THEME 02

Geopolitics of aid and development cooperation

AID DEVELOPMENT GEOPOLITICS

Ideas about foreign aid and development cooperation have gone through several paradigms over time. An ideological battle has been playing out for decades over whether foreign aid should be used to facilitate economic growth, or to provide programs to meet people's basic needs. As new global powers emerge as donors, a new paradigm is emerging, based less on ideas like philanthropy and conditionalities, and more on mutual self-interest.

Our observations

- Foreign aid is defined by the OECD as 'Official development assistance' (ODA) and refers to government aid designed to promote the economic development and welfare of developing countries. However, when evaluating the volume of Chinese aid, analysts are often confronted with ambiguities and concepts like foreign aid, development finance, and overseas direct investment are sometimes interchangeable.
- Foreign aid has increased fivefold since 1960 (from $32 billion to $158 billion), although as a share of GDP it peaked at 0.37% in 1961 and fell to 0.20% in 2017. Countries in the Middle East and North African region and Sub-Saharan Africa received most foreign aid, with Syria and Ethiopia as the biggest recipient countries; next to conflict areas, Africa is the largest receiver of foreign aid.
- Topping the list of countries providing the largest foreign aid is China (not the U.S.). Since launching its "Go Out Policy" in 2005, China has expanded its presence globally by deepening its financial engagement with the world. Its foreign aid totals have grown at an average rate of 21.8% annually. Developing regions are increasingly looking eastward for aid. China's aid is distributed more or less equally to some 120 partner countries. Analysts of Chinese aid allocation to Africa conclude that it is driven by foreign policy goals, but that there are also other reasons, such as natural resource acquisition. Chinese aid goes mainly to sectors like public facilities, industry and economic infrastructure.
- In Africa, Western donors and their conditional aid are increasingly competing with China's involvement on the continent. Between 2000 and 2015, China provided loans of about $100 billion to Africa. In 2018, Chinese President Xi Jinping announced a new package of loans (of $60 billion) to more than 50 African leaders at the 7th Forum of the China-Africa Cooperation (FOCAC). Although only a portion of the promised sum and other Belt and Road Initiative projects do not officially qualify as ODA, it is remarkable that Xi promised the aid would not "come with any political conditions attached" – but with high debts.
- The Marshall Plan, the U.S. program providing aid to Western Europe following WW II, is regarded as one of the greatest successes in U.S. foreign policy and aid. Last year, Germany announced a "Marshall Plan" for Africa, as a new kind of development cooperation approach to the continent, as ODA cannot solve all issues. By using public money to support companies which invest in Africa, the country hopes to get to the root of the refugee crisis that hit Europe in 2015. But different motives can also be recognized, such as establishing trade ties. As such, the German plan has similarities to the infrastructural development assistance by the China-Africa Cooperation. However, as German Chancellor Angela Merkel's leadership is nearing its end, it is doubtful whether the plan will be implemented.
- In a similar vein, Mexican President Andrés Manuel López Obrador introduced a "Marshall plan" that U.S. President Donald Trump agreed to in order to address the root causes of Central American migration. But there are reasons to be skeptical of an Obrador-Trump partnership.

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Connecting the dots

Foreign aid started as a European phenomenon, but as it was tied to shifting economic and political interests, it went through several paradigms. Foreign aid has its roots in 19th-century European imperial powers who provided their colonies with financial aid as a strategy to improve infrastructure and increase economic growth. Colonial powers such as Germany, France and Britain then mainly invested in building infrastructure. This changed in the decades after WW II, as the U.S. became the world's biggest aid donor, starting with the large-scale infrastructural Marshall Plan. The U.S. funded over $13 billion to help reconstruct Europe. The plan was widely successful and led to UN aid agencies such as the World Food Programme (WFP). During the Cold War, U.S. dominance in global foreign aid persisted, but at the same time, national aid programs became more common in other countries. It became the standard to allocate 0.7% of national income to development assistance. And in 1968, then head of the World Bank Robert McNamara promoted the idea of providing aid to developing countries in the form of health, education and sanitation. This idea of aid as an issue of moral responsibility, necessary on humanitarian grounds, became defining for foreign aid. As the Soviet Union collapsed after the Cold War, Western liberal values became the standard in aid as it came with conditionalities of good governance in terms of democratic reforms. Indeed, due to the Soviet collapse, the conditions Western powers set for the recipient countries of foreign aid became more effective.
Another shift happened over the past decade, as again, global power shifts played out in aid relationships. This time, former aid recipients have emerged as global powers, bringing their own approach to foreign aid to the table. This approach has been characterized as development cooperation not based on humanitarian grounds but based on mutual self-interest, with the relationship between China and Africa as the most prominent example. By investing in infrastructure on the African continent on a large scale, China is solidifying a privileged position (e.g. in terms of raw materials) and thus nurtures its own growing economy. While critics label this form of aid neo-colonialism, others say that the Chinese projects in Africa are clearly beneficial (and sometimes more beneficial than Western aid projects) to African countries. One thing is clear: the rise of China as a foreign aid power on the African continent has created an alternative to the conditionalities of the Western powers. During the Cold War, the alternatives to Western conditional aid made it less effective. This could again be the case with China challenging Western forms of aid. Indeed, the U.S. Congress passed the Better Utilization of Investments Leading to Development Act last year to compete with China's growing presence in Africa. As Western powers are divided over and have been questioning the effectiveness of foreign aid, creating an effective development strategy becomes more urgent. Especially for European countries, it becomes of greater relevance in the face of the population explosion, unemployment and resulting migration streams from Africa. In light of this, some Western powers such as Germany are trying to revive the success of the Marshall Plan, hoping to tackle the roots of the 2015 refugee crisis. This foreign aid strategy can thus also be said to be based on self-interest. Today, recipient countries have again become the center stage of the interests of different superpowers, especially in Africa. Foreign aid has regained importance as a geopolitical strategy.

Implications

- **Next to the focus on developing physical infrastructure in current foreign aid strategies, there is increasing attention to providing recipient countries with digital technology. For instance, the World Food Programme is cooperating with China on delivering GIS services.**
- **As the competition between large aid and development powers like the U.S. and China is increasing in Africa, small states like the Netherlands have developed their own development strategies based on reciprocity. In 1994, Bhutan, Benin and Costa Rica joined the Netherlands government in a pilot for sustainable development that has led to successful sustainable development projects up to today, like the Costa Rica Fundecooperacion. This can be seen as an experiment of triangular cooperation.**