to 80 percent and the quality premium from 10 percent to 30 percent. The returns resulted in hundreds of millions of dollars in greater export income (USIS 30).

Projects involving agriculture extension continued and spread further into northeast Thailand. In the 1980s, the Northeast Rainfed Agricultural Development Project (NERAD) aimed to relieve farmers of reliance upon one cash crop. A broad range of new agricultural practices was introduced, including tree planting, livestock holdings, and fisheries.

Family Planning and Health Care

USAID, serving as the dominant donor with contributions totaling over \$75 million, has helped finance a variety of health care initiatives such as family planning, disease control, basic sanitation, and the establishment of the Chiang Mai Medical School.

Thailand's family planning program, one of the most successful in the developing world, has long been a USAID priority. Unlike the family planning program in China, no coercion was needed to reach the success levels gained in Thailand. Since adopting population growth reduction as a national policy in 1970, Thailand's population growth rate declined from more than three percent annually to 1.41 percent in 1993 (World Bank, World Tables 1994).

"The highest priority and largest allocation of U.S. aid health funds have been accorded to malaria control, starting in 1951... . Some areas of the country were uninhabitable because of malaria, and the economic and human welfare costs were very high ... by 1954 the malarial death rate had been brought down by half, and about one-fifth of the population was considered "protected" by recurrent spraying of the walls of their dwellings" (Muscat 1990:87). Although malaria was never fully eradicated, USAID programs continued to combat outbreaks over the years.

"It was estimated that two-thirds of Thailand's doctors were located in the Bangkok area, with a rural ratio of one doctor to 20,000 people" (Musca 1990:91). Later in the 1980s, under the Rural Primary Health Expansion Project, USAID's contribution of a \$5.5 million concessionary loan has helped train 97,000 auxiliary health workers in 20 of the poorest provinces (USIS 28).

Institution Strengthening

USAID influence in institutional strengthening includes improvements in the Bureau of the Budget, the National Economic and Social Development Board, and the Civil Service Commission (Steinberg 1986:23).

Over a relatively short interval in Thai history, perhaps 25 years, Thailand moved through a transition from an institutional and knowledge base that was grossly inadequate for a modern economy to a position of self-reliance in many disciplines and institutional capabilities, a position of growing domestic capability to spawn new capacities with only selected reliance on increasingly specialized technical assistance from the outside (Muscat 1990:264-5).

"There can be no greater demonstration of the impact of the U.S. aid program, along with the institution-building work of the foundations and similar efforts of other donors assistance programs, than this narrowing of the need for further aid for basic institutional development" (Muscat 1990:266).

Private Sector Development Program

USAID's involvement with regard to private sector stimulation began in the late 1960s. The Private Sector Development Program (1969-1971) concentrated its aims on institution building, policy support, and direct promotion of U.S. and Thai investments. The rationale for the project was that information gaps, institutional limitations, and policy disincentives posed serious constraints to full and effective private sector participation in Thailand's economic development. The project sought to combat three basic problems:

- Thai firms' lack of access to the technology, managerial expertise, and market information, needed to increase exports;
- U.S. firms' poor knowledge of Thai business opportunities; and
- Intense competition for foreign investment from neighboring countries.

Determining the usefulness of these initial projects in private sector strengthening proved difficult to evaluate due to the fact that USAID's "inputs were only a few among many from various sources..." (Muscat 1990:240). However, the 1980s saw a resurgence of private sector projects. The Private Sector in Development Project, a \$3.5 million effort, had three main components:

- Technical assistance to the Board of Investment to identify business opportunities and attract private investment interest;
- Establishment of means for effective private sector policy analysis by financing staff and studies for the Joint Standing Committee for Commerce, Industry and Banking; and
- Establishment of linkages between private sector associations with counterpart associations in the United States to encourage mutual cooperation

While some segments of the effort were not so successful¹², USAID's most significant impact during this wave of projects was the establishment of an effective arena for dialogue between the public and private sector: the Joint Public Private Sector Consultative Committee (JPPCC). "Membership on the private sector side is composed of the leading business organizations, with arrangements for including the foreign chambers of commerce. The Thai side is headed by senior officials who attend all the meetings and formally by the Prime Minister who attends occasional major meetings" (Muscat 1990:245). The JPPCC has been making significant contributions in fostering Thai business and solving regulatory and other problems impeding international competitive efficiency (Muscat 1990:246).

Reorientation of U.S-Thai Relations

As Thailand evolved throughout the 1980s, so did the U.S.-Thai relationship. Although individual regional security issues and humanitarian concerns remain, they no longer drive the relationship. As Thailand reached for sustainable growth, and as U.S. economic assistance plummeted with lessened threats to Thai security, trade and investment replaced aid as the dominant element of the economic relationship.

USAID then turned its resources toward improvement of science and technology, the private sector, PVO development, policy dialogue, and natural resource management.

"A three-pronged strategy was articulated and approved. Since there were certain to be unanticipated problems in Thai development, a fund was created to allow the United States to respond to these issues through provision of technical assistance or funds to enable the Thai Government to address these problems. A second approach, currently in the process of formulation, was to assist in the creation of agro-business industries in rural areas to absorb rural entrants into the labor force

By this time USAID had moved from being Thailand's sole donor to providing only 2 percent of Official Development Assistance. Almost 90 percent of economic assistance at this point was provided by the World Bank, Japan, and the Asian Development Bank (Frontlines 1986:8).

and provide more value-added for Thai exports. The third approach was to sponsor a major effort in industrial science and technology research, building research capacity and utilization for use by the Thai sector with a focus on export-oriented industries. The approval of the

¹² USAID's Private Sector in Development project (1983-1987) was evaluated by CDIE in January 1994. The underlying assumption of the project was that "investment missions to the United States arranged by private consulting firms for the BOI (Thai Board of Investment) would be the most effective tool for generating U.S. investment." This assumption, however, was proved incorrect (USAID 1994:5). For a complete picture of this evaluation see: A.I.D Evaluation Highlights No.24. *Export and Investment Promotion in Thailand*. USAID, January 1994. PN-ABG-020.

strategy is probably the most major developmental conceptual change since the US first provided assistance in 1950" (Steinberg 1986:25-26).

In response to Thailand's "Sixth Plan" (1987-91) USAID provided assistance to transform the economy from an agrarian society to a semi-industrialized state.

In 1988, after 37 years of turbulence in the region and profound changes in geopolitical relationships in the Southeast and East Asia, Thailand has undergone substantial development, it is becoming a semi-industrial state, and remains a country in which United States has a fundamental interest for the role Thailand plays at the center of regional security (Muscat 1990:45).

The United States had become Thailand's largest export market. In 1993, U.S. imports from Thailand totaled \$8.53 billion while U.S. exports to Thailand totaled \$ 3.76 billion.¹³ The United States is also the largest foreign investor in Thailand. The value of total, cumulated private American investment in the country was estimated at over \$4 billion, nearly half in oil and gas production and distribution, one-quarter in banking and finance, and the rest in manufacturing and trade (Muscat 1990:17-18).

The Agency and the Royal Thai Government signed a Memorandum of Understanding in the Fall of 1990 that recognized a change from a donor-recipient relationship to one that stresses programs of mutual benefit (Frontlines 1990:2).

The 1990s and the Future

With an expanding trade and financial presence in the international marketplace, USAID now considers Thailand an advanced developing country (ADC). "As an ADC, Thailand is of more direct economic interest to the United States because Thai progress creates favorable conditions for expanded Thai-U.S. trade and investment which can support both countries' long-term growth" (USAID 1990:Executive Summary 1).

In order for Thailand's economy to fully integrate into the world marketplace, USAID identified the following program objectives in the 1990 Thailand Assistance Management Plan:

- Improving the efficiency and productivity of human and technological capital, financial markets, and environmental management;
- Encouraging a sustainable political consensus on steps required to address these key problem areas; and
- Expanding U.S.-Thai trade and investment, and collaboration on global concerns of particular mutual interest (USAID 1990:Executive Summary 2).

¹³ Data obtained from Economic and Social Data Services, PPC/CDIE/DI.

To meet these objectives, the plan identifies existing and new program organizations that focus on sustaining U.S.-Thai business and investment associations. In addition, the report discusses the streamlining of mission operations and portfolio management in order to facilitate the further reduction of USAID/Thailand staff.

Now that Thailand has reached the status of an ADC, the report suggests that the Thai government has the capability of financing most of its own further development needs.

Although Thailand has not yet completed the development process, with rural poverty among the more serious remaining problems, the results so far are better tools and facilities with which to face the future and an accumulation of solid knowledge and experience to build upon (USIS 7).

There has been a continuous underlying rationale for U.S. aid to Thailand -- namely, that Thai and U.S. regional interests have remained mutual for the long run and that these interests will be promoted if Thai economic strength continues (Muscat 1990:33).

Of the many lessons learned over the four decades of U.S. development assistance to Thailand, the following emerges at the forefront: countries like Thailand sustain growth by putting in place the policy and institutional framework that spurs their economies to be pulled forward by gains from trade, investment, and other opportunities within the world economy. They also make judicious use of external assistance that acts as a catalyst in support of their efforts.

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OVERVIEW OF U.S. DEVELOPMENT ASSISTANCE TO TUNISIA
Prepared by Ryan S. McCannell

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USAID Goals for Tunisia

Broadly speaking, the main goals of USAID in Tunisia have been to maintain the country's pro-Western orientation, to foster a self-sustaining economic system based on free-market principles, and to develop a workable, cost-efficient system of social services for the country's population. With these objectives now largely achieved, the USAID/Tunis mission is scheduled for closure in 1995.

Statistics on U.S. Aid to Tunisia, 1956-1993¹⁴

Economic Assistance:	\$ 1260.1 million
Military Assistance:	\$ 770.0 million
Total Assistance:	\$ 2030.1 million

The Six Themes of American Development Aid to Tunisia¹⁵

The nearly 40 years of U.S. development assistance to Tunisia have seen a progression of aid programs that reflect changes in the host country's needs during that period. The main themes of U.S. assistance can be summarized as follows:

1) 1950s to mid-1960s: Capital Assistance Projects¹⁶

During the years immediately following Tunisia's independence in 1956, the main thrust of U.S. assistance was in providing the basic infrastructure needed as a foundation for further development. Some of the activities in which the United States was involved include:

- Construction of the **Oued Nebana Dam**. The United States spent \$16.2 million on this irrigation project.

¹⁴ *U.S. Overseas Loans and Grants*, p. 21.

¹⁵ The *Tunisia Country Survey* introduces the first five stages of development assistance in its analysis of USAID's work in Tunisia. The sixth and final stage reflects the project descriptions of those projects currently active in Tunisia.

¹⁶ Information from this section was taken from *The Impact of U.S. Development Assistance in Asia & the Near East*, pp. 145-149.

- **Electric power generation and distribution.** \$13.5 million was allocated to the energy sector during the first 20 years of U.S. involvement in Tunisia.
- Construction and enlargement of the **Tunis International Airport.** Total funding for this project was \$11.7 million.
- The United States also spent \$11.7 million to develop Tunisia's roads and to provide the equipment for their maintenance.

In all, U.S. assistance for capital projects totaled \$81.9 million during the period 1957-1978.

2) The 1960s: Private Sector and Balance of Payment Support¹⁷

In the 1960s, USAID provided substantial assistance in private investment and in the funding of imports, such as spare parts and materials for the burgeoning tourist industry. During the years 1962-1964 alone, the Agency allotted \$180 million for this "basic assistance," with slightly lower levels of funding for the rest of the 1960s. One Agency researcher estimated that USAID disbursements represented one-sixth of the total investment undertaken in Tunisia during this decade.

3) Late 1960s to late 1970s: Support for Social Services¹⁸

By the late 1960s, USAID's focus began to shift away from the high levels of investment necessary to get Tunisia's economy up and running. The Agency instead concentrated on human development and the provision of social services. In education, USAID spent nearly \$11 million buying textbooks, training teachers, building schools, and helping to establish and expand the University of Tunis. Other social development priorities, including child inoculations and improving access to safe drinking water, received similar amounts of funding during this period.

Meanwhile, family planning was recognized as a means of decreasing population pressure in Tunisia's fragile environment. Some \$26 million was earmarked for USAID's population program during this period.

4) Mid-1960s to mid-1970s: "Green Revolution" Programs

Concurrent with the shift from heavy investment to the support for social services, the Agency also undertook to modernize and strengthen Tunisia's agricultural sector, where the majority of the country's labor force was employed. USAID focused its agricultural efforts on the

¹⁷ Information in this section was taken from the Tunisia Country Survey, pp. 11-16.

¹⁸ Information in this section, and in the one that follows, was taken from *Impact of U.S. Development Assistance*, pp. 148-150.

introduction of a new wheat strain, and set up a "small farmer supervised credit program" meant to extend low-interest loans to growers.

5) Mid-1970s to late 1980s: Basic Human Needs for the Rural Poor

As Tunisia's gradual economic success took root in the urban areas of the north and along the coast, USAID began concentrating its efforts on the rural poor in the dry southern areas of the country. Despite drastic cutbacks in total Agency funding for Tunisia during this period -- from \$45.1 million in 1970 to \$11.7 million in 1976¹⁹ --USAID's ongoing programs in health, nutrition, family planning, and education continued to assist in providing the most basic social services in these less fortunate areas.

6) Late 1980s to the Present: Preparations for a Market Economy

Since falling oil prices and heavy government spending led Tunisia to accept an IMF-directed Structural Adjustment Program (SAP) in 1986, USAID has worked in close concert with other aid providers to help open the Tunisian economy to the outside world. With funds for Tunisia strictly limited to an average of about \$20 million per year,²⁰ the Agency's work has focused on three main areas:

- **Private-sector revitalization.** USAID has supported Tunisia's private sector by targeting technical and financial assistance toward the privatization of public enterprises. The Agency has devoted nearly \$17 million for privatization activities, including a project that funds the analyses and studies needed to support its SAP.²¹
- **Management Skills Training.** As a cost-effective means of bolstering its privatization initiative, the Agency has also allotted funds for the technical training of business managers for the private sector. In all, some \$18.5 million has been earmarked to provide state-of-the-art management training for Tunisian entrepreneurs.²²

¹⁹ *U.S. Overseas Loans and Grants: Series of Yearly Data*, "Tunisia" pp. 3-4.

²⁰ *Ibid*, p. 5.

²¹ This information comes from an analysis of the active USAID projects in Tunisia. The figure refers to the combined total budgets of the PPES project (6640356), the Development Studies project (6640353), and the Private Enterprise Promotion project (6640346). A list of these active projects is provided in the bibliographic materials included with this outline.

²² *Ibid*. The figure refers to the budget allocation for the Management Training for the Private Sector project (6640355).

- **Democratic Institutions Support.** USAID has also allocated nearly \$24 million to support Tunisia's democratic institutions. Agency funds and training have been targeted towards empowering public administration among the various levels of government, with particular emphasis on local elected bodies, community organizations, and trade unions.²³

Results of the U.S. Development Program in Tunisia

In the four decades since independence, Tunisia's economy has blossomed from its tenuous beginnings into a regional showcase. While oil revenues have risen and fallen in importance for Tunisia, much of the country's long-term success results directly from USAID's longstanding involvement in the supporting sectors of the economy. The following data reveals the Agency's contributions to Tunisia's outstanding performance.

Tunisia's **tourist industry**, which owes much of its vitality to early U.S. investments in airports, roads, imports of spare parts and other materials, has seen a rapid expansion since independence. Between 1961 and 1972, the number of tourist arrivals in Tunisia increased by an average of 30 percent *each year* (Europa, p. 843). From 1968 to 1976, the tourist industry represented the country's primary source of foreign exchange, surpassing even oil revenues during this period. The sector has continued to grow in recent years, earning an estimated \$1037 million in 1992, up from \$598 million²⁴ in 1981.

In **agriculture**,²⁵ USAID's programs have also had widespread impact. The Agency's earliest programs in the sector, including irrigation, land reclamation and reforestation, have added greatly to Tunisia's limited share of arable land. USAID programs have reclaimed 500,000 hectares of farm land from the peril of desertification, while reforesting an additional 500,000 hectares. Meanwhile, irrigation systems built under Agency auspices have increased Tunisia's irrigable land by an additional 40,000 hectares, about 25 percent of the total acreage under irrigation.

In addition to increasing the amount of land under cultivation, USAID has also added to crop yields through the introduction of ten new varieties of high-yielding Mexican wheat. From this program alone, the Agency estimates that Tunisia saved \$126 million on wheat imports during the 1970s. That figure represents a *2500 percent return* on the \$5.1 million that USAID originally spent on the wheat program (*Impact*, p. 146).

²³ Ibid. The budget figure and project information were taken from the description of the Near East Regional Democratic Institutions Support subproject (2980377-64).

²⁴ *Impact of U.S. Development Assistance*, p. 146. This same passage refers to "one observer [who] suggests that increased Tunisian investment in tourism over the years may be attributable in part to U.S. activities and persuasion."

²⁵ Data presented in the remainder of this memorandum were taken from either *Assessment of Tunisia's Development Efforts*, pp. 4-19, or from *Social Indicators of Development*, p. 348 (late 1980s data only). All exceptions are noted within the text.

Another important success among the Agency's agricultural activities was the Small Farmer Supervised Credit program. By extending low interest loans to farmers, the project generated an estimated aggregate gross income of \$24.6 million from an initial \$18 million investment (*Impact*, p. 148).²⁶

In all, USAID's agricultural activities in Tunisia have contributed to the sector's growth and modernization. Agricultural output expanded by three percent annually during the 1970s, nearly twice the rate of the previous decade. Even today, after years of chronic drought and periodic locust infestation, the sector still accounts for 12 percent of Tunisia's GDP (Europa, p. 837).

In the realm of **education**, USAID's contributions were likewise impressive. During the 1960s and 70s, the Agency provided a total of 2.4 million textbooks, built 2700 new schools, including half of Tunisia's secondary schools, and partially funded the establishment of the University of Tunis. Since that period, the Agency has helped expand the University's offerings by assisting in the construction and equipping of the Faculties of Law, Economics, Political Science, Medicine, Science, and Business Administration (*Impact*, p. 149).

The effects of these projects become apparent when one looks at the social development statistics for education. Primary enrollment in Tunisia has jumped from 66 percent in 1956 to 100 percent of school-aged children by the end of the 1980s. In the same period, the country's literacy rate has risen from 15 percent to 65 percent of the population. Also, the University of Tunisia has graduated more than 18,000 students per year since the mid-1970s, with many of these alumni moving on to technical careers that have assisted in the development of their homeland.

USAID's **health and nutrition** programs have likewise contributed to Tunisia's success. The Agency's inoculation efforts have helped ensure that currently 80 percent of the country's young have received vital immunizations. Sixty-eight percent of Tunisia's population now has access to safe drinking water, as compared to 30 percent in 1956. USAID has also continued to assist in providing basic nutrition to children in rural areas since independence. All these factors have contributed to the fall in Tunisia's infant mortality rate, from 155 per thousand births in 1956, to 48 per 1,000 by the end of the 1980s. During the same period, Tunisians' overall life expectancy rose from 47 years to 68 years, primarily as a result of improved health conditions.²⁷

In terms of **family planning**, the Agency's efforts have paid off in the reduction of Tunisia's overall population growth rate, from 3.0 percent in 1966 to 2.2 percent at the end of the 1980s. USAID's population program began in 1965, and was redoubled a decade later with the cooperation of the Tunisian government. Between 1975 and 1979, the percentage of married

²⁶ These figures reflect the program's costs and earnings as of 1987. For more detailed information, please see the evaluation for the Small Farmer Supervised Credit program (6640302), which is included in the supplementary material accompanying this outline.

²⁷ For a successful case study of a USAID health project in Tunisia, please see the evaluation for the Rural Community Health Project (6640296), which is included in the supplementary material accompanying this outline.

women of reproductive age who regularly used contraceptives increased from 10.1 percent to 21.3 percent, largely as a result of the Agency's efforts (*Impact*, p. 150). Since that time, the average number of children per woman in Tunisia has plummeted from 6.2 to 3.8, a decrease which neatly complements the fall in the country's infant mortality rate.²⁸

As for the Agency's recent assistance in **privatization** and **modernization** of Tunisia's economy and political system, the tactical aid provided by USAID has contributed to the country's continued growth during the past few years. Over the years, Tunisia's GDP per capita has grown from \$430 in 1961, to \$1500 in 1991 (Europa, p. 836), putting it firmly in the middle-income range of economies. By 1989, Tunisia's privatization efforts were declared a success by the IMF, and the country has continued to perform well despite the effects of recent droughts and the Gulf War (Europa, p. 836). Meanwhile, and perhaps most importantly, Tunisia remains a democracy, and it maintains good relations with the United States and its allies in spite of its turbulent surroundings.

After four decades of receiving assistance from USAID, Tunisia is on the verge of graduating as the most successful example of sustainable development in North Africa. Without a doubt, the Agency's activities in practically every sector of this country's economy have contributed to Tunisia's remarkable accomplishment.

²⁸ For more information about USAID's successful family planning program in Tunisia, please see the evaluation for the National Family Planning Program (6640331), which is included in the supplementary material accompanying this outline.

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Prepared by Ryan S. McCannell

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Statistics on U.S. Aid to Turkey, 1946-1993:²⁹

Economic Assistance:	\$4,851 million (Security Supp. Assist is \$2,974 m)
Military Assistance:	\$12,519 million
Total Assistance:	\$17,371 million

The Three Phases of American Development Aid to Turkey³⁰

1946-1960: Project Aid³¹

During this period, U.S. economic assistance primarily consisted of infrastructural projects meant to complement NATO military obligations and build a foundation for Turkey's industrialization. These capital projects included:

- **Eregli Steel Mill³²** - The United States spent \$213 million on this project, originally deemed a costly failure (Krueger and Ruttan, p. 4-15), which has since surpassed expectations and become a model of a successful capital development project.
- **Transportation Infrastructure** - American contributions toward the Turkish transportation sector totaled \$50.4 million during this period.
- **Electric Power** - The United States spent \$111.3 million on eight projects involving power plants.
- **Mineral Exploration and Development** - The United States contributed over \$75 million towards the Turkish mining sector, primarily in coal and copper.

²⁹ *U.S. Overseas Loans and Grants*, p. 181.

³⁰ Krueger and Ruttan document the stages of the U.S. development strategy in Turkey, particularly on pp. 14-15 to 14-20.

³¹ Information in this section was taken from *U.S. Economic Assistance to Turkey*, pp. 15-16, unless otherwise noted.

³² See also Doc. # PD-AAC-296-B1, as detailed in the bibliography.

- **Turkish Industrial Development Bank³³** - This fund was established in the early 1950s to lend money to private-sector industrial activities (Krueger and Ruttan, p. 14-23). The United States contributed a total of \$27.1 million toward the establishment of industrial banks for Turkey.

In all, the United States spent \$513.8 million on capital projects in Turkey.

1960-1970: Program Aid³⁴

After having established a workable infrastructure, U.S. development assistance shifted toward program aid, which was intended to bolster Turkey's balance of payments. USAID concentrated its efforts on agricultural development, especially on increasing wheat and fresh fruit/vegetable harvests. The Agency focused on the following aspects of agricultural development:

- **Tractors** - Nearly 40,000 tractors were imported into Turkey during the Marshall Plan. By 1980, about ten times that number were in use in the country.
- **Fertilizer** - Fertilizer use was likewise promoted by U.S. agricultural specialists beginning in the early 1950s. The program was so successful that fertilizer use increased from 13,567 tons in 1950 to 446,000 tons just 20 years later.
- **Improved Strain of Wheat³⁵** - U.S. experts also introduced a strain of high-yield wheat native to Mexico into Turkey. The new wheat increased net income by 150 percent per hectare. In the eyes of one observer, this program "probably had one of the most favorable cost-benefit ratios of any USAID program in Turkey" (p. 14-45).
- **Land and Water Development** - U.S. efforts in land and water management were less successful. However, after an initial (and costly) false start, USAID assisted in an "on-farm water development project"³⁶ that relied less on heavy technology and more on private, local initiative and labor.

As with many other projects in Turkey, both the drawbacks and successes of USAID's activities in the agricultural field provided valuable development experience for the Agency's later undertakings.

³³ See also Doc. # PD-AAC-301-B1.

³⁴ Information in this section was taken from Krueger and Ruttan, pp. 14-25 to 14-52, unless otherwise noted.

³⁵ See also Doc. # PN-AAE-520.

³⁶ See also Doc. # PN-AAL-029.

1970-1974: Phase-Out³⁷

By the 1970s, Turkey's balance of payments had improved so markedly that the Agency began preparations to discontinue its development efforts. USAID's program in Turkey officially ended in 1974, although the Agency became involved again for a few years after the oil shocks of the mid-1970s sapped the strength of Turkey's sustainable growth.

Diplomatic Aspects of American Development Aid

The Consortium for Turkey was set up under American auspices in 1962. It included the members of the then EEC, as well as Canada, the United States, and the World Bank. The Consortium was intended as a mechanism for replacing bilateral American aid with multilateral contributions, and was also aimed at integrating Turkey more closely with its European allies. By and large, the Consortium accomplished these goals, as Turkey was granted an associate membership in the EEC in 1963. As of 1973, the U.S. share of development assistance had fallen from nearly 100 percent in 1960 to 20 percent, while labor agreements with Western Europe allowed millions of Turks to work abroad. By 1973, their remittances totaled more than \$2 billion, which exceeded Turkey's annual trade deficit.

The 1970 devaluation of the Turkish lira happened in part because of pressure by the United States and other donors.³⁸ Turkey's high growth rate (6.5 percent average, 1962-1972) started to falter as exports flagged in the late 1960s. American economic advisors began a series of meetings with Turkey's leaders aimed at devaluing the lira to increase Turkey's competitive edge. After their decision to accept the devaluation, the Turkish economy experienced an enormous spurt of growth -- 10.2 percent in 1971 alone (Krueger and Ruttan, p. 14-9) -- which was instrumental in the U.S. decision to phase out its assistance by the mid-seventies.

Results of the U.S. Development Program in Turkey

By the early 1970s, Turkey's success in achieving sustainable development became manifest across all sectors of the nation's economy. Much of this success is directly attributable to American assistance. Industrial production in Turkey rose from 12 percent of GDP in 1952 to more than 31 percent in 1990 (Europa, p. 877).

³⁷ Information in this section, and the one that follows, was taken from *U.S. Economic Assistance to Turkey*, pp. 1-25, unless otherwise noted.

³⁸ With regard to Turkey's devaluation, Krueger states (p. 14-18) that "[t]here was a continuing dialogue between A.I.D and the Turkish government officials (in which Krueger was occasionally a sideline observer). There were attempts to persuade the Prime Minister and his cabinet that a change in macroeconomic policies, especially the exchange rate, was desirable long before the decision was taken. It is in principle unknowable whether the devaluation of 1970 would have been delayed even longer in the absence of donor pressure. What is clear, however, is that remedial action was taken in 1970 at a far earlier stage of the cycle than in either the 1950's or the 1970's [during similar economic crisis periods]."

Much of Turkey's success stems from the capital projects undertaken in the earliest stage of America's involvement in the country:

- The Ereğli steel plant, constructed in the 1960s using American development assistance, currently provides 75 percent of domestic demand for steel (Europa, p. 878). Over the years the Ereğli plant has saved Turkey billions of dollars in foreign exchange and furnished the raw materials for the country's industrial expansion.
- American development assistance was vital in increasing Turkey's road system from 1,000 to 13,000 km of hard-surfaced routes from 1946 to 1974.
- American funded hydropower projects were estimated to provide 60 percent of Turkey's electrical needs through the mid 1970s.

Turkey's agricultural production, after averaging only modest (2.5 percent) growth in the 1960s, shot up by 30 percent in 1971 after USAID's introduction of high yield Mexican wheat at the end of the previous decade. Turkey's agricultural sector has continued to perform well, leaving the country basically self-sufficient in foodstuffs ever since (Europa, p. 875).

Taken together, American assistance helped to develop Turkey's infrastructure and build a thriving industrial base which continues to represent the backbone of the country's successful transition to the developed world. In addition, aid given to bolster Turkey's crop production has left a bountiful agricultural legacy which the country still reaps to this day. Without a doubt, Turkey represents a success story for the annals of U.S. economic assistance.

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SELECTED SOCIO-ECONOMIC INDICATORS

COUNTRY	Approx. Dates for "Graduating" & Closing Missions	Total Loans & Grants (1946-92) (U.S. \$ Millions)	GNP per capita (US\$)		Share of agriculture GDP (%)		Life Expectancy at birth (years)		Adult literacy rate (%)		Infant mortality rate (per 1000 live births)		U.S. Exports (U.S.\$ '000S)		U.S Imports (U.S.\$ '000S)	
			1965	1992	1965	1992	1960	1992	1970	1992	1960	1992	1965	1993	1965	1993
Chile	1963-1996	1254.1	630	2,730	9		57	72	89	94	114	17	237000	2605300	228000	1701700
Costa Rica	1963-1996	1691.6	400	1,960	24	18	62	76	88	93	85	14	61000	1547300	62000	1672600
Korea, Republic of	1950's-1981	616.2	130	6,790	38		54	70	88	97	85	21	274000	14776200	58000	14909600
Taiwan		2219.1														
Thailand	1963-1995	1068.9	140	1,840	32	12	52	69	79	94	103	26	108000	3768500	45000	8982200
Tunisia	1963-1995	1247.9	230	1,720	19	16	48	67	31	68	159	44	44000	232300	5000	43400
Turkey	1950's-1977	4653.4	270	1,980	31	13	50	67	52	82	190	57	205000	3433700	90000	1279800

Source: World Bank, Social Indicators of Development (GNP & Ag. % of GDP)
 United Nations, Human Development Report (Life Exp., Literacy, & Infant Mort.)
 IMF, Direction of Trade (Exports & Imports)