INTERNATIONAL DEVELOPMENT: NOT-SO-SIMPLE BUSINESS

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Abstract

In a world of about 7-billion people, about 1-billion are living on less than $1 a day. While citizens of the powerhouses such as US, Japan, South Korea, India, and China are enjoying continuous increase in standards of living and life expectancies, other less fortunate people find themselves in more desperate situations. They live in nations like Somalia, Haiti, Afghanistan, and Sierra Leone; these nations are under-developed, lacking common technology that the rich world takes for granted such as light bulbs, running water, vaccinations, and telecommunications. Lacking these basic necessities, under-developed countries fall behind as their citizens needlessly die before they can become contributing members of a productive society; simultaneously, rich countries blossom further and further into prosperity, inventing and enjoying products like iPods and medical treatment for cancer.

There is a gaping disparity between the “haves” and “have-nots” of the world. Desperation in the Third World is not a problem distant from the First. Under-developed nations often lack a governing authority strong enough to ensure order and safety within its own borders; absence of such supervision is a safe environment to harbor terrorism that threatens global security. Further, an under-developed country represents an abundance of human capital that is unable to contribute to the global market. Each under-developed country is a potential partner in trade and rich countries cannot benefit from such a relationship until the poor country develops.

Realizing this, historians, economists, politicians, and business-men, have pushed for the development of the under-developed. Historically, the aforementioned have taken to two instruments to provide the funding necessary to drive the development of the Third World: foreign aid, a gift or conditional loan from a rich country to the poor country in question, and international trade, which allows the poor country to trade its output in the global marketplace for capital and funding that drives development.

Current foreign aid policies have been failing since their beginnings; since the 1940’s the Western World has spent over $2 trillion on foreign aid and many recipient countries are worse off than they were before. The World Trade Organization, International Monetary Fund, and World Bank, all of whom boast missions to guide the Third World into development, give loans with conditions and implement policies that are often counter-productive to The third World. These multinational organizations encourage poor countries to open their economies to the global marketplace, in hopes that they will find success as did South Korea or India. Free trade, in theory, raises the standards of living for all countries involved. Both vehicles for development are plagued by counter-productive policies and regulations that stifle their noble causes.

The following paper is not a specific roadmap that a country can follow for an easy step-by-step development; all developed countries have found different routes to prosperity. The lesson to take from the following pages is that whether a country is pushes for development in a vehicle of foreign aid or international trade, current policies need to change. They must change if they are to succeed in achieving their lofty ambitions.
International Development: Not-So-Simple Business

by Adam C Sigrist
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I. Introduction: Half of the World Remains Poor

One-seventh of the global population has missed the proverbial “development train,” as Paul Collier, former Director of Development Research at the World Bank, metaphorically stated. The United States, Canada, most of Western Europe, South Korea, and Japan have been historically at the forefront of global modernization. Brazil, China, India, and Russia are four examples of remarkable progress and emergence. Unfortunately, about one billion members of the population live in countries that are falling behind, like a detached segment of a train rolling back down an incline, and often falling apart.¹ These are the types of countries we see on TV, when some celebrity asks us for less than a dollar a day to feed a starving child. Chad, Laos, Sierra Leone, the Sudan, Haiti, and the Congo are countries that have missed the ticket into the developed world.²

That these countries remain underdeveloped is often a detriment to the First World; their underdeveloped, unproductive state prevents them from fulfilling their potential as a trade partner and the absence of a strong government has manifested itself in issues of national security. Realizing this, economists, politicians, historians, businessfolk, and the like have not distanced themselves from the issue. Scholarly reports, as well as history, have taught us that development is quite difficult to achieve. To assist poor countries in their development, the Western World has often taken to administering

¹ Collier 2
² United Nations Human Development Report
trillions of dollars in foreign aid. Ineffective foreign aid policy has so far stifled the effects of this effort. In other cases, developed countries often push Third World economies to open up to the global market, in hopes that they will earn enough revenue through trade to drive development, as happened in India and South Korea. Like foreign aid policies, current international trade policies are retarding development as well.

From the comfort of Oxford, Ohio, and Washington, DC, where I served the government for 5 months in an international relations commission in the House of Representatives, I studied economic development for a year. I read existing research and theories of economists who have spent years in the field of a Third World country, though I myself never visited one during research. A year’s worth of study indicates that developmental policies need to change if they are to accomplish their ambitious intentions of raising standards of living for the world’s poor. The development of the Third World is beneficial for the First because such poverty and desperation is a threat to national security in all countries. Further, when a country develops to higher productive capacity the whole world can benefit from its contributions to international trade.

The concept of “development,” as defined by the United Nations, encompasses providing people with the opportunity to live longer lives, have access to more knowledge, raise their own standards of living, and contribute to the policies that shape their lives. It is an elementary observation to make that any endeavor with these end goals will cost money. This money must be used properly, in ways that will promote economic growth by the under-developed country in question.

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3 United Nations Human Development Report
Development costs money. Before worrying about proper, growth-friendly, allocation of funding (historically a demanding task), we need to identify possible sources of such revenue. Just like a business, a country can either attract funds from the outside (in the form of foreign aid or foreign investment) or raise them from the inside (in the form of greater productivity and GDP per capita, which is in turn re-invested in to the growing economy). In other words, a country can earn money through its own effort or enjoy a gift or loan from a richer nation, which could have any number of motives to give.

II. Foreign Aid: Can Money Given Fix the Problem?

History has repeatedly illustrated that foreign aid is not an effective vehicle to spark sustained, economic development. Since late 1940’s, the Western World has spent over $2.3 trillion on foreign aid. About 1 million people die from malaria every year; medicine that could halve this number costs twelve cents a patient. Families go without essential four dollar mosquito nets and new mothers do not have access to three dollar medicine that could have saved 5 million infants. Ten–year-old girls in Ethiopia are still waking up at 3AM to collect firewood, walk it into the nearest town, and sell it for food, a process that takes an entire day. With $2,300,000,000,000 spent on foreign assistance, one would think that the Third World could develop past such travesty.\(^4\)

Money used for foreign aid is often a waste because it does not reach its intended target, the poorest of the Third World. The very people whose plight moves the Western World to provide foreign aid do not enjoy its intended benefits. The problem is that the

\(^4\) Easterly 4.
factors contributing to a Third World country’s dire poverty also contribute to its hiatus in development, making it a black hole for foreign aid money. In countries with an abundance of natural resources, nonsensical borders, or corrupt governments (i.e. many flaws inherent in third world countries), trickle-down economics do not exist and the country as a whole rarely benefits from the aid intended for them.\(^5\) Therefore, the simplified problem facing modern foreign aid endeavors is a plethora of obstacles preventing money from the First World governments from reaching Third World citizens. Trickle-down economics seem to apply less religiously in impoverished nations and the nation as an entity does not develop. Predictably, we shall explore why.

**Foreign Aid Administrators**

Let us first examine US institutions that are responsible for administering developmental assistance to third world countries. Note the multitude; there are many different vehicles which try to help the world’s poor:

- **USAID** – The United States Agency of International Development was created by executive order of John Kennedy in 1961. It is the primary vehicle for the US Government to provide assistance to the poor. Their mission is to “extend a helping hand to those people overseas struggling to make a better life, recover from a disaster or striving to live in a free and democratic country.” It is an independent agency of the federal government chaired by an

\(^5\) Collier 10
Administrator appointed by the President and confirmed by the Senate.

Today, USAID carries out missions in over 50 developing countries.  
- The UN – The United Nations and other multinational organizations provide multilateral foreign assistance. This means that many countries donate to a single recipient. Other organizations as such vehicles are the G8, the Organization for Security and Cooperation in Europe (OSCE), the International Monetary Fund, and the World Bank. These institutions typically give conditional loans and grants to under-developed countries to fund short term development projects.

- NGO’s – Non-government organizations are privatized and much smaller than the aforementioned bodies. NGO’s can exist with any mission, such as making drinking water available in poor areas or administering medicine to desperate villages in Ghana. They are created with a specific purpose and are not part of the US Government bureaucracy. Examples include Edun Live, an organization that generates demand for clothing made in Africa, or Human Rights Watch, an international human rights watchdog that blows the whistle on corrupt governments. NGO’s have historically been the most successful in administering foreign aid.

**Internal Barriers: Natural Resources, Arbitrary Borders, and Poor Governance**

Many countries that receive foreign aid do not make any progress on development because of obstacles present within their own borders. Countries that are close to natural

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6 The United States Agency for International Development
resources often fail to manage aid revenues properly and crash their economies. Natural resources also lead to an uneven distribution of wealth, which places money in a small land-owners’ bureaucracy that is, more often than not, uninterested in raising the standard of living of the rest of the nation. Arbitrary borders also are common barriers to growth because of they tend to create endless civil strife or inadequate resources within countries. Both natural resources and arbitrary borders contribute to a weak state and a poorly functioning government. In such situations, foreign aid funding is dropped directly into the hands of the “troublemakers” we hear about in the news. This is the major problem of foreign aid.

The money poured into third world countries since the origin of foreign aid is more than enough to fight starvation, malaria, and other easily treatable diseases. It could hence begin to fulfill the UN’s definition of development by raising standards of living and life expectancy. If any of the aforementioned barriers are present in the recipient country (which they usually are), foreign aid is less likely to be effective.

**The Presence of Natural Resources**

Let us begin by examining the development-hinderer of natural resources. Many countries of the third world have access to natural resources within their own borders but are (interestingly) unable to convert them into material wealth. One could assume that a country can sell its commodities on the global market, earn money, and spend it on development. Historically, this has been easy to say but nearly impossible to do for two reasons.
The “Dutch Disease” refers to the negative effect that natural resources can have on a country’s economy. To explain the disease, let us examine where the name came from. As “Dutch” implies, this phenomenon can occur in places other than the third world. In the 1960s, Holland discovered oil reserves in the North Sea. The Dutch then specialized in oil extraction while taking focus away from its other industries. Specializing in the extraction of a natural resource is counter-productive to development. Foreign exchange gained from exporting natural resources is typically re-invested in the extraction of the profitable natural resource, a sector that does not drive development.

To worsen symptoms of the Dutch Disease, “governments, scenting money available, put in outrageous bids for more spending.”7 Third world countries ask for more loans in anticipation for high natural resource revenues. When the market price of the commodity fluctuates downward, as they are volatile, the economy built on that resource collapses, and governments are unable to pay the loans back. Mismanagement of resource wealth is likely to lead a nation with no other export commodity into recession. Hence, natural resources can be a foe, not a friend of development.

The other method in which natural resources can hurt a nation is through creating a larger wealth gap. In a free market economy (which the Western donors strongly insist the developing world implement), natural resources create revenue for a few lucky landowners. The landowners hire unskilled labor, of which there is a multitude in largely uneducated populations, to extract the resources. In cases where the government controls the extraction of natural resources, the government becomes exponentially more powerful.

7 Collier 40
than its poor, third-world population. This is a ripe environment for political corruption, a blockade between rich-world aid and Third-World development.

Natural resources in and of themselves do not necessarily doom a country or its ability to turn aid money into development, but their side-effects do. When foreign aid is sent to countries with natural resources, the funding can easily lose its integrity in one way or another and the country does not see a rise in life expectancies and standards of living. 29% of the Third World lives in countries where resource wealth dominates the economy; so 29% of the Third World lives in an economy susceptible to crash. Foreign aid as a vehicle to drive development in such economies is money not well spent.

**Arbitrary Borders**

European imperialists portioned Africa into countries so arbitrarily as to create landlocked independent nations no larger than Ohio (Burkina Faso). 30% of Africans live in countries that are landlocked and have scarce natural resources. These borders do not create free-standing nations but instead extremely vulnerable states. When a vulnerable nation falls to a corrupt government, as weaker ones tend to do, foreign aid fails. If a landlocked nation is unable to take part in the global economy and grow, it will not develop. Poor, under-developed countries are much more likely to fall to a band of lunatics with firearms in a government coup d’etat. Arbitrary borders can also encapsulate a nation in civil chaos, a definite blockade of development.

The problematic borders of African nations tend to be drawn through pre-existing tribal borders. Civil war between different ethnicities is likely to spark and become

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8 Collier 79
cyclical over disputed territory (or sometimes Capital city). A government engaged in a civil war is in no situation to properly manage its own revenues, let alone those from foreign aid. This division also creates separated minorities near borders. Discrimination (or even genocide), is more likely to occur in these areas. If a malicious tribe controls the government, the minorities it targets are doomed. I will mention later the vitality of a unification in nationality to development, as seen in the case of the Chinese miracle economy.

**Poor Governance**

Arbitrary borders, natural resources, and civil strife keep a nation from growing. Nations that do not grow do not develop and lesser developed nations are more likely to fall prey to *bad governance*. A government committed to and capable of serving its people is an *essential* precondition to successful foreign aid and economic take-off\(^9\). If a government has unreasonable policies that keep wealth concentrated within, foreign aid will not work for the benefit of the nation.

**External Barriers: Complexity and Bureaucracy**

**Complexity**

The different vehicles of aid administration seldom effectively coordinate their projects. “Multiple aid agencies are all trying to do everything, which means they are duplicating each other.”\(^{10}\) When under-developed nations receive money from different sources to achieve a similar goal but with different instructions from each donor, the government finds itself pulled in several directions. Bear in mind that most recipient

\(^9\) Rostow

\(^{10}\) Easterly 167
governments already have a difficult time managing their own budgets, hence the financial hardships. Revenue with confusing and uncoordinated regulations does no favors.

Paul Collier, former Director of Development Research at the World Bank, recalls a memorable event that is exemplary of the complexity that plagues foreign aid:

*I came across one case where three donor agencies each wanted to build a hospital in the same place. They agreed to coordinate, which doesn’t always happen, but then faced the problem of having three incompatible sets of rules for how the work should be commissioned. It took them two years to reach a compromise, which was that each agency should build one floor of the hospital under its own rules.*

We can only imagine how effective *this* was. When aid comes with strings attached from several different donors, it is difficult to assign a specific procedure to complete a project. Without clear, concise, and un-contradictory guidelines, aid money that is meant to help a country develop can rarely be used to do just that.

**Bureaucracy**

Anyone who has worked within the United States government has seen first hand how slowly ideas from the bottom make their way up to top administration. Foreign aid is not effectively directed from the top, from places such as from Congress or United Nations assemblies. Ideas need to come from experts in the field or the citizens
themselves. Rich politicians in Washington do not understand the needs of the poor like the poor do, though they are often the ones calling the shots on foreign aid endeavors.

The AIDS epidemic is a good example of failing top-directed foreign aid. Very true, public health is a necessity to development and HIV represents a major roadblock. Politicians and aid agencies are quick to fight AIDS in Africa because fighting AIDS is glamorous and does well to promote a humanitarian image. Bono’s concerts raise AIDS awareness because it will do more for his reputation than a concert to help fight youth diarrhea. AIDS AIDS AIDS. The image one gains as a humanitarian from combating AIDS steals attention from other less spotlit diseases such as malaria, respiratory infections, and easily treatable childhood illnesses.

Though addressing AIDS is a favorite image booster of many donors, treating it is one of the least cost-efficient objectives of foreign aid. The World Health Organization estimates that it costs at least $1,200 to extend the life of an AIDS patient by a single year; one life costs $1,200. 500,000 die from malaria because they do not have medicine that costs twelve cents; one life costs $.12. Two and a half times as many Africans die from these easily curable diseases as do from AIDS. 11

It is a well-established principle of public health to save a cheap life before an expensive one. If poor Africans were given a choice of what diseases to treat, they would choose to fight those that kill more people and cost less to treat, allowing for more cases to be treated and more lives to be saved. They would probably not choose to extend the life of an AIDS patient by a single year au lieu of malaria medicine for 10,000 children.

11 Easterly 222
Unfortunately, it is not the choice of the poor Africans. The decision is made by the politicians and agencies at the top of the foreign aid bureaucracy. There is an ocean of hierarchy between Hilary Clinton and a boy dying of malaria in Tanzania. Choices are not best left to the distant officials at the top; the poor need a stronger voice to state their own needs. Public health is undisputedly a top priority for development, but there are much cheaper lives to be saved first before such a multitude of resources are inefficiently sank into tackling the HIV epidemic.

Bureaucracies are not only distant, they are inefficient. Take the United Nations, not known for its expedient decision-making in time-sensitive situations. In 1982, Ethiopia fell into a famine. The NGOs World Vision Relief and Catholic Relief Services arrived on the scene instantly. The United Nations did not even allow any reports about the famine to be printed until June of 1984 and did not act until November. Aid from the United States comes from USAID, which is subordinate to the State Department which is acts at the bidding of Congress and/or the President. Bureaucracies take time, time that unhealthy, dying populations of the Third World do not have.  

Because development requires money, trillions of dollars in foreign aid seems like a viable, and ample, solution to the “White Man’s Burden.” Contrary to expected results, seventy years and $2,300,000,000,000 later brings us to a world of great disparity between the haves and the have-nots. The attributes of many under-developed countries, namely poor governance, mismanagement of natural resources, and socially destructive

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12 Robinson, Jonathon
borders, have not only served as retardant forces in that country’s development but also prevents the recipient governments from properly utilizing the aid they receive.

In short, giving (or loaning) money to a country as foreign aid seems like a feasible option to help an under-developed country raise standards of living for its citizens. However, once the money enters the country, it becomes very difficult to properly allocate funding and oversee implementation of institutions favorable for development. Following is a case study that illustrates how foreign aid failed in achieving its objectives, and then an example of a successful endeavor, from which we can draw many conclusions about development.

**Foreign Aid Failure: The Sudan**

Third World Africa has “enjoyed” most of the spotlight to raise public awareness of underdevelopment. I have chosen The Sudan as a case study because it includes most of the aforementioned ingredients of failure and also is known as one of the most desperate of Third World Countries (recall the “Save Darfur” campaign). The Sudan as a useful country to analyze because the Western World’s push for its development through foreign has been plagued by barriers that make any influx of aid unlikely to achieve its end goals.

Africa has been aptly dubbed a “wasteland” of foreign aid. Aid for Africa was so dismal from the 1960s to the 1980s that food production on the continent actually fell twenty percent in spite of the continuous inflow of foreign funding. Export volumes of most African countries declined as well across the 1970s.\(^{13}\) Unfortunately, foreign aid has

\(^{13}\) Bovard, James
continually poured in even though the methods of implementation clearly do not work. (These failing strategies have remained unchanged since the 1950’s.)

From 1977-1994, The Sudan received $1.7 billion in foreign aid from the United States. (To give you an idea of what 17 years of foreign aid accomplished) The genocide in Darfur began in 2003. 17 years and $13.4 billion in total international aid later and the state was still inefficient enough to let a holocaust stand. Something had gone horribly wrong.

After a ten-year cessation in US-Sudanese relations, the United States resumed foreign aid to Sudan in 1977. In the following five years, until 1981, Sudan would receive $270 million from the United States for “economic stimulation” and development. By 1984, the Sudan had become the leading recipient of US foreign aid. In 1982, GDP fell by 34.7% Even as the US still continued food aid in 1988 (after it had cut off all other aid in 1985) hundreds of thousands of Sudanese were starving. 8,000 had perished in a single summer. The humanitarian and economic aid from the United States apparently had little effect on the plight of their people. Let’s look at some of the reasons why.

To begin, the foreign aid effort in Sudan from the international community was not coordinated (recall the “Complexity” factor from the donors’ side). Aid was pouring into Sudan from different donors with different aspirations for the state. Britain, Sudan’s colonizer, gave $58 billion by the year 1989. Saudi Arabia, Sudan’s main importer, and Kuwait lent $2 billion. China, main buyer of Sudanese oil, gave about $400 million in

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14 Easterly 33
15 Carpenter, Ted.
16 The CIA World Factbook: Sudan.
17 Wilde, James
interest-free loans. Each country had a different motive to administer aid to the state. Add these motives to the American dream of democratization in the Third World and any project is doomed to fail. Sudan received money from multiple donors giving multiple obligations, many of them contradictory. (The Chinese propensity to look the other way on human rights issues was not doing any favors, either.)

Moving on, Sudan was trapped in cyclical civil strife (because of arbitrary borders). Civil wars in low income countries tend to repeat themselves because rebuilding a strong state capable of fighting off rebels is expensive. The conflicts in Sudan were numerous because the state could not defend itself, even as financial aid poured in. Low income brings poverty and desperation, making the hopeless ripe for recruitment. Rebellion is easy in Sudan. Thus they are repetitive. Sudan is stuck in what Paul Collier (former DDR at the World Bank) refers to as a “conflict trap.” Foreign aid can be easily squandered by corrupt governments hoping to crush their rebel enemies instead of investing in long-term economic stimulation. From independence in 1956 to 1989, Sudan fell into two civil wars and experienced two coups (in all fairness, the second coup was bloodless). Seventy-three percent of the third world is either in or has been in civil conflict. Our foreign aid fueled their civil unrest.

Finally, foreign aid went from our government to a sorry excuse for one (poor governance). The borders of Sudan created a Muslim north and a Christian and pantheistic South (the two sides fighting civil wars). Arab militias from the East were slaughtering African natives in the West. In 1983, President Gafaar Nimeiry (who took

18 Gascoigne, Bamber
19 Collier 17-38
office in 1969 via military coup) launched the country into civil war by imposing Islamic laws over the Christian/pantheist south. I feel that I have sufficiently proven through my preceding points that the success of government-to-government foreign aid depends on the recipient government’s will towards its own people. In the case of Sudan, the government is no poster child.

America has spent over $2 billion dollars on Sudan. Lack of coordination, civil strife, and corrupt government have worked to doom all projects from the get-go. All of these warning signs were foreseeable. Foreign aid did no favors for the development of Sudan.

**Foreign Aid Success: The Marshall Plan**

From the implementation and the after-effects of the Marshall Plan, we can see that foreign aid works best in countries where governmental policies are already reasonable and growth-promoting. WWII was disastrous for Europe. Increased aviator warfare meant more constant bombardment on major metropolitan areas. Magnificent capital cities across Europe had been destroyed. War torn Europe was on the brink of collapse.

Shortly after the war and two years before the Marshall Plan, Europe received foreign aid from the United States and the United Nations (whose funding came mostly from the United States). As an example, the US provided the UK with a $3.75 billion loan to help rebuild critical London infrastructure after the airstrikes. In 1947, the US unveiled “The Marshall Plan” which would add *an additional* $13 billion in foreign aid to

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20 Ullman, Morris
the Western European nations, to be allocated incrementally at the bidding of Congress over the next four years. European economy revived (not coincidentally) over that time frame to exceed pre-war levels. The Eastern European nations, under pressure from Stalin, did not accept any aid.\textsuperscript{21} They fell behind and the Western states progressed into greater productivity.\textsuperscript{22} The foreign aid had worked, but its end goal was reconstruction, not development.

We shall now analyze what in particular made the aid effective for the re-development of Western Europe. To begin, Washington did not plan Europe’s recovery. Representatives of sixteen European Nations wrote their own financial aid package, right down to a quote, and submitted it to the US. Secretary of State Marshall and President Truman approved and Western Europe saw to their own recovery.\textsuperscript{23} It was not a bottom-up endeavor, not a top-down.

It was also in the interest of the donating US that Western Europe make a full recovery, catalyzing a more genuine US-effort to achieve results. Western Europe, particularly the German steel industry, was then a valuable US trading partner and their prosperity would eventually add to our prosperity. Herbert Hoover said it best in his 1947 reports from Germany: "The whole economy of Europe is interlinked with German economy through the exchange of raw materials and manufactured goods. The productivity of Europe cannot be restored without the restoration of Germany as a

\textsuperscript{21} Bovard, James
\textsuperscript{22} Duignan, Peter J.
\textsuperscript{23} Streich, Michael
contributor to that productivity.” Thus, it was a multi-national effort bound by a common end goal.

The United States also had political motives for restoring Western Europe. WWII had thrown a vulnerable Europe up for grabs in a scramble between the Soviets and the US. The bordering Eastern power of Russia wanted to spread Communism, while our Yankee friends across the pond hoped to re-instate democracy. The Eastern Bloc was so anti-democratic as to refuse any aid offered to them. (This particular motivation for foreign aid was a major driving factor of USAID policy not only for this period, but would continue to be as such throughout the Cold War). It is for this reason that Greece and Turkey, the two nations closest to falling to Communism, were the first beneficiaries of the Marshall Plan.

A second major success factor was the strength of institutional capacity in Western Europe; the governments were actually able to handle large influxes of wealth through foreign aid because legitimate institutions had previously been established. Thus, the money was properly spent on growth-promoting projects. The governments were properly functioning and honestly committed to improving the standards of living for its people. The money did not disappear in a corrupt circle of officials. “Of the some $13 billion allotted by mid-1951, $3.4 billion had been spent on imports of raw materials and semi-manufactured products; $3.2 billion on food, feed, and fertilizer; $1.9 billion on machines, vehicles, and equipment; and $1.6 billion on fuel.”

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24 Wala 105
25 Hattori 641-643
26 Hogan 14
The United States provided essential factors of production and food. Previous foreign aid had repaired vital infrastructure. After government allocation, all that was left for Western Europeans to do was to actively engage in a free market. The US also provided know-how and cross-continental trade, which eventually led to a booming Europe. “The Marshall Plan was for the reconstruction of Europe, which already had the infrastructure and government system that is necessary for growth.”

It is a prime example in history when foreign aid actually allowed for a nation (more impressive, a bloc of nations) to develop. These nations, however, were ready for the challenge.

The major conclusion here is that foreign aid (money) will only lead to development if the recipient nation is capable and trustworthy of using it properly.

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27 Robinson, Jonathon
III. Development from Within

There have been many more failures than successes in historical attempts of outside nations to develop poor countries by means foreign aid. The monumental success of the Marshall Plan reveals many fundamental principles about necessity for development, whether it is funded by foreign aid or the under-developed countries themselves. In reality, most of the economic “miracles” of countries finding their way into development happened without foreign aid. This section will discuss “ingredients” for a country to develop through its own efforts, which has historically enjoyed higher likelihood of ending in prosperity for the nation in question.

A country can gain funds to drive development through attracting outside investors or by earning the money themselves. Because development costs money, one of these routes is necessary for a country to modernize; big buildings, hi-tech hospitals, and solid infrastructure (physical signs of a modern country) do not simply appear. They are paid for. In the same principle of foreign aid, a nation that does not have the resources or capital to develop itself needs to acquire it from other nations. A country needs to offer something, rather it be a good or service, to bring in this revenue. If the revenue were a gift, it would be foreign aid.\(^2^8\)

How does a country “take off” into development? “The take-off is defined as an industrial revolution, tied directly to radical changes in methods of production, having t

\(^{2^8}\) Easterly 300
heir decisive consequence over a relatively short period of time.”29 With these changes of production, productive capacities increase, economies of scale are achieved, and comparative advantages can be gained, whatever the product at hand may be. Leading sectors emerge and gain competitive advantage (that is, a nation discovers what it can produce the most efficiently). The end goal, as widely acclaimed by the World Trade Organization, the World Bank, the International Monetary Fund, The Organization for Economic Cooperation and Development, etc., is for a nation to open markets to the global economy.30 This is logical; a foundation of international economics is that international trade makes everybody better off.31 A country must bring something to the international table. This is easier said than done. What does the Third World have to offer to the global market?

Two-thirds of the Third World is agricultural. Countries like Ethiopia, Somalia, Rwanda, and Jamaica rely on farming not only to feed its people, but also as a sole hope for export. (California, as a stark comparison, produces and trades its own food, feed its people, and has enough resources and capital left over to export the concept of the iPod Touch.) Following are countries of high and low development indexes, as defined by the United Nations and their contributions to international business:

29 Rostow 57
30 OECD
31 Miller, Norman
I'll trade you my iPod for your qat.

“Very High Human Development”

<table>
<thead>
<tr>
<th>Country</th>
<th>Main Exports</th>
<th>Main Trading Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>Cars, electronics, computers</td>
<td>China, US, South Korea, Taiwan</td>
</tr>
<tr>
<td>Israel</td>
<td>Cut diamonds, aviation,</td>
<td>US, EU, Canada</td>
</tr>
<tr>
<td></td>
<td>telecommunications, agriculture</td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>Motor vehicles, telecommunications,</td>
<td>EU, Canada, Mexico, China</td>
</tr>
<tr>
<td></td>
<td>computers</td>
<td></td>
</tr>
<tr>
<td>Great Britain</td>
<td>Manufactured goods, fuel, chemicals</td>
<td>US, China, Germany, Netherlands</td>
</tr>
<tr>
<td>South Korea</td>
<td>Semi-conductors, wireless</td>
<td>US, China, Hong Kong, Japan</td>
</tr>
<tr>
<td></td>
<td>telecommunications, motor vehicles,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ships</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>Machinery, chemicals, metal and</td>
<td>France, US, Netherlands, UK, China</td>
</tr>
<tr>
<td></td>
<td>manufactures</td>
<td></td>
</tr>
</tbody>
</table>

“Very Low Human Development”

<table>
<thead>
<tr>
<th>Country</th>
<th>Main Exports</th>
<th>Main Trading Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>Opium, fruit, cotton, wool</td>
<td>US, India, Pakistan, Tajikistan</td>
</tr>
<tr>
<td>Country</td>
<td>Main Exports</td>
<td>Main Buyers</td>
</tr>
<tr>
<td>--------------</td>
<td>-------------------------------</td>
<td>------------------------------------</td>
</tr>
<tr>
<td>Sierra-Leone</td>
<td>Diamonds, rutile, cocoa, fish</td>
<td>Belgium, US, Netherlands, UK</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>Coffee, qat, gold, live animals</td>
<td>China, Germany, Saudi Arabia, US</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>Platinum, tobacco, gold, cotton</td>
<td>Congo, South Africa, Botswana, China</td>
</tr>
<tr>
<td>Rwanda</td>
<td>Coffee, tea, hides, tin ore</td>
<td>Kenya, Congo, Thailand, China</td>
</tr>
<tr>
<td>Haiti</td>
<td>Apparel, oils, mangos, coffee</td>
<td>US</td>
</tr>
</tbody>
</table>

Source: The CIA World Factbook

We can see here that the opening of markets is not the answer to developing the Third World. Most of the main exports of the third world, with the exception of Haiti, are either raw material or natural resources. The poor nations of the world rely on agriculture not only to feed themselves but also as their primary export. This presents numerous obstacles on the road to development. 90% of the Rwandan workforce is locked into subsistence farming, as is 67% of Haiti’s. Before a nation can contemplate exporting, there must be a leftover output after they feed the population. GDP must be greater than consumption, which is not the case when such high percentages of the workforce are working to keep from starvation. Even if they do produce enough trade, their exports are far less valuable on the international trade table.

It appears that the only ticket for the Third World to the bounty of wealth in the international market is either through agriculture, natural resources, or raw materials.
Subsistence agriculture cannot generate sufficient revenue because the developed nations are able to feed themselves (and, as in the case of the US) comfortably subsidize their food-suppliers to generate lower domestic price. Therefore, most developed nations cover their own food supply and the Third World farmers do not enjoy commanding trade statuses at the global round table.

Raw materials, such as gold and cotton, may seem like a plausible route to prosperity, but they are not. We can look to Britain’s history to understand the implications of the exchange of raw materials. Until the late 15th century, Britain, who would later become the first nation to achieve economic “take-off” relied on exporting raw wool to Belgium and the Netherlands. Britain made a reasonable profit from this, which they in turn used to finance imports. In the Low Countries, however, the wool was processed, manufactured, and exported for a considerably higher profit; a law of competition he who does more difficult things that other cannot enjoys a greater profit.32

Eventually, Britain sought to manufacture its own raw materials into something more valuable, rather than export them for a considerably lower profit margin. Near the turn to the 15th century, King Henry VII sent scouts to the Low Countries to learn how to efficiently process wool. He also poached skilled labor from the Low Countries to teach British laborers how to manufacture and sent royal missions to identify appropriate factory locations. As the wool-manufacturing industry fledged, he excessively taxed the export of wool as to keep raw materials within the country. As the manufacturing industry grew stronger and England gained more processing capacity, it was able to

32 Chang 41
process *all* of its raw wool. In the middle of Elizabeth I’s reign, about 100 years later, the export of raw wool was banned altogether and competing manufacturers in the Low Countries sank into ruin. England enjoyed the income of the world’s major woolen textile producer. Wool manufacturing exports accounted for about 65% of British exports in the 1700s. Their export allowed for the import of raw materials that fed the Industrial Revolution, their economic take-off. Thus, we can see that the path to industrial development does costs more money than a raw material or natural resource generate in revenue.

**Ready, set, produce? Prerequisites For Production**

The polite suggestion that Third World countries produce something trade-worthy in the international community is gravely oversimplified. In order to produce a quality good (or service) at a low price, a country needs to discover its competitive advantage; it needs to learn not only how to create something, but create it with rival quality and at a globally competitive price. A country must find within itself the capability to discover revolutionarily efficient means of production, as did Britain before it began to trade manufactured woolen goods. To achieve this take-off, many pre-conditions must exist in a society.

**Vitality: Government**

A sovereign, capable government that is committed to modernization the entire nation and raising standards of living must control policy. This seems like an elementary observation, but poor governance is the overwhelmingly largest factor for the failure of

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33 Musson, A.
foreign aid as a means of development. In all cases of development, “the building of an effective centralized national state was a decisive aspect of the pre-conditions (for take-off).”\textsuperscript{34} Growth cannot be achieved quickly; even at GDP growth rates of 10%, an under-developed country can still need decades to reach economic take-off. Thus, the government must be committed to growth as an overarching goal spanning over multiple political terms. Over the past 40 years in Singapore, for example, growth was the chief objective of the government, regardless of who held power. The state must be trusted to oversee proper allocation of revenue, so they are used to for the benefit of the entire nation and not the select few who earned it.\textsuperscript{35}

Once the policies that are friendly for development are uncovered, it is of utmost importance that the government enforces these rules. There must be rules of alienability, which separate my property from yours and provides the basis of entrepreneurship. There must be rules to enforce that when I sell a commercial good, I can expect to be compensated for it, thereby allowing for profit motives. There must be rules that prevent theft, providing a sense of security of assets so investments can be made assuredly. Hong Kong, the first area of China to develop, developed because of a different set of rules, copied from a working, British free market economy.\textsuperscript{36} Good rules preserve an order in society that is necessary to drive development; it is the government that must preserve this order.

\textsuperscript{34} Rostow 7
\textsuperscript{35} Commission on Growth and Development
\textsuperscript{36} Romer, Paul.
Vitality: Health

Public health is of vital importance for under-developed nations because peoples vulnerable to disease and high death rates makes a nation unstable and its labor unproductive, as populations can easily rise and fall with disease and epidemic. Families in countries with high child-mortality rates often have more children for fear that each child that was just born will not live to grow older; this can lead to over-populated households that poor families will be strained to raise, nourish, and, gods-forbid, educate. The recent rise in world food prices can potentially devastate the cash-strapped citizens of the Third World. I will explain later that development requires a sacrifice in consumption today to build a more modernized future; how can we expect Third World societies to save for the future when living until next week is not a guarantee? Such volatility in health and life expectancy is a huge deterrent for foreign investors. If a Third World nation faces the problem of a vulnerable and unhealthy population, investors see high risk for little reward.

Vitality: Education

A nation’s people must be educated for development to be a possibility. In the Third Worlds, most families cannot afford a private education for their (often many) children. Thus, the state must provide; an educated population will provide returns that are far greater than the costs of education. Because a Third World country must experiment with trial and error before it can find its competitive advantage, its work-force needs to be mobile, enabling it to quickly adapt and move from field to factory (to
different factories) during the experimentation stage. This quick adaptation calls for education, lest the population sink into deep unemployment with each failure of industrial experimentation; excessive unemployment would render finding a competitive advantage exponentially difficult. Research has shown that every developed country has substantially invested in the strengthening of its human capital. Supporting this claim, research has also shown that Third World countries are also investing enough in education, especially for the female population.

**Vitality: Infrastructure**

Infrastructure (roads, seaports, airports, power, and telecommunications) is unfortunately not a priority for many developing nations, as the popular amount of investment is 2% of GDP (China spends about 7% on infrastructure). Without ease of transportation, businesses make unnecessary sacrifices on overhead and thereby lose cost effectiveness and efficiency. Infrastructure serves as the backbone that holds the different amenities of a nation together. In nations that were “born” with educated people and freedom, such as New Zealand, the US, Australia, and Canada, development was merely a matter of “building social overhead capital – railways, ports, and roads.” It was the railway industry of the United States in the middle to late 1800s (funded by federal subsidies) and of Canada in the early 1900s that led to their respective economic take-offs. Infrastructure provides long-lasting benefits to the greater good of the entire country, rather than the few, inventive entrepreneurs. Given that the benefits are long

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37 Rostow 18
lasting and spread to the community, "governments must generally play an extremely important role in the process of building social overhead capital.”

**Vitality: Leading Sectors**

Given the essentiality of connective infrastructure, health, and an educated population, we can liken them to a pyramid of needs. Because these pre-conditions for take-off are necessities and their social benefit is much greater and more widespread than their costs, it is the government that should prioritize their completion (whether or not it be an endeavor funded by tax-dollars or auctioned off to the private sector, both apparently have equal capabilities to be effective). When these needs are fulfilled, the now-educated society is free to experiment and allocate its resources in searching for its competitive advantage.

This is where the aforementioned “sacrifice” is necessary. The sacrifice for tomorrow begins with agriculture. Industrialization brings an urban population that is “certain to grow at disproportionately high rates during the transition” and thus it is necessary to increase food supply, facilitate food transfer from rural to urban areas, and also reduce export of existing food supply as to save food for the growing population. Existing agriculture must become efficient enough to feed the upcoming rise in population and also sacrifice excess profit to invest in the sectors that are responsible for modernizing the country (by making food more affordable to urban-dwellers, in spite of

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38 Rostow 25
39 Chang 117
transport costs). Agriculture now takes on the responsibility of feeding a growing population and sacrificing profit finance other sectors that drive development.\textsuperscript{40}

There must also be sectors that are willing to sacrifice revenue for investment in new production methods, therefore producing and selling less. Extensive sacrifice is necessary for development as at least 10\% of GDP should be set aside to invest in future-enhancing initiatives rather than on present endeavors.\textsuperscript{41} As promising investments in productive technology are discovered in various industries, labor in less productive/competitive industries must be able to up and leave to contribute to the more profitable sectors. As new possibilities for production methods emerge, entrepreneurs sacrifice current production and invest in the opportunity; if output raises enough, then the risk will be rewarded by profit (translation: enterprise is emerging). Ideally, an industry will eventually gain the capacity to generate output worthy of trade and competition in the global market place.

The period of transition in which leading sectors are identified are periods of trial and error and sacrifice. During these times, jobs will be lost and people will find themselves unemployed. Human capital must be educated, mobile, and quick to adapt to new lines of work. Those who are not will be forced to depend on the generosity of the government, who would be wise to allocate resources to a “safety net” of social welfare, lest they risk an uprising of unemployed citizens angry at the change in the status quo of society.

\textsuperscript{40} Rostow 24
\textsuperscript{41} Rostow 8
Perhaps Sierra-Leone can learn to cut and process their own diamonds instead of shipping the raw ones off to the Belgians, who make and sell the more expensive jewelry. Perhaps Haiti can manufacture a line of apparel that is unrivaled by French apparel in price, quality, and fashion. Perhaps Zimbabwe can invest in discovering a new line of cigarette even tastier, cheaper, (and perhaps less toxic?) than Marlboro before exporting their tobacco. The major point is that Third World countries need to learn how to use the resources they have, whether they be commodities, an abundance of English-speakers, or an excess of unskilled labor, to supply an output that fulfills some demand in the market. Unfortunately, the movers and shakers of economic policy, namely the World Bank and the International Monetary Fund, are muffling these efforts and making it very difficult for the Third World countries to “find their niche.”

**The Big Problem: Free Trade**

Let us imagine an under-developed country that has achieved the “ground-zero” society that includes all of the aforementioned criteria to develop. Its people are educated and healthy, the government is legitimate and preserves a healthy set of rules, different industries are thriving, and productive capacities are increasing thanks to a class of entrepreneurs driven by profit. The developed countries of Asia, Europe, and North America (who own about 80% of the world’s wealth\(^{42}\)) encourage the country to liberalize global trade by eliminating barriers such as tariffs, quotas, and subsidies on their exports so they can have access to the wealth of the global economy.

\(^{42}\) United Nations University
Such policies have been imposed on developing countries since the 1980s, as they were implemented at the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) in 1986. The GATT served as the basis of the World Trade Organization, which began in 1995 with the objectives to put all countries on a level playing field through free trade, treating all trading partners equally with equal policy, and treating all international products the same. The economic policy of the WTO, the IMF, and the World Bank are based on Adam Smith. In theory, free trade is good. All nations can benefit from the competitive advantage of others and seek the lowest possible price at the highest quality. International competition should bring out the best productive capacities in every country because it forces everyone to operate at maximum efficiency. To be admitted into the WTO, the “equal playing field,” a country must adhere to deregulation of trade, privatization of enterprise, and opening up to the world economy. Friedman calls these binding policies “The Golden Straitjacket: (It’s) pretty much one-size fits all… It is not always pretty or gentle or comfortable. But it’s here and it’s the only model on the rack.”

When a country reaches the stage that foreign firms deem ripe for investment, they are pressured to join the global trade community. This is problematic and does not bring out maximum efficiency in the leading sectors of the developing country. In essence, it is like introducing a Chihuahua to run with Great Danes. The global economy is not an equal playing field, though the powers-that-be insist that playing on the field is

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43 Chang 9-17
the only way to access the wealth that is so concentrated within the developed countries. We shall look at NAFTA as an example.

In 1994, Canada, Mexico, and the United States entered the North American Free Trade Agreement, designed to integrate the continent through trade and unify into a stronger regional economy. Each country was supposed to be “better off.” Contrary to the end goal, the agreement devastated Mexican farmers. At the time, Mexico enjoyed a competitive advantage in producing corn, a main staple of Mexican diet. Though corn was a specialty of Mexican farmers, it was no match for American farming techniques. 90% of Mexican farmers do not have access to irrigation. To contrast, American farming, highly mechanized/industrialized, can produce a half-ton of corn in a half hour. Though Mexican farmers were good at producing corn (by Mexican standards), Mexican consumers took to the American product because of a lower end price. US exports of corn to Mexico tripled in the first ten years of NAFTA. About 1.5 million agricultural jobs were lost in Mexico since 1994; Mexico had lost one of its comparative advantages.44

Trade liberalization puts an American tractor on the same playing field as a Mexican farmer picking corn by hand. Government protection the Mexican corn industry is gone and the gloves are off between Joe Farmer and Jose Farmer. The outcome is bleak. How, then, are under-developed countries to embrace free trade, compete and win in their competitive advantage global market, and gain the wealth promised by the liberal world trade agenda?

44 Ellen, Melissa

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The Big Solution: Protectionism…Then Free (Fair) Trade

Let us look at how the major, developed players of the global economy achieved their position at the table they enjoy today. The answer, surprisingly, is not the liberalization of trade that they praise as the key to success. One would expect the voice of the US and the EU, which pushes for free trade, to be backed by first-hand success with the policy. Though the developed countries do indeed benefit today from free trade economics, it is not the policy that brought them to their current stature.

Britain’s history with international trade policy is much more protectionist than the current policies the WTO preach would have us believe. When the country first began manufacturing its own textiles, they were so protectionist (not free) as to keep whatever raw materials they could process from their competitors until they were able to ban the export all together. Britain protected its wool industry by forbidding their manufacturing counterparts in the Low Countries the raw materials they needed to play the game. Eventually, Britain’s manufacturing industry drove their competitors out of business; they cheated in the rules of “free trade.”

Let us use the South Korean boom of the 1960s and 1980s as an example. A liberal economist would accredit the nation’s prosperity today as a result of opening their mobile communication market to the global economy (Samsung is a South Korean company). It is true that South Korea’s prosperity today is due in large part to its export success; it is false to say that this success came from opening up to the global economy. In all actuality, South Korea was notoriously protectionist. Koreans were only allowed to

\[45\] Chang 41

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leave the country with explicit permission from the government, which was usually only granted to those traveling on business. Foreign cigarettes were illegal and it was a Koreans patriotic duty to report anyone enjoying a foreign smoke. The state held absolute control over foreign exchange, such to the point that any violation of FX policy was punishable by death. Computer technology, such as IBM, was taken from America, disassembled, and pirated. When comparable technology, such as the stylish cell-phones and flat screen TV’s, was finally emulated, they were thrown into the global marketplace to much avail.46

The US was notoriously protectionist during its development, a trend that started with Alexander Hamilton’s Report on the Subject of Manufacturing which he presented to Congress in 1791. In it, he petitioned Congress to take protective measures on US industry, calling for import bans, subsidies, the banning of exports of key raw materials, and the public development of financial and transportation and infrastructure. Congress took this to heart, raising the tariff on foreign manufactured goods from 5% to 12.5%. Though this was still not enough to protect “infant industries” (the term was coined in his Report), American industries began to develop. Thanks to the War of 1812, America became even more protectionist and raised tariffs again to 25%. In 1816, to 30%. 40% in 1820. America (especially in the North) developed its industries rapidly. Hamilton was recently praised by the New-York Historical Society is “The Man Who Made Modern America.”47

46 Chang 10-15
47 Chang 50-51
Free trade can only live up to its theory if all competitors are on an equal playing field with equal capabilities. Consider the non-economic example of a sport…rugby. Let us idealize our beloved Miami Men’s Rugby Football Club. In 2007, they were a bottom-tier Division II team with only 20 players, losing to the University of Cincinnati and Ohio University. Though the teams are not known for their prowess, competition was fair. In 2010, Miami just fell short of earning a place at the National Championship round for Division I (a much more competitive league). In 2011, Miami slaughtered a number one seed at a Division I tournament in Las Vegas.

What happened? The team obtained a new coach who made new policies. The team practiced three days a week. Quickly rising to the top of D-II, they moved on to a more challenging division. Eventually, they gained their footing and “ran with the big dogs.” The development of the team did not happen overnight; they did not play the Air Force Academy in 2007. Competition would not have existed; no team would have played to their maximum efficiency. The team was protected by the D-II umbrella, playing and training against weaker teams until they were ready to compete against stronger powers.

Take this concept and apply it to free trade. Mexico’s corn industry could not compete with the United States because it was not ready. The American steel industry could not compete with Germany, so the government protected the industry until it learned how to produce a more competitive end product.
A Final Case Study: Rwandan Coffee

*The objective is not to make a product good, but good enough to compete... globally.*

-Gary Kotzen, Costco Wholesale Corporation\textsuperscript{48}

Let us look at a final case study: Rwandan Coffee. From this, we can learn that free trade can indeed promote development only if a country is able to produce output that is worthy of free trade on the global market. Rwanda is a Third World country whose economy was “decimated,” as the CIA stated, by a genocide in 1994 that claimed 800,000 lives. The mass murders took place over the span of about 100 days and were carried out the hands of a government controlled by a tribe called “Hutu.” Their targets were their enemies who unfortunately were crammed in the same country by arbitrary borders, the “Tutsis.” The United Nations, our slow-moving, bureaucratic friends at the United Nations from pages and pages ago, only mobilized in time to defend Tutsis who could escape to a certain “safe-zone” before being slaughtered.

The aftermath for Rwanda was devastation. In the midst of recovery, President Paul Kagame, known for his tendency to “court” Western businesses in the country, sought Costco Wholesale for help.\textsuperscript{49} Costco sent representatives out to Rwanda as consultants for domestic coffee-manufacturers. After donating some capital and providing some technological insight into coffee-making, Rwanda built a coffee industry that was worthy of global competition. The industry thrived through trade and profits.

\textsuperscript{48} Kotzen, Gary. Phone interview
\textsuperscript{49} Allison, Melissa
poured back into Rwanda. Jobs were created, schools and medical clinics were built in the local community, and Rwanda showed promising signs of life after a genocide, thanks to being able to play in the global market place. It isn’t development, but it’s a good start.

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50 Studer, Costco Lecture
Conclusion/Recommendations

To conclude, a staggering amount of the population holds a disproportionately small amount of wealth. More than half of the world lives on less than $2/day. Development, as defined by the United Nations, encompasses raising standards of living, increasing life expectancy, and giving choices of lifestyles to a country’s citizens. These things cost money, and a far greater amount than $2/day. Under-developed nations such as Haiti, Rwanda, and Afghanistan need money to start achieving these objectives.

A country can acquire the funds it needs for development in two ways; it can receive the money from a richer, donating nation in the form of foreign aid, or the nation can strengthen its industries to the point where it is able to pull its domestic resources to supply a product that fills a global demand. Once the latter happens, in theory, the country can gain access to the bounty of wealth circulating among the developed countries. Neither option provides an easy option for the country in question.

Foreign aid is often poured into a black hole plagued by arbitrary borders, poor governments, or economies built on a shaky foundation of natural resource revenue; therefore, the large influx of wealth seldom leads to development, though historically there have been successful exceptions. Should a country seek wealth through international trade, there are a number of pre-conditions that must exist before it can start to search for its competitive advantage, such as a healthy, educated population and a credible government that is committed to growth in the long term. Once a country finds

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Carneval, Ellen
its comparative advantage and begins efficient domestic production, it finds itself
pressured to join multi-national trade organizations that push it into free trade, where its
comparative advantage is no match for the output of better-developed economic
supergiants.

After a year of research, I have come to conclude that the surest path to
development can only begin in a country that is prepared to generate output; there is no
concrete “roadmap” a country can follow to reach this stage, but I can now say with
confidence that international policies that are geared towards development need
significant altercations if they are indeed to help the Third World fund its own
development. Though it is at the aforementioned point in a country’s life where it is
pushed by richer countries to de-regulate trade, it needs to protect, protect, and protect its
fledgling industries, as international trade tends to destroy economies that are not
prepared for it. Under-developed countries should be allowed to protect “infant
industries” just as today’s developed countries did in the past until they can bring a trade-
worthy product to the international table. I have done no on the ground research of my
own, only read the research and opinions of economists who have. The major takeaway is
that the current policies that aim to promote development, rather foreign aid policy or
international trade policy, are counter-productive. Foreign aid has historically been a
temporary fix to the ailments of the third world and the multitude of aid money spent is
not reflected in the putrid results. International trade policy is far too liberal, forcing
underdeveloped countries to play on the same field as the world economic powerhouses.
Such policies do not effectively promote economic development and often causes more retrogress than progress.

Any loans, or “investments,” given to these countries should have no conditions or mandates for the recipient country to liberalize trade and reduce trade barriers. Until a country has gained the capacities to produce any product that can compete with bigger and better countries or foreign countries, trade barriers must stand. The current situation benefits the richer countries who make the policy, for when a weaker country enters the global market place too early, their respective industry can easily be smashed by competition and that country loses big, while the global market enjoys a far less substantial gain. Just as a young, inexperienced rugby team cannot compete against Division I champion, a farmer in an under-developed country cannot fairly enjoy “free-trade” with a farmer who owns a fleet of tractors and acres of irrigated fields.
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