

On the edge of lunacy

British foreign aid is now targeted at countries willing to sell off their assets to big business

Spare a thought this bleak new year for all those who rely on charity. Open your hearts, for example, to a group of people who, though they live in London, are in such desperate need of handouts that last year they received £7.6m in foreign aid. The Adam Smith Institute, the ultra-rightwing lobby group, now receives more money from Britain's Department for International Development (DfID) than Liberia or Somalia, two of the most desperate nations on Earth.

Are the members of the Adam Smith Institute starving? Hardly. They work in plush offices in Great Smith Street, just around the corner from the Houses of Parliament. They hold lavish receptions and bring in speakers from all over the world. Big business already contributes generously to this good cause.

It gets what it pays for. The institute's purpose is to devise new means for corporations to grab the resources that belong to the public realm. Its president, Madsen Pirie, claims to have invented the word privatisation. His was the organisation that persuaded the Conservative government to sell off the railways, deregulate the buses, introduce the poll tax, cut the top rates of income tax, outsource local government services and start to part-privatise the national health service and the education system. "We propose things," Pirie once boasted, "which people regard as being on the edge of lunacy. The next thing you know, they're on the edge of policy." In this spirit, his institute now calls for the privatisation of social security, the dismantling of the NHS and a shift from public to private education. It opposes government

spending on everything, in other words, except the Adam Smith Institute.

So what on earth is going on? Why are swivel-eyed ideologues in London a more deserving cause than starving refugees in Somalia? To understand what is happening, we must first revise our conception of what foreign aid is for.

Aid has always been an instrument of foreign policy. During the cold war, it was used to buy the loyalties of states that might otherwise have crossed to the other side. Even today, the countries that receive the most money tend to be those that are of greatest strategic use to the donor nation, which is why the US gives more to Israel than it does to sub-Saharan Africa.

But foreign policy is also driven by commerce, and in particular by the needs of domestic exporters. Aid goes to countries that can buy our manufacturers' products. Sometimes it doesn't go to countries at all, but straight to the manufacturers. A US government website boasts that "the principal beneficiary of America's foreign assistance programs has always been the United States. Close to 80% of the US Agency for International Development's contracts and grants go directly to American firms."

A doctor working in Gondar hospital in Ethiopia wrote to me recently to spell out what this means. The hospital has none of the basic textbooks on tropical diseases it needs. But it does have 21 copies of an 800-page volume called Aesthetic Facial Surgery and 24 volumes of a book called Ophthalmic Pathology. There is no ophthalmic pathologist in training in Ethiopia. The poorest nation on Earth, unsurprisingly, has no aesthetic plastic surgeons. The US had spent \$2m on medical textbooks that American publishers hadn't been able to sell at home, called them aid and dumped them in Ethiopia.

In Britain the Labour government claims to have abandoned such practices, though only because they infringe European rules on competition. But now it has found a far more effective means of helping the rich while pretending to help the poor. It is spending its money on projects that hand public goods to corporations.

It is now giving, for example, £342m to the Indian state of Andhra Pradesh. This is a staggering amount of money, 15 times what it spent last year on the famine in Ethiopia. Why is Andhra Pradesh so lucky? Because its chief minister, or "chief executive" as he now likes to be known, is doing to his state what Pinochet did to Chile: handing everything that isn't nailed down, and quite a lot that is, to big business. Most of the money DfID is giving him is being used to "restructure" and "reform" the state and its utilities.

His programme will dispossess 20 million people from the land and contribute massively to poverty. DfID's own report on the biggest of the schemes it is funding in the state reveals that it suffers from "major failings", has "negative consequences on

food security” and does “nothing about providing alternative income for those displaced”. But it permits Andhra Pradesh to become a laboratory for the kind of mass privatisation the department is seeking to encourage all over the world.

In Zambia, DfID is spending just £700,000 on improving nutrition, but £56m on privatising the copper mines. In Ghana, the department made its aid payments for upgrading the water system conditional on partial privatisation. Foreign aid from Britain now means giving to the rich the resources that keep the poor alive.

So there are rich pickings for organisations like the Adam Smith Institute. It is being hired by DfID as a consultancy, telling countries like South Africa how to flog off the family silver. It is hard to see how this helps the poor. The South African government’s preparations for privatisation, according to a study by the Municipal Services Project, led to almost 10 million people having their water cut off, 10 million people having their electricity cut off, and over 2 million people being evicted from their homes for non-payment of bills.

What we see here, in other words, is a revival of an ancient British charitable tradition. During the Irish potato famine, the British government made famine relief available to the starving, but only if they agreed to lose their tenancies on the land. The 1847 Poor Law Extension Act cleared Ireland for the landlords. Today, the British government is helping the corporations to seize not only the land from the poor, but also the water, the utilities, the mines, the schools, the health services and anything else they might find profitable. And you and I are paying for it.

All this was pioneered by the sainted Clare Short. Short’s trick was to retain her radical credentials by publicly criticising the work of other departments, while retaining her job by pursuing in her own department policies that were far more vicious and destructive than those she attacked. Blair’s trick was to keep her there, to assure old Labour voters that they still had a voice in government, while ensuring that Short did precisely what his corporate backers wanted.

I never thought I would hear myself saying this, and I recognise that in doing so I may be handing ammunition to the rightwing lobby groups campaigning for a reduction in government spending, such as, for example, the Adam Smith Institute. But if this is what foreign aid amounts to, it seems to me that there is too much of it, rather than too little. Britain’s Department for International Development is beginning to do more harm than good. #