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INTERROGATING THE DILEMMA OF FOREIGN AID AS A TOOL FOR ECONOMIC DEVELOPMENT IN LATIN AMERICA IN THE 20TH CENTURY

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ABSTRACT

The paper examines the dilemma of foreign aid as an invaluable tool for the economic development of Latin American region up till the 1990s. The study employed the narrative and analytical historical methods of research and analysis. Data was generated through library search. It was critically analysed employing the qualitative technique of content analysis of historical documents. The study notes that some advanced countries like USA, Canada, and Australia pumped and has still been pumping vast amount of money as aid to the region since the 1930s. Some goals of the aid regime were to: stimulate improved standard of living of citizens of Latin American states; alleviate poverty; promote rural infrastructural development and; enhance economic growth and sustainable development. Ironically, however, the paper records that all the Latin American states had to show for the huge inflow of foreign aid have been unparalleled level of corruption; huge foreign debt profile, significant level of illiteracy; political instability; incessant regime change; endemic conflicts; low level of domestic savings and significant impoverishment of women population, among others, with the possible exception to Cuba. It concludes that leaders of Latin American states should institute economic policies that are domestic-savings dependent and shun corruption to ostensibly promote sustainable development in the nearest future.

Contribution/Originality: The paper's primary contribution is finding that the huge inflow of foreign aid into Latin American states has neither translated into an improved standard of living for average citizens nor succeeded to stimulate sustainable economic development in the region over the years.

1. INTRODUCTION

The grant of foreign aids to Latin American countries, like those of Asia and Africa, is grounded in the belief that Third World countries of the world have an acute degree of poverty directly associated with general underdevelopment. Underdevelopment itself is said to be due to a number of factors among which is lack of investment capital that could have served as a catalyst for growth and development. With an incredibly meagre per-capital income, leading to low level of savings, Third World countries of Latin America, Asia, and Africa are considered doomed by the vicious cycle of poverty. According to Adams (2016) about "69 million people live in extreme poverty and another 96 million people live below the poverty line." To overcome this problem of development capital, developed nations of the world have offered financial assistance (foreign Aid) to Third World nations to assist their economic development. Hence, countries like the United States of America, Italy, France, Canada, Australia, New Zealand, The Netherlands, Germany, Britain, Japan, Spain and lately, China; the International Monetary Fund (lMF), the World Bank and some commercial banks from Europe and America have provided a substantial amount of money to assist the economy of Latin American States over the years (Meyer, 2014; Adams, 2016; Maggiorelli, 2017).

For the sake of clarity, the paper is divided into six sections, namely, introduction, statement of the problem, types of foreign aid, effects of foreign aid in Latin America, comprehending the reasons for the 'failure' of foreign aid in Latin America and the conclusion.

2. STATEMENT OF THE PROBLEM

Available records indicate that the first developmental loan made available to a few Latin American countries by the United States was during the late 1930s and early 1940s. This was an outgrowth of the Good Neighbour policy inaugurated during the first administration of President Franklin D. Roosevelt (Mikesell, 1968). Since then, subsequent American governments have provided aids to Latin American states especially in the hey-days of the Cold War. Meyer (2014) reports that the United States has provided over $160 billion in Aids to Latin America between 1946 and 2014. However, in spite of the huge inflow of foreign aid to the region, Rodríguez (2003) reports that the Latin American region experienced "protracted macroeconomic crisis … and negative economic growth" throughout the 1980s and that "by the late 1980s, most Latin American economies were in disarray, heavily weighed down by accumulated external debt, delayed adjustment to negative external shocks and a desperate need for reserves." Apart from these economic challenges, most of the countries of Latin America also experienced low literacy level as only 18% and 7% of the population received higher and secondary education, respectively (Rodríguez, 2003). Worse still, Venezuela, the richest oil-producing country in Latin America, has constantly experienced a disaggregation in its economic development paradigm. As at the end of August 2018, the BBC reports that the economic vicissitudes of unemployment, poverty and over-population have instigated significant emigration of a substantial youth population of Venezuelans since 2014 till date. The question that arises is: what factors accounted for the abysmal economic development of Latin American countries given the huge inflows of foreign aid into the region over the previous years. This is a problematic which this study examined.

3. TYPES OF FOREIGN AID

Some principal instruments by which the developed nations have attempted to stimulate economic growth of Latin American States as identified by Gelinas (1998) and Amstutz (1995) are: Official Development Assistance (ODA), Foreign Investment, Commercial Loans and Multilateral Aids.

3.1. Official Development Assistance (ODA):

According to the Organization for Economic Co-operation and Development (OECD), development assistance may be regarded as "the grating of resources to developing countries as donations or preferential credit such as long-term loans or loans at interest rates at least 25% below the market value" (Gelinas, 1998; Maggiorelli, 2017) *DAC Glossary of Key Terms and Concepts*, OECD,[1]. Official Development Assistance (ODA) involves loans and grants provided bilaterally to underdeveloped countries by governments of developed nations and through multilateral institutions to assist the economic development of poor nations. They are provided by official agencies with the objective to promote economic development and welfare of developing countries (Maggiorelli, 2017) *DAC Glossary of Key Terms and Concepts*, OECD[2]. Gillanders (2016) notes that Official Development Assistance (ODA) is "the main

[1] http://www.oecd.org/document/32/0,3343,en_2649_33721_42632800_1_1_1_1,00.html#ODA

[2] http://www.oecd.org/document/32/0,3343,en_2649_33721_42632800_1_1_1_1,00.html#ODA

tool employed by the rich world in its attempts to promote prosperity in the developing world." Meyer (2017) adds that it "seeks to foster sustainable development and social stability in developing nations."

Meanwhile, it should be observed that in the early postwar era, aid was used for the reconstruction of Europe but since the mid 1950s; ODA had been transferred chiefly to the developing nations of the world (Amstutz, 1995). This aid amounted to 601 billion U.S. dollars in 1995. Foreign experts sent to the developing nations each year cost approximately 10 billion U.S. dollars. ODA represents the most considerable source of foreign financial resources. The most liberal provider of foreign aid has been the United States of America through the United States Agency for International Development (USAID, 2011). Between 1946 and 1990, she contributed 233 billion dollars in net economic aid (Amstutz, 1995; USAID, 2014; Meyer, 2017). Japan is another leading donor with about 9 billion U.S. dollars donations in 1988.

3.1.1. Why States Provide Official Development Assistance

Nations of the world provide economic assistance for various reasons. For instance, the United States national foreign assistance objectives that are commonly stressed in official policy statements may be divided into three categories. These are (i) political (national security) (ii) humanitarian and (iii) national economic benefit (Mikesell, 1968).

i. Political Motive

One of the fundamental reasons advanced by the U.S. for providing economic assistance to Latin American nations is the national security factor. Foreign aid has been used to advance the national interests of the U.S. in global politics. Since economic aid remains a tool of statecraft, it can be used to influence and reward regimes and to promote friendly relations. During the 1950s and 1960s, U.S foreign aid had been justified by the fact that it helped in the establishment of preconditions for democracy and thereby combats the spread of communism. Since poverty and backwardness were believed to be the breeding grounds of communism, the promotion of economic growth of Latin America and other Third-World nations was therefore viewed as a major prerequisite for democracy. This perhaps explains why President Johnson in his foreign Aid Message to Congress of 14 January 1965 stated that:

> For our security and well-being…we must seek to share our capacity for growth, and the promise of a better life with our fellow men around the world. That is what foreign policy is all about (Mikesell, 1968).

ii. Humanitarian Motive

Another important reason why the U.S. provides economic assistance to developing nations of the world is moral or humanitarian. According to the moral argument, rich and buoyant countries of the world have a moral obligation to assist countries that are poor and destitute, regardless of the causes and sources of their poverty. The U.S. has, therefore, repeatedly argued that humanitarian concern in donor countries, rather than economic or political interests has provided the greatest impetus for offering financial assistance to Third-World countries. This rationale has been well articulated in various official U.S. policy statements. For instance, President Eisenhower, in his letter transmitting his Annual Report to the Congress on the Mutual Security Programme for the Fiscal Year 1960, stated that:

> We have had as our goal the promotion of peaceful change for millions of people in Latin America… who are seeking domestic tranquility and a better way of life. We have responded to the hope of these millions for a decent future for themselves and their children through well-conceived programmes of economic and technical assistance (Mikesell, 1968).

A similar view was expressed by President J.F. Kennedy in his Foreign Aid Message of 22 March 1961. He declared that:

> The 1960 can, and must be the crucial "decade of development" the period when many less developed nations can make the transition to self-sustained growth…the period in which an enlarged community of free, stable and self-reliant nations can reduce world tensions and insecurity ... (Ibid).

The humanitarian motive of United States' foreign economic assistance to developing nations of the world may however, be better appreciated in the words of Cyrus Vance, a former U. S Secretary of State who stated in 1978 that:

> One reason this nation has a foreign aid program is that we believe we have a humanitarian and moral obligation to help alleviate poverty and promote more equitable economic growth in the developing world. We cannot be indifferent when half a billion people are hungry and malnourished, when 700 million adults are illiterate, and when one and a half billion people do not have minimal health care. As a free people that have achieved one of the highest standards of living in the world, we cannot fail to respond to such staggering statistics and the individual lives they encompass (Amstutz, 1995).

This has prompted (Bovard, 1986) to stress that "for 40 years, U.S. foreign aid has been judged by its intentions, not its results. Foreign aid programs have been perpetuated and expanded not because they have succeeded, but because giving foreign aid still seems like a good idea."

The U.S. has regularly provided foreign humanitarian assistance to Latin America over the past decade. For instance, after the Hurricane Mitch in 1998, she provided significant humanitarian assistance and reconstruction aid to several countries in Central America. She also provided significant amounts of assistance to Haiti in the aftermath of its massive earthquake in January 2010.

iii. Economic Motive

The third reason for providing economic assistance to developing nations is to promote economic development in the less developed nations while also promoting the long-term economic interest in donor states. According to the economic rationale, aid is given both because it increases the living standards of citizens of the receiving state by stimulating economic expansion of such states and at the same time foreign aid contributes to the financing of donor states' exports (Mikesell, 1968). This is so because the prosperity of developing nations, financed through foreign aid, encourages new markets for donor countries' exports. Foreign aid is therefore given to developing nations because of its national economic benefit to donor states.

In a similar vein, Australia's provision of ODA is equally motivated by political and economic/humanitarian factors. According to Minns (2014), AusAID (2011), Smith (2010) and Minns (2014) the objectives of the Australian aid program are to assist developing countries reduce poverty and achieve sustainable development and advance Australia's reputation and influence in the international community in line with Australia's national interest (Smith, 2010; AusAID, 2011; Minns, 2014).

3.2. Foreign Direct Investment (FDI)

Foreign Direct Investment (FDI) has been another major foreign aid programme instituted by the developed nations to stimulate economic growth in the poor nations of the world. In the mid-1980, the total value of FDI in the Third-World nations of Latin America, Africa and Asia was estimated at more than 100 billion US dollars.

Most foreign investment in the Third-World is made by multinational corporations. Multinational Corporations (MNC's) are large and powerful corporate organizations which extend their production and marketing beyond the boundaries of anyone country. They are among the world's largest nongovernmental organisations and some of them have assets which exceed the Gross National Product (GNP) of most of the Third-World countries.

One of the basic features of MNCs is that their headquarters is usually in a developed capitalist country while their key officials are, generally, nationals of the home country. Similarly, foreign subsidiaries are directly owned by the parent company either through sole ownership or through joint ventures with the host government or private investors. Thirdly, decision-making in MNCs tends to be centralized and overall policy control usually emanates from the parent company. Apart from that, because of their centralized decision-making structure, MNCs tend to make decisions from the perspective of the international scope of their operation rather than from the perspective of their host countries. Furthermore, MNCs pursue goals and policies that are valid from their own international perspective but which are not necessarily desirable from the national perspective. In other words, the policies and goals of MN Cs may clash with the policies and goals of the states in which they operate.

On the other hand, however, multinational corporations can help promote economic growth in developing nations in a number of ways. They can provide investment capital and thereby contribute meaningfully to the foreign exchange earnings of the underdeveloped nations. MNCs can also provide technology and technical expertise which would have otherwise been out of the reach of the underdeveloped countries. Apart from this, MNCs can also improve the quality of manpower in developing countries by creating jobs and training workers. Job creation may also have a long-term impact on improving the standard of living in developing nations (Amstutz, 1995).

However, one major criticism of MNCs is that they exploit underdeveloped countries and perpetuate their underdevelopment, largely through de capitalization. It has been noted that of the total finance capital used by MNCs in their investments in Third World counties, only 17% came from foreign sources up till 1957 and just 10% between 1957 and 1965 (Muller, 1979). It has also been argued that MNCs decrease national autonomy (Lewis, 1975; Evans, 1979; Amstutz, 1995). For instance, Evans (ibid) argues that while MNCs can help promote economic growth, they do so by increasing foreign dependency. Furthermore, Kuznets (1971) has also argued that MNCs increase economic inequalities due to a rise in income inequalities.

3.3. Commercial Loans

This is another major instrument for promoting economic growth of underdeveloped nations of the world. The growth of commercial foreign debt (privatization of foreign debt) is a relatively recent phenomenon. Until the 1970s, governments and multinational organizations were the principal lending agents. But since then, commercial banking has become a much more dominant factor of the global economy (Amstutz, 1995). In comparison, with foreign investment, commercial loans have the advantage of allowing Third World states to control the use of capital. But this increased control is not without a price. In the first instance, the borrowing nation must pay interest on the loan.

Secondly, the government must bear the risk of possible failure. Such loans can indeed be risky because if borrowed capital is misappropriated or if international economic conditions impede the development of the export sector, countries will be unable to fulfill foreign debt obligations. This was the bitter experience of Latin American states in the 1980s which led to the debt crisis.

3.4. Multilateral Aids

This type of aid comes from international organizations such as the World Bank, the International Monetary Fund (IMF), the Food and Agriculture Organisation (FAO) and other numerous regional institutions such as the

European Community (E.C.). As in 1998, multilateral aids amounted to more than 20 billion U.S. dollars each year (Gelinas, 1998).

4. EFFECTS OF FOREIGN AID IN LATIN AMERICA

There is no doubt that one of the key objectives of aid delivery is for alleviation of poverty aimed at improving human living standards of recipient countries. It is, however, a paradox to note that instead of promoting the well-being of Third World countries, foreign aid has saddled them with an enormous burden of different forms. Some major adverse effects of foreign aid on Latin American states are as highlighted below.

Foreign aid has promoted corruption and embezzlement among political leaders of Latin America. Instead of investing the borrowed fund in productive ventures in their economies, most of the fund had been embezzled and carted away to foreign personal bank accounts. Cammack *et al.* (1988) report that about 40 percent of the flow of dollars to Mexico found its way out into private bank accounts overseas. Gelinas (1998) also buttressed this element of corruption in Latin America when he reported how Jean Duvalier (1957 - 1972) and Claude Duvalier (1972 - 1986) (father and son) plundered the treasury of Haiti. This conforms to the submission of Swanson (2015) that "wealth from foreign aid can be a corrupting influence on weak governments."

The second impact of foreign aid on Latin American societies was the introduction of the Structural Adjustment Programme (SAP) or the austerity measures in response to hard economic times experienced across the continent. Since the early 1980s, the IMF and World Bank Structural Adjustment Programme had forced the Latin American states, trapped in debt, to adjust to the free trade requirements of an increasingly global market where the law of the strongest always prevails. SAP is sapping the people indeed. It has indeed proven to be disastrous for less privileged citizens especially in Mexico, Brazil and Argentina where riots and revolts have erupted in protest against the IMF dictated measures. It has further widened the gap between the rich and the poor by reducing the purchasing power of the poor who experienced wage cuts and retrenchment.

Foreign aid has also served to minimize the importance of domestic savings by making the Latin American states dreadfully dependent on foreign capital, easily obtained and just as easily squandered. Aid has indeed engulfed the developing states of Latin America in a state of dependence as well as technological and financial impotence. Massive modern technology transfers have made their economies dependent on know-how they cannot pay for, master or produce, not even put to profitable use to increase their productivity. The effect of low level of domestic savings on the economy of Latin American states was noted earlier in a 1950 report by the ECLA (1950). It submitted that productivity in Latin American States was very low due to "lack of capital and the lack of capital was due to the narrow margin of (domestic) savings resulting from this low productivity." To bring about any meaningful development in its productive activities, therefore, there is the need to engage in a constructive built up of domestic savings for further investment in their economies "without inducing external vulnerabilities" (Rozenwurcel, 2006).

Foreign aid has also succeeded in breeding and aggravating the poverty level of the citizens in Latin America. For instance, a 1994 UNDP report noted that twenty percent of Latin America's population suffered acute food shortage. Another twenty-five percent were reported to lack access to safe potable water while another thirty percent lived in a state of abject poverty (Gelinas, 1998). The situation remained the same as in 1997 as the year's report also indicated that more than a quarter of the developing world's people lived in poverty, with about 1.3 billion people living on incomes of less than I US dollars a day (Gelinas, 1998). This is in tandem with the view earlier expressed by Bovard (1986) that instead of breaking the "endless cycle of poverty, foreign aid has become the opiate of the Third World." This was also corroborated by the submission of Bauer *et al.* (1957) cited in Rallo (2007) that "development aid, far from being necessary to rescue poor societies from a vicious circle of poverty, is far more likely to keep them in that state."

Inequality has also been identified as a major feature of Latin America in spite of the seemingly significant economic transformations that have been recorded in the area in the last two centuries (Rodríguez, 2003; Edwards *et al.*, 2007). Rodríguez (2003) citing Benabou (1996) observes that the challenge of inequality was responsible for deviating large amount of resources "which under other conditions would have gone to productive investment and growth." This inequality in the distribution of political and economic power was reported to have fuelled policy instability and also government policies "in favour of economically powerful groups" (Rodríguez, 2003).

Gelinas (1998) also suggested that foreign aid has contributed immensely to the impoverishment of women population of Latin America. According to him, women have been badly hit in a number of ways. Firstly, the ratio of female wages to male wages for urban workers dropped from 77 percent to 72 percent between 1974 and 1989 in Mexico. Again, women's total income also suffered a decline from 71 percent of men's income in 1984 to 66 per cent in 1992. Labour market discrimination against women equally worsened. Women thus became more concentrated in low-wage jobs within different sectors of the economy.

But perhaps the most negative effect of foreign aid in Latin America is that it plunged the countries into the foreign debt crisis. In the words of Vasquez (2008) what foreign aid brought to Latin America was an "accumulation of massive debt, not development." It should be noted that this indebtedness, initiated and stimulated by the aid system, has been institutionalized and diversified. Almost all Latin American countries are grappling with this perpetual financial burden. As Rene Dumont has rightly observed, the very idea of basing development on foreign aid heralded an obstacle course to development with one insurmountable "mountain of debt" (Gelinas, 1998). The situation became worse in the 1980s when Mexico, Brazil and Argentina declared their insolvencies. Aremu (2018) citing Gelinas (1998) reported that "the debt situation worsened by 1989 to the extent that the international community itself officially recognized that the debt of middle and low - income countries of Latin America had reached over-indebtedness levels." The effect was that domestic financial resources meant for economic development were "transferred for repayment of the super debt which had taken the form of modern tributes" (Aremu, 2018). Eventually, Latin American states became, what (Aremu, 2018) referred to as "net exporters of capital to the developed economies of Europe and North America." This, to a large extent, prompted the World Bank to allude to the fact that the "de capitalisation of Latin America, like other Third World countries, makes development assistance (ODA) a negative development factor" (World Bank, 1999) as reported in Aremu (2018). Aremu (2018) noted further that the over-preponderance of foreign loans granted to Latin American states and the attendant inflation and increasing floating interest rates impeded the economic development and survival of the Latin American countries over the years.

5. COMPREHENDING THE REASONS FOR THE 'FAILURE' OF FOREIGN AID IN LATIN AMERICA

It is widely agreed that "the purpose of aid is to end the need for its existence" (Green, 2018). This prompted Mark Green, the USAID Administrator, to submit further that: "we (US) provide development assistance to help partner countries on their own development journey to self-reliance. We look at ways to help lift lives and build communities" (Green, 2018). To the contrary, however, the reality of the situation is that as far back as 1969, (Lodge, 1969) in his assessment of the effect of America's foreign aid in Latin America submitted that "our (US) aid has in reality changed Latin America very little." A similar view was reported in 1989 by a task force of the House Foreign Affairs Committee that U.S. aid programs "no longer either advance U.S. interests abroad or promote economic development" (Vasquez, 2008). By the 1990s, a Clinton administration's task force also conceded that, "despite decades of foreign assistance, parts of Latin America… are economically worse off today than they were 20 years ago."

From the foregoing submissions, it is safe to allude to the fact that in spite of the huge inflow of aid into Latin America, socioeconomic development has remained at very low ebb till date. Most of the Latin American countries still present abysmal records of low per capita income, abject poverty (of less than $1 a day), low life expectancy, high infant mortality, high level of illiteracy and low level of infrastructural development, among others. This abysmal impact of foreign aid on development was also reported by the World Bank in 1998. It stated that "much aid went into poorly managed economies, with little result" to the extent that foreign aid had largely been "an unmitigated failure" (Vasquez, 2008). This probably informed Paul Collier's submission of 1997 that "no one who has seen the evidence of aid effectiveness can honestly say that aid is currently achieving its objective" (Vasquez, 2008). Judging from the above submissions, the question that arises is: why has foreign aid 'failed' to bring about sustainable socioeconomic development in Latin America?

Several factors account for this unfortunate development. First, Aid has traditionally been lent to governments. By lending to governments, foreign development partners have helped expand the state sector at the expense of the private sector in poor countries. Foreign aid has thus financed governments, both authoritarians and democratic, whose policies have been the principal cause of their countries' impoverishment. Trade protectionism, Byzantine licensing schemes, inflationary monetary policy, price and wage controls, nationalization of industries, exchange-rate controls, state-run agricultural marketing boards, and restrictions on foreign and domestic investment, for example, have all been supported explicitly or implicitly by foreign aid programmes.

Another reason for the insignificant impact of foreign aid in Latin America, as identified by Peter Boone is that "virtually all aid goes to consumption" which, according to him, explains why "aid does not increase investment and growth" (Vasquez, 2008). It is essential to note that a substantial part of the aid money had been invested in consumables with no dynamic impact on fund generation for future development. Leaders have not only lived luxuriously and flamboyantly, but also recklessly wastefully. Since investments provide a stable platform for sustainable development, its absence in Latin American states has spell doom for the future growth of their economies as "it prevents reform, causes inflation, fosters waste … and increases the future tax burden" on the unborn generation (Cited in Vasquez (2008)). This no doubt formed a very strong pillar of the vicious cycle of underdevelopment in the region.

Furthermore, Latin American states have been extremely unlucky to have selfish, callous, inefficient, and insincere and vision less leaders in their chequered history. They have been ruled largely by caudillos, dictators, right from the pre-colonial to the early postcolonial periods (McIntosh and Irving, 2010). According to Wolf and Hansen (1992) the primary goal of the caudillos is to gain wealth, and this is done through violence (McIntosh and Irving, 2010). Judging from the above, it may be apt to state that most of the governments of Latin American states have proved highly inefficient. Most have failed in terms of accountability, and this has resulted in their inability to formulate sustainable economic policies in their respective countries. Majority of the leaders have exhibited unfathomable sense of greediness, callousness and insincerity as they have failed to effectively manage the large inflows of foreign aids into their countries into real socio-economic transformations of their states. This was perhaps why (Guíllen, 2012) submitted that "the control of political power by a rent-seeking financial oligarchy that lacks any idea of national project" has robbed the Latin American region of sustainable development over the years.

Apart from that, Latin American states were generally bedeviled by the rampant scourge of systemic corruption. For instance, Miller and Chevalier (2016) report that over the years, "several high-profile corruption scandals" have been recorded in most of the Latin American states, especially in Argentina, Brazil, Mexico and Venezuela. Ríos (2017) also reports the widespread nature of bribery in Mexico. Tegel (2018) adds that neither the Judiciary nor the Congress is spared from the menace of corruption in Peru. Shepherd (1998) sums it up when he said "many Latin American countries suffer from substantial amounts of corruption." The effect is that corruption has, undoubtedly, been the bane of poverty and the misery of a large segment of the region's population. It is the root cause of the problem of inadequate national growth and development in most of the Latin American states. Leaders have used their position of authority to amass massive personal wealth at the expense of national economic development. The rampant corruption scandals have led to delays in investments and "incite the mistrust of foreign investors" (Krause, 2017). It significantly eroded the confidence and interest in public-private partnerships. Perhaps, this was why Geoffrey Shepherd of Latin America and the Caribbean Region, World Bank, report in 1998 that "corruption is costly to development: it…wastes resources, discourages investment and raises the cost of doing business…and it undermines development assistance" (Shepherd, 1998). He must be right indeed.

Lack of effective tariff protection for local industries is another bane of economic development in majority of Latin American countries. It is true that some Latin American States, like Mexico, adopted the import- substitution model of development which stimulated the rise of a handful number of local entrepreneurs and a significant number of manufacturing outfits in the 1990s; the ineffective nature of the protectionist regulatory framework robbed them of a long term benefit of these initiatives (Crespi *et al.*, 2014). It should be acknowledged that one of the major ills of the IMF/World Bank's imposed Structural Adjustment Programmes (SAPs) of the 1980s in most Latin American countries was the removal of foreign investment restrictions. It would be recalled that between the 1950s and the 1970s, States in the Latin American region pursued the economic policy of protectionism. This was replaced with the policy of economic liberalization between the 1970s and the late 1980s (Williams, 2015). Features of the new policy included: reduction of trade barriers, privatization of state-owned enterprises, and removal of controls on prices and capital accounts (Hernández and Parro, 2008; Williams, 2015). This lack of effective tariff protection for local industries not only exposed the various infant industries in the region to undue cut-throat competition with well-established foreign industries, but it also stifled local investment initiatives in Latin America (Green, 1996). As citizens embraced imported goods, due to their high qualities, locally made goods suffered great neglect. Local entrepreneurs soon became discouraged as they could not break even. Most of the local industries collapsed with time and this aggravated the unemployment and poverty levels in Latin American states (Shixue, nd).

The absence of effective development plans has also affected economic development in the region adversely. It is essential to note that in most countries of the world, governments have assumed significant responsibility for managing the dynamics of economic development. The formulation, preparation and implementation of these plans are, however, done in collaboration with the various stakeholders in the economy (Ajiboye, 2010). Development plans have been adopted as an instrument for economic restructuring and readjustment through which challenges confronting individual nations could be identified and resolved. Some goals of development plan are to: bring about changes in the structure of the economy; accelerate the growth rate of per capital income and improve the standard of living of citizens; reduce foreign control and obtain a greater measure of control over the national economy; ensure improved allocation of resources and more equitable income distribution and; facilitate the achievement of investment and production targets in each sector of a nation's economy (Ajiboye, 2010).

The successful deployment of the development plan strategy for socioeconomic transformations in the Asian Tiger countries like China, Hong Kong, South Korea, Singapore, Malaysia, Thailand, Taiwan, and Indonesia in recent times, cannot be overemphasized (Rozenwurcel, 2006). It is, however, apt to note that, though this strategy of economic development had been employed variously by Latin American countries over the years, particularly, the import-substitution strategy; they have made little progress in the path of economic development (Rozenwurcel, 2006). This was because most of the plans were not adequately financed. They equally suffered lack of political will from leaders which rendered them largely ineffective (Krueger, 1990).

Low level of scientific and technological advancement has also robbed Latin America of tangible economic development over the years. The contribution of science and technology to economic development cannot be overemphasised (Matthews, 1973; Lee-Roy, 2012; G7 Academies' Joint Statements, 2017). As Isaac (2017) rightly observed, the developmental effect of science and technology "cuts across every other sector that drives the national or socio-economic development of any nation" as industrialisation and sustainable economic development thrive on technological advances. Indeed, developments in advanced western countries and the emerging economies of China, South Korea, Taiwan, Singapore and Hong Kong have indeed established the fact that science and technology are vital drivers of economic growth and development. Unfortunately, Latin American states have lagged behind in terms of technological advancement until recently. The level of development of technological capabilities may indeed be described as "very weak", using the words of Miah and Omar (2012). This was because most of the Latin American countries invested sparingly in scientific and technological researches up till the late 20th Century. Owing largely to the absence of modern tools and equipments, life was highly rudimentary with production largely labour-intensive instead of being capital intensive, as in the advanced economies of the world. This adversely affected industrial and socio-economic developments in the region.

Another factor largely responsible for economic retardation of Latin American states is poor infrastructural facilities. It is needless to say that economic development has suffered great setbacks in most states of Latin America as a result of poor infrastructural facilities, especially in the transportation and power sectors. The 10 March 2018 issue of *The Economist* reports that "more than 60% of the region's roads are unpaved" while "losses of electricity from transmission and distribution networks are among the highest in the world" (Escosura, 2005). According to the 2016-2017 Global Competitiveness Index, cited in COFACE Press Release of 8 September 2017, "transport infrastructure is clearly deficient in Argentina, Brazil, Colombia and Peru; road quality is the Achilles' heel of countries in the region, and the inferior quality of port infrastructures is particularly a problem in Brazil."

The importance of access to electricity to human development cannot also be overemphasized. Electricity is generally regarded as "the hub of both economic and technological development" because "every other sector of the economy depends on adequate supply of electricity" (Awosope, 2014). In a similar vein, Emovon *et al.* (2018) assert a significant correlation between adequate power generation and distribution and "the rate of economic growth and industrialisation of any nation. It is, however, pathetic to note that power generation and distribution have been epileptic in most states of Latin America. This is because hydroelectric power generation has suffered a great setback in Latin America as a result of "prolonged droughts caused by the El Niño weather phenomenon" (O'Connor and Lorenzo, 2016; Krause, 2017). The dilapidated nature of road and power infrastructures in most of the Latin American states is considered as bad now as before going by the submission of a fisherman that: "it's like we're still living in the era of Columbus" (The Economist, 2018). Given the undisputed fact that "development in transport and power infrastructure is positively correlated to economic growth" (Gayá and Campos, 2009) it is no surprise that the low quality of transport and power infrastructural facilities of the region has constituted a major impediment to its economic development.

The challenge of political instability has also impeded the ability of successive Latin American governments to implement sustainable policies for the socio-economic development of the region. It is essential to note that one of the characteristics of Latin American politics is its high level of political instability. This is manifested in incessant civil wars, frequent military coup d'états and frequent changes in political leadership (Rodríguez, 2003). According to Hartzell (2000) Latin America has experienced not less than fourteen civil wars in the post-World War II era. Laura and Diamint (2014) added that since 1985, 23 Latin American presidents have left government abruptly. It is instructive to note that most studies across the globe point to the fact that political instability has adversely affected investment rates and investor confidence in Third World countries (Porubcancky, 2018). For instance, Gibilisco and Gretchen (2013) citing Svensson (1998), Stasavage (2002) and Campos and Karanasos (2008) report the negative impact of political instability on economic growth in Latin America. In a similar vein, de la (Escosura, 2005) also reports that "political instability and war have adversely affected the Latin American economy, including the destruction of capital, obstacles to trade and transport, and increasing uncertainty for investors." The implication of the above is that political instability has denied Latin American states the expected maximum dividends from the huge flow of foreign aids into the region over the years.

6. CONCLUSION

It is instructive to observe that whether aid is promoting development or not in the Latin American region appears to have little or no impact on the grant of aid to developing countries by the United States of America. Indeed, the humanitarian motive is still propelling US aid to Latin America. For instance, on 20 July 2018, in Miami, Mark Green, the USAID Administrator announced a new plan by the U.S. Government to provide "an additional $6.5 million in development assistance to support a more prosperous, safe, and free Western Hemisphere." According to him, the fund is to be deployed "in support for freedom and democracy in Nicaragua" and "help Colombian communities address the influx of Venezuelans who are fleeing repression and chaos in their home country" (USAID Press Release, 2018).

Truly, the grant of foreign aid to developing nation-states is good. It stimulates development if funds are well mobilised for intended purposes and if the purposes themselves have been well-thought-out through viable development plans involving the organised private sector. It also has the propensity to generate employment, stimulate production, enhance income generation, boost private savings and reduce poverty in the short run. In the long run, it can promote industrialization and lead to a stable economy in the future.

However, Latin American states enjoying an inflow of foreign aid should note and learn from experience that aid fund are not for frivolities and consumption. It is for investment. Hence, there is the need to invest in critical infrastructure like transportation and power sectors to open up new areas for investors. This will go a long way to stimulate a stable economy which in turn may induce a stable political environment with its multiplier effect of enticing foreign direct investments.

Lastly, Government may also initiate fiscal policies that can regulate or reduce the negative impact of FDI on the national economy. There could be restrictions on particular industries for foreign investors. They may be compelled to train local citizens in the production processes with the aim of promoting transfer of technology with time. But much more than all these, Latin American governments must, as a matter of urgency, develop the boldness and courage to tackle corruption head on. This is because; corruption is a festering wound that has for long battered the hopes of a good life and meaningful development in the region. Unless it is effectively managed and reduced to the barest minimum, through deliberate government policies, if it cannot be totally eliminated; any future inflow of foreign aid may still go down the drain and plunge the various nations into more foreign debts. This may further mortgage the economic survival of these states in the nearest future.

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