

**Forum:** General Assembly 4

**Issue:** Evaluating the use of foreign aid and development loan programs to expand global influence

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## Introduction

The 21st century is an era defined by progress. As the effects of globalization became more apparent with the emergence and consolidation of a global economy, the developmental status of countries continued to widen. On one end of the spectrum were places like New York, Tokyo, and Shanghai, home to the world's most cutting-edge technology; on the other were regions like Central Africa, where decades of colonial oppression led to barren fields and isolated villages.

All aspire towards development, especially the latter. Increasingly, these smaller third-world countries are turning to foreign aid, hoping that this is the golden ticket to a brighter future. In some cases, this was precisely what these nations needed, setting them on an upward trajectory; more often than not, however, these deals don't work out the way they should've, leaving the disenfranchised even more deeply entrenched within vicious cycles of debt and poverty.

Originally formed out of benevolence, development loan programs soon became a means for large nations to expand their influence: the terms not only grew in number, but the implications behind them became more and more complex, even sinister. Finding a point of equilibrium between self-interest and genuine aid for the recipient country is a crucial issue in dire need of a resolution.

## Definition of Key Terms

### Foreign Aid

The international transfer of capital, goods, or services from a country or international organization for the benefit of the recipient country or its population.

### Development Loan Programs

Programs offered to nations to aid their development via loans and subsidies, but subject recipients to a certain set of conditions that they have to fulfill.

## Soft Power

Soft power is the ability to co-opt rather than coerce, seeking to achieve influence by building networks, communicating compelling narratives, establishing international rules, and drawing on the resources that make a country naturally attractive to the world.

## Hard Power

The use of military and economic means to influence the behavior or interests of other political bodies, most immediately effective when imposed by one political body upon another of less military and/or economic power.

## Background

Foreign aid and developmental programs have a long and complex history and have taken on multiple forms. As time passed, however, the nature of these programs shifted considerably alongside their contents.

### History

The first instances of foreign aid arose alongside European colonialism. Rich countries started giving aid to poorer countries in the 19th century to establish and strengthen relations, but these attempts soon escalated. By the 1920s, major colonial powers like France, Britain, and Germany, were providing monetary aid to their colonies to develop infrastructure.

The Cold War catalyzed the next notable development of foreign aid. This proxy war was more than an ideological conflict; it marked the permanent division of our world, giving rise to polarization and sectionalism. The involvement of the US and Soviet Union marked the birth of a series of dichotomies that many people to this day still buy into: West VS East, liberalism VS conservatism, democracy VS dictatorship... All this cumulated into a reclassification of countries, a grouping that continues to be widely used.

All countries belong to one of three worlds: the first comprised of Western democracies, the second made up of Communist countries that were allies of the Soviet Union, and the third is all nations who only recently gained independence from imperial or colonial rule. The issue with this classification is that it implied an ideal direction of growth towards first-world countries. Those Western liberal democracies became the epitomes of civilization; all of a sudden, their aid became perceived as a lot more valuable.

The earliest form of foreign aid resembling its current state was the Marshall Plan, enacted by the US in 1948 to help European reconstruction efforts. Western Europe received \$13.3 billion in the aftermath of World War II to bolster reconstruction efforts. This plan set a precedent for future developmental programs.

### Controversy

Underlying the growing prevalence of foreign aid was the contentious debate over whether this aid should

be used to foster economic growth or provide programs that concretely impact the livelihoods of people on the ground. As time went on, it became increasingly apparent that a lot of the funds apportioned to recipient countries weren't being used effectively.

From the 1960s, poverty rose to the forefront of people's minds. Instead of sweeping economic reform, aid packages became specific to uplifting civilians, with funds allocated specifically towards things like education, public services, and welfare. Since then, foreign development programs of both natures have coexisted and grown in popularity.

## Present

Entering the 21st century, foreign aid is largely distributed by one of two stakeholders: international bodies and economically powerful nations.

Ghana's Economic Recovery Program jointly established by the International Monetary Fund (IMF) and World Bank encapsulates the impact these programs have on developing nations. Ghana, in this case, had a stable economy after it attained independence until external shocks caused large government imbalances, which not only impeded policymaking but also undermined the stability of the market. Noticing the issue, the aforementioned international organizations offered to lend a hand, loaning the country money to re-establish its macroeconomy. While that worked out, it also caused an unintended reduction in agricultural subsidies, an integral part of the Ghanaian economy. With debt mounting, the government of Ghana was once again left with no choice but to turn to these institutions again. As this case study exemplified, international aid could lead to unintended consequences and reliance upon external aid. The lack of an established domestic system capable of managing and stabilizing the economy of the nation independent of foreign aid meant that these countries were completely stuck at the whim of these international bodies.

On the latter, the Belt and Road Initiative (BRI) serves as a prime example of how nations wield foreign aid as a means to enhance soft power. China launched this ambitious endeavor in 2013, to create a "new Silk Road" by linking East Asia with Europe through infrastructure. This often meant sending Chinese laborers to other less-developed nations to help construct public services like wells and ports. In return, these nations, like Sri Lanka, were expected to pay back this loan incrementally to China in order to fulfill their end of the bargain. Countless nations become temporarily blinded by the prospects of more public infrastructure and subsidization and hastily sign onto these deals without second thought, only to find themselves unable to pay back the debt years down the line.

## Major Parties Involved

### World Bank

The World Bank specifically focuses on long-term economic development and poverty reduction measures within developing nations. They offer a host of services, ranging from policy advice to research. Through their teams of

economists, they aim to develop a program that sets the country in question on an upward trajectory. Their services come with minimal strings attached.

## International Monetary Fund (IMF)

Similar to the World Bank, the IMF also provides aid to impoverished nations; however, they focus more on the macroeconomic composition of a given country as well as its overall financial stability. Comparatively, the IMF has more of a tendency to provide loans and subsidies to the recipient country, tailored specifically to their economic needs. Their services come with minimal strings attached too.

## USA

In 2022, the US granted \$55 billion towards official development assistance (ODA), setting it as the largest foreign donor in the world, with Japan and Germany trailing behind.

## Previous Attempts to Resolve the Issue

Given that this issuing of foreign aid to gain soft power only gave rise in recent years, an overarching response has yet to be passed. However, the international community is highly scrutinizing deals that don't seem balanced. For example, China's announcement of the BRI prompted backlash from within both the US and Europe. The EU, in its next strategy paper, labeled China as a "systemic rival" to Europe, while the US responded similarly. The limited amount of precedents nonetheless indicates that progress is being made.

## Possible Solutions

A few steps could be taken to further combat this issue:

- The formulation of a branch of the UN tasked specifically to review the foreign aid packages being issued from the UN. This branch would constitute advisors from the IMF, World Bank, and other relevant federal officials to ensure objectivity and professionalism.
- Creating a more stringent definition of foreign aid that is more specific, clearly setting the criteria of what makes an aid program benign, in order to strike down the ones that are evidently skewed to fulfill the self-interest of certain nations.
- Give the recipient country of the aid more room to negotiate its terms and conditions. This could be enabled through more guided discourse between the two parties. This is extremely crucial given that the power dynamics between countries are extremely unbalanced in status quo, leading to unfair agreements being reached, especially as the smaller country relies on the more economically powerful one.
- Encourage local governments to speak out to the designated UN branch against any injustices they notice resulting from one-sided foreign aid agreements so that they're resolved as soon as possible. The status of those who do speak out to complain will be left anonymous and protected.

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