# FOREIGN AID AND SELF-HELP IN WEST AFRICA

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> "*And then came the time for peaceful work, to furnish our house in a way that suited our people. And we all worked, oblivious of self, relying on no-one, asking help from nobody—doing everything ourselves. It was hard, for we were creating a society never known in history.*"
>
> Mr. Kruschev in a letter to Lord Russell, March 1958.

We now live in an age of economic, cultural and political interdependence on a world scale. Indeed, the Secretary General of O.E.E.C. in "Ten years of American Aid to Europe," has stated that there is hardly a "free" nation in Europe which does not owe its recovery and development in the post-war years to ten years of American aid.

Modern Nigeria has evolved within the capitalist world, and Nigerians are involved in capitalist thoughts and problems—whether or not to encourage immigration of capital from abroad, be it in the form of private investment or what has become known as "foreign aid."

Race movements and migrations form one important aspect of the history of the world. The migrations of peoples, as individuals or in groups, has, for one reason or another, been influenced by the belief and hope that another land offers some particular kind of attraction. The main forces influencing the movement of capital from one part of the world to another have been, more or less, the same as those which induce the migration of peoples. Indeed a Special Committee to study the Foreign Aid Program of the United States asserts that the choice between home and foreign investment rests largely on the relative profitability of investment abroad and in the United States. It concludes that in all industries except public utilities the rate of return on foreign investment has been higher than that for the comparable domestic industry. (American Private Enterprise, Foreign Aid, Economic Development and the Aid Programs, Washington 1957.)

In the past, human migrants generally carried with them the movable part of their capital. Today, however, migration of liquid capital has become more and more separated from the migration of persons. Foreign investments now consist of that liquid part of the property of a country corporate (governmental) and of its inhabitants (private) situated abroad from which its owners derive, or expect to derive, some income.

For instance, the annual income of the British people in 1914 was about eleven billion dollars; of this amount approximately two billions were saved. These savings were mainly in the hands of those whose field activity and personal interests extended far beyond the British Isles. Such investments found employment abroad and were invited especially by lands to which the people were spreading "solicited and directed by able young Englishmen who, in large numbers, sought their fortunes in the development of the resources of young countries". (H. Feis, in "Europe, the World's Banker," 1931.) It is no wonder, then, that, though the substantial changes in the economic importance of Britain since the two World Wars, her investments abroad outweigh, even in 1958, those of all the other Commonwealth countries combined.

Europeans and North Americans may not be able to migrate to West Africa to "settle," but some of their capital has migrated and they naturally want it to continue to migrate, even to self-governing countries in the tropics. Foreign investment has even been shown to be *necessary* to the continued prosperity of highly developed countries. American experts who have seriously studied Foreign Aid in relation to the American economy reach the main conclusions that a substantial foreign aid programme is a necessary condition "for a continued high level of employment in the United States;" that a vigorous development programme for underdeveloped areas will yield markets both in the United States and Western Europe; and that such aid in not only of economic but of political importance for the "free world".

Against this background, we can look at the request for, and the offers of, foreign aid to the underdeveloped countries, to which group Nigeria belongs.

In 1950, the United Nations invited a group of experts to report on "Measures for the Economic Development of Underdeveloped Countries". In their report, published in 1951, they recommended:

"We urge most strongly that some mechanism be created for transferring from the developed to the underdeveloped countries, by way of grants in aid, a sum of money which would increase rapidly, reaching the eventual level of about three billion dollars a year. This would be equivalent to rather less than one per cent of the national incomes of Western Europe, Australasia, the United States and Canada.''

Ten years after the idea was mooted the governments of the developed countries continue to edge and dodge, to propose and counter-propose, under pressure of their under-developed sisters. The Western powers feel that until they are able to make substantial reductions in their expenditure on military programmes, they will be unable to contribute to a new international venture of this kind.

The United States favoured technical aid rather than financial assistance—''private rather than government enterprise,'' as Mr. Nixon, the Vice-President, announced to the International Industrial Development Conference at San Francisco in October 1957. In the White Paper of 1957 on the United Kingdom's Role in Commonwealth Development, Britain echoed America's voice in these words;

''H.M. Government considers that it is through the investment of privately-owned funds in the Commonwealth that the United Kingdom has made in the past and should continue to make its most valuable contribution to Commonwealth development . . . The responsibility which H.M. Government has for colonial dependencies ceases when they achieve independence. The Government, therefore, does not envisage government to government loans as a normal means of assisting such countries. Their interests can better be served if they build up their own credit.''

It is against this background that West Africans must react to the much-publicized and over-moralized British ''Labour's Colonial Policy: Economic Aid.'' (May 1957). The Labour Party pledged 1 per cent aid to Britain's underdeveloped world, and the policy statement came up for discussion at the Party's annual conference at Brighton in 1957. The policy as adopted is in effect a plan, which had been proposed by U.N. experts in 1953, for the creation of a ''Special United Nations Fund for Economic Development'', (S.U.N.F.E.D.). It should be noted, however, that Labour's policy statement as adopted was not a full pledge, but mainly a promise to ''announce plans'' to aid; for it says the next Labour Government would

''begin at once to announce plans to extend Britain's aid by allocating an average of one per cent of our national income over a period of years as Britain's contribution to the development of backward and colonial territories through existing government, United Nations and other appropriate agencies."

Of course, this proposal, or any similar gesture, is quite good on moral as well as political grounds: the rich ought to aid the poor; the well-fed to offer crumbs to the hungry. The developed countries used their superior technology to extract the wealth of many underdeveloped countries without fair return, and it would now be humanitarian to plough back, even if only one per cent, of the wealth drained away to the mother country.

This would be conscience money, which the under-developed should be glad to accept. But there are many difficulties in the way.

(*a*) The Tories of Britain sing one song (private investment) and the Socialists another (public assistance); and it would be a fine game for an underdeveloped country to speculate which British Party will come next to power.

(*b*) Labour's pledge was made while in opposition, and as such it contains some element of propaganda, especially to gain favour among the under-developed.

(*c*) Any government in Westminister would have to face certain relevant problems. S.U.N.F.E.D., from which the Socialists received their inspiration, has now been shelved. Britain herself is increasingly faced with economic difficulties. London has been the banking centre of the sterling area, of which West Africa is part. Thus Britain, as a banker, has had other people's funds to use for her own trade, and the balances as a security for sterling. However, many underdeveloped customers are now trying to draw their own sterling balances to finance their own development programmes. Furthermore, they reserve the right to deposit their foreign exchange earnings elsewhere. The mother country would be that much less wealthy by consequence.

(*d*) British economists have been saying that Britain is already biting more than she can chew, as a provider of long-term capital. One such is Mr. R. R. Nield, Fellow of Trinity College, Cambridge, and one-time Director of Research to the U.N. Commission for Europe, who writes

". . . the conclusion seems inescapable that steps will have to be taken to check the capital outflow . . . so that a larger part of whatever surpluses are earned on current account is devoted to the reduction of sterling balances and to raise the reserves . . . *We have been investing abroad far in excess of the rate that could be regarded as prudent.*'' (the District Bank Review.)

(*e*) In any case, for a dependent Nigeria, to rely much on ''foreign aid'' might develop a kind of defeatism—a capacity to ask for help and an incapacity to do things for herself.

(*f*) With the U.S.S.R. and the U.S. in the first rank, Britain has been reduced to a second-class world power; and she needs all energy and much economy for technological (''Zeta''), social and strategic (nuclear power) developments to maintain even her present position.

(*g*) The progress of the developed powers has depended largely on the relative weakness of the underdeveloped. To actively aid the underdeveloped to real equality would be against the British instinct for balancing powers; and conservatives might regard the road to equality as a kind of slow suicide.

(*h*) In the motives for the scheme, the Cold War is involved. As Mrs. Barbara Castle, a chief exponent of the scheme, put it, the fund must be established at once to forestall the Russians, who might make similar offers. But such help should be undertaken only in the certainty that it would give Britain expanding markets for manufactured goods.

In a sense, therefore, this economic aid means ''subsidizing imperialism''. Also, just as nationalized industries do not seem freer from ugly class distinction than private firms, government to government investments might not be freer from the problems of exploitation posed by private investments. It is naive to expect aid without any form of strings attached.

(*i*) In any case, one per cent of Britain's national income—about £160,000,000 a year—would be a mere drop in the ocean if and when divided up amongst the 640,000,000 peoples in Britain's Commonwealth and dependencies. It would appear, therefore, that the one per cent pledge and similar forms of economic aid are aimed at Britain's ''smaller territories'' (such as British Somaliland, Gambia, Singapore, Fiji, Aden etc.), whose prospects of becoming effectively self-governing units are considered dim, on account of their inadequate resources. Even if it were possible to invest abroad annually this one per cent of the British national income, the question of territorial needs and priorities would have to be settled; and I would not venture to suggest how Nigeria might fare in the distribution.

(*j*) From about 1952 to 1958, British net annual foreign investment—both in the developed and underdeveloped countries—has been about £150m to £175m: or one per cent of the national income. This would have been hard for Britain to achieve if defence aid from the United States, at an annual average of £79m, had not been available. (Brinley Thomas in the International Labour Review, Sept. 1956.)

It is therefore reasonable to conclude that the one per cent pledge, well-intentioned though it is, may have raised hopes which cannot in the end be fulfilled. And Nigeria must rely more on self-help than on foreign aid, if she seriously aspires to real growth and stature in the world.

What, therefore, are Nigeria's chances for self-help? It is generally argued, specially in Britain, that Nigeria is so poor that she has to depend largely on financial aid from abroad—from Britain in particular. Foreign investments can, of course, be an important supplement to the capital formation of any underdeveloped country, and Nigeria is certainly no exception. But British emphasis on Nigeria's need for outside help may have been exaggerated. Britain's attitude is coloured by psychological and political considerations as well as by pressure of ideological competition. Psychologically, such emphasis aims to increase doubts about Nigeria's ability to get on without help from her mother (Britain) and her aunts (the Western powers). Politically, aid provides means of interfering in, or influencing, Nigeria's domestic affairs: for where a man's economic interests lie, his political spirit hovers. Ideologically, it is an attempt to keep Nigeria within the capitalist bloc against the communist one. As for the Nigerian politicians who issued multifarious public statements and joint communiques expressing Nigeria's need for foreign capital and welcoming such aid—they were genuine. But these statements also stemmed from an effort to allay the fears of the capitalist world, whose goodwill was and still is essential during Nigeria's transition to self-government and soon after.

The truth may lie somewhere between the two extremes expressed by those who put too much emphasis on the need for monetary aid from abroad, and those on the other hand who deny such need, or denounce the desire to give or accept it.

It is not generally appreciated that foreign money has not played any considerable part in Nigeria's economy. During the early centuries, Nigeria's commerical history was dominated mainly by the dark pages of the slave trade. At the beginning of the twentieth century she interested Europe mainly as a supplier of palm oil and spices. Up to 1953 foreign capital had financed only between 12 and 25 per cent of the total fixed investments in Nigeria. ("The amount of money brought into the country by new (foreign) firms is believed to be small," according to the International Bank for Reconstruction and Development.)

Nigeria's own internal financial resources have been such as to encourage the United Nations Mission which studied the problems of the country in 1953 to state categorically:

"The mission is staisfied that the public expenditure it recommends is well within the limits of Nigeria's financial resources."

It is also not generally known that Nigerian capital has been sunk abroad by the British administration, specially in the development of such Commonwealth countries as Canada. Money migrates from Nigeria by various other means:

(*a*) Partly because there was in the past little short-term capital market in Nigeria, surplus funds were transferred from Nigeria for investment in London.

(*b*) Expatriate officials and residents in Nigeria transfer sums, for various purposes, out of their earnings in Nigeria to Britain and other countries. Similarly, the profits made by foreign establishments in Nigeria leave the country. Thus the considerable outward transfers on capital account by the government, and the heavy outward remittances by expatriates in Nigeria, make Nigeria a capital-exporting country.

(*c*) To the above considerations we must add the fact that Nigeria's sterling assets totalled £206.7m in 1953. This reserve was certainly more than that of any of the twenty Latin American republics: South Africa's total gold and foreign exchange reserves were less than two-thirds as large; within the sterling area, only the continent of Australia and the sub-continent of India had greater assets than Nigeria.

(Thus, it is reasonable to be hopeful about Nigeria's ability to help herself from internal sources. The very small role played by foreign money has been stressed by the World Bank.)

A substantial increase in income is a definite possibility. One obvious example is the emergence of production for sale, that is an exchange economy, both in Nigeria and abroad, instead of subsistence production, which has brought about an increase in national income without heavy capital investment.

The future will see a substantial expansion in this sector. The establishment of a reasonably settled government, the suppression of fissiperous tendencies and tribalism; an improvement in communication; the spread of knowledge and improved techniques, and similar efforts which are already in progress in Nigeria, would increase national income and savings.

Like many other underdeveloped countries, Nigeria has resources, but she has not learnt to use them in the most effective ways. She could improve her real income simply by rearranging the allocation of resources. Although the population is enjoying a steady growth in real income, domestic saving and investment is relatively small, simply because people are induced to spend their earnings extravagantly on expensive foreign goods, rather than in local investment

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No country in the present stage of human development is genuinely and purely altruistic. No imperial country is disinterested towards another. Even the United States, with all the abundance of rich natuarl resources within her national boundaries, and whose national revenue tops that of all the Western European countries put together, is pursuing a policy of "enlightened self-interest" abroad. On May 1st 1957 President Eisenhower told members of the National Council of the League of Women Voters, that

"Foreign aid, my friends, is something that is being conducted to keep the United States secure and strong."

Indeed, the United States Department of Commerce has produced "primarily to meet the needs of potential investors," a study of Nigeria, which they see a rich in resources, vast in area, dense in population and ranking "among the important African areas". It is therefore understandable that Britain, whose resources, compared with those of the U.S., are meagre, should be much interested in Nigeria as a field of income from investment. In the present nature of imperial powers—and all powers for that matter—generous impulses are rare and reversible. (This is often admitted by the British themselves.) "Let it be admitted at the outset," says Lord Lugard, "that European brains, capital and energy have not been and never will be expended in developing the resources of Africa from motives of pure philanthropy."

Thus foreign capital—American, Eastern or Western European—is not a gift. It is a commodity for which the donor expects substantial returns and for which the receiver pays, in one form or another. Foreign aid and capital often go to underdeveloped countries mainly on the terms of the donor.

Nevertheless, it is also true that some of the interests of capital investors often coincide with the interests and needs of underdeveloped countries. Both the giver and the receiver of "aid" can benefit mutually. They can lead to co-operation on a world scale, and prepare the way for that day ahead when the resources, the capital and the technology of the world will be used more for the mutual benefit of mankind than for sectional interests and conflicts. (In fact, some of the economic aid programmes are symbols of human aspirations for a better world.)

In the immediate future Nigeria will therefore have to work hard, mainly on her own. Nigerians must find a new faith in themselves, and a fresh sense of direction. Of course, no man is an island unto himself, and the world is becoming more and more inter-dependant. But if Nigeria must take "aids"—whether from Washington or Moscow, from London or Delhi—she should do so with caution (Africans brought up on the farm or in the open country-side must have watched a bee or fly hovering over honey and subsequently alighting on it. First the legs get stuck, and then the wings. Soon the whole insect is completely stuck, body and all. The developed countries are comparable to the honey, and the underdeveloped to the insect.) The subjugation of Egypt began with offers of financial help to Ismail. Foreign auxiliaries and other forms of aid (whether in the form of the Anglo-Egyptian military combine of 1898 against the Sudan, the Egyptian arms deal with the Soviet bloc in 1954, the Anglo-American undertaking to finance Egypt's Aswan High Dam or the Anglo-French collusion with Israel against Egypt in 1956) are given "with strings attached,"—declared, or intended, immediately or in the future. Therefore, as Machiavelli discovered as far back as 1513, only those defences are good, certain and durable, which depend on oneself alone and on one's own ability. Nations, like ordinary men and women everywhere, must earn their own keep and their own rights by their own ability. Nigeria is no exception.