

AVI PERSPECTIVE

Cambodia | 27 June 2022

Foreign Aid and Neoliberalism

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Executive Summary

- ❖ To achieve progress, third world states and developing countries rely heavily on assistance from outside sources. The political and economic advantages of donor countries gained from providing aid should not be overlooked. This article examines the present global distribution of assistance, a perspective of dependency theory, arguing that aid and neoliberalism are connected, and that powerful states may utilise them to assert their dominance and power.
- ❖ The article seeks to uncover the possibility that aid conditions imposed on recipient states are not for their benefit. Rather, it is a civilising mission and instrument used by the occidental to mask its hegemonic goal, power, and economic dominance. This connotation has a detrimental effect on the sovereignty of governments in developing countries and may even result in “neo-colonialism”.
- ❖ Legislation is used by the powerful to impose legally enforceable requirements on the others. The uneven negotiating power, resources, and capacity contribute to the formation of unequal accords or legal instruments. Thus, aid conditions imposed affect the sovereignty of recipient countries and, more broadly, the international law.

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សេចក្តីសង្ខេបអត្ថបទ

- ❖ ដើម្បីការអភិវឌ្ឍន៍សង្គមជាតិខ្លួន រដ្ឋកំពុងអភិវឌ្ឍន៍ ពីងផ្នែកយ៉ាងខ្លាំងលើជំនួយពីប្រភពខាងក្រៅ។ អត្ថប្រយោជន៍នយោបាយ និងសេដ្ឋកិច្ចចំពោះប្រទេសម្ចាស់ជំនួយ ដោយសារការផ្តល់ជំនួយមិនអាចមើលរំលងបានទេ។ អត្ថបទនេះពិនិត្យលើការចែកចាយជំនួយជាសាកលនាពេលបច្ចុប្បន្ន តាមរយៈទស្សនវិស័យនៃទ្រឹស្តី dependency ដោយលើកអះអាងថា ការផ្តល់ជំនួយមានទំនាក់ទំនងជាមួយ neoliberalism ហើយរដ្ឋដែលមានអំណាចអាចប្រើប្រាស់ប្រព័ន្ធនេះដើម្បីគ្រប់គ្រង និងពង្រីកអំណាចរបស់ពួកគេ។
- ❖ អត្ថបទនេះនិងបង្ហាញពី លក្ខខណ្ឌជំនួយខ្លះដែលដាក់លើរដ្ឋអ្នកទទួល គឺមិនបានផ្តល់ផលប្រយោជន៍ដល់រដ្ឋអ្នកទទួលទេ។ ផ្ទុយទៅវិញ វាគឺជាបេសកកម្ម និងឧបករណ៍ស៊ីវិលវិស័យដែលលោកខាងលិចប្រើដើម្បីបិទបាំងគោលដៅអនុត្តរភាព អំណាច និងការគ្រប់គ្រងសេដ្ឋកិច្ចរបស់ខ្លួន។ ទាំងនេះមានឥទ្ធិពលយ៉ាងធ្ងន់ធ្ងរដល់អធិបតេយ្យភាពនៃរដ្ឋាភិបាលនៃប្រទេសកំពុងអភិវឌ្ឍន៍ ហើយថែមទាំងអាចបណ្តាលឱ្យមាន “ការដាក់ដាក់ងារអាណានិគមបែបថ្មី” ផងដែរ។
- ❖ ច្បាប់អាចនឹងត្រូវបានប្រើប្រាស់ដោយប្រទេសមហាអំណាច ដើម្បីដាក់លក្ខខណ្ឌអនុវត្តស្របច្បាប់លើប្រទេសដទៃទៀត។ គួរបញ្ជាក់ផងដែរថាអំណាចចរចា ធនធាន និងសមត្ថភាពមិនស្មើគ្នា អាចនឹងរួមចំណែកដល់ការបង្កើតកិច្ចព្រមព្រៀង ឬបទដ្ឋានគតិយុត្ត ដែលមិនមានសមភាព។ ដូច្នេះ លក្ខខណ្ឌជំនួយដែលកំណត់ដោយកាតព្វកិច្ចផ្លូវច្បាប់អាចមានប៉ះពាល់លើអធិបតេយ្យភាពរបស់អ្នកទទួល និងលើច្បាប់អន្តរជាតិ។

Introduction

Without a doubt, developing countries or third world nations need foreign aid to assist their domestic development. Various foreign aid types are aimed at different aspects ranging from humanitarian to economic, military, and social development. Foreign aid refers to the support from the rich to poor economies for their economic and social development. Studies showed that political or economic benefits gained by donor countries cannot be ignored.

Through the lens of dependency theory, this article argues that the current distribution of aid worldwide as linked to neoliberalism, and occidental countries may use them as a tool to exert their dominance and power. This connotation affects the sovereignty of developing countries or even leads to “neo-colonialism” (Eneasato 2020).

Aid and Neoliberalism

Extensive bodies of literature confirmed that foreign aid, given with conditions, conspires with the neoliberalist agenda. Foreign assistance is converged with liberalisation, privatisation, democracy, good governance, limited government actions in the market, and other closely-linked principles (Bearce and Tirone 2010). It is associated with liberal approaches and values. Therefore, foreign assistance can be considered a civilising mission imposed on the Third World in the post-colonial era. The connection between neoliberals’ intent and the conditionality of foreign aid may create a burden for the Third World. It forces recipient states, directly or indirectly, to submit to the donor preference (Kilby 1999). For instance, world’s leading monetary institutions such as the World Bank and the International Monetary Fund (IMF) initiated the Structural Adjustment Program, ironically, aiming to preserve developed countries’ interests (Salamah 2017).

Other examples include the EU-led budget support programme in Africa and Economic Partnership Agreements (EPAs) with African, Caribbean, and Pacific (ACP) countries, which work unfavourably for the developing nations (Langan 2015). The neoliberal approach to aid has left third world countries vulnerable to exploitation by the powerful. Liberalisation, privatisation, reduced import-export tariffs, and limited government control structured towards a market-led approach favour multinational firms (Beeson and Islam 2005).

Although aid is termed on paper as intended to reduce poverty in the Third World, in reality, it creates a conducive environment for firms from donor nations to exploit and extract benefits (Ciocchini and Greener 2021). The conditionality of aid and programmes does not necessarily always benefit the locals. Aid conditions create a system where donors can extend and continue their economic benefits through exploitation by their private firms (Goldsmith 2001). Besides, foreign aid and its conditions have contributed to further increasing debt service payment of developing countries, creating an environment where donors can extract wealth from recipient states through aid conditionality and the SAP (Krasner 1981; Ziai 2020).

The conditions are also used as leverage to penetrate, interfere, and control the sovereignty of recipient nations so that the dependency persists (Langan and Scott 2014). Recipient governments are not free to act or intervene in the market and are faced with suppression and threats if they do so. Aid will not be given if a recipient government does not follow the donors’ policies (Dunning 2004).

It is also important to emphasise that their conditions may create local unemployment, unrest, poverty, land eviction, and other social disorders (Langan and Scott 2014; Langan 2015). In Ghana, notably in the agro-food business, there is a trade imbalance in the food importation from the EU states, owing to the mentioned EPAs' conditions (Langan 2018b). The EPAs contain terms such as liberalisations, openness, and trade development, but they have ironically exploited the receiving country. Local poultry in Ghana cannot compete with the imported goods from the EU. Importation hurts the country's employment, with around 200,000 people losing their jobs. The Ghanaian government has attempted to contest the deal. Despite its concern, the IMF has exerted pressure to maintain the status quo (Langan 2018b).

Aid, Neo-colonialism, and Sovereign Inequality

In establishing the link between foreign aid and neoliberalism, this article argues that foreign aid serves the powerful states' interests, enabling them to continue their dominance over the Third World. In other words, we can call this phenomenon "neo-colonialism" (Eneasato 2020).

Dependency theory examines the nature of foreign aid concerning sovereignty. It argues that the current world's economic structure is pivoted upon the powerful few (Gilpin and Gilpin 1987). The unequal structure of power has led to the classification of states into two main groups: the core and the periphery (Kabonga 2017). The 'core' refer to the powerful occidental states practising neo-colonialism. They legitimise terms such as democracy, good governance, and human rights as a policy for developing states to follow in exchange for economic support such as aid (Robinson 1993; Kabonga 2017). There is a correlation and causation between foreign aid and regime change in recipient countries or a tendency for states to alter their domestic policies in favour of the donors' interests. To simply put, aid with 'string-attached' can interfere and intervene in the recipients' internal affairs, demonstrating that the occidental may not only inherently challenge the sovereignty of developing countries but also move to dominate and, in some cases, control other states (Singh 2002; Williams 2000). This article does not discuss the effectiveness of the conditions set out by foreign aid. Rather, it seeks to unearth the tendency that the imposed aid conditions may not be genuinely for the betterment of the recipient nations. Instead, it is a civilising mission or tool of the dominant countries to conceal their hegemonic intention, power, and economic superiority (Langan and Scott 2014).

There are three areas that aid impacts sovereignty. They are aid's conditionality and good governance; aid's conditionality and economic interests; and aid's conditionality and political security. First, it is common to come across literature that views aid as a vital means for democracy, human rights, or good governance. However, aid conditionality may be opposed to recipient states democratising. It is deemed the world's only suitable size fit system (Carnegie and Marinov 2017; Quazi and Alam 2015; McAuslan 1996). However, arguing so would be flimsy. On the other side of the coin, occidental states have supported and, to some extent, strengthened undemocratic regimes such as those in Africa (Brown 2005). When their benefits are at stake, democracy, human rights, and good governance are put aside and not invoked (Sadie 2002). For instance, in Ethiopia, where there is questionable democracy achievement, the occidental and international organisations are silent, possibly due to its strategic importance and commitment to the free market (Brown 2005). This practice has raised the question of a double standard of aid conditionality for democracy, human rights, and good governance.

Second, the article explores whether aid conditionality genuinely creates favourable economic development conditions for recipient nations, or it is used to serve donors' interests. The positive aspect is that a state's economic status can be improved with foreign aid (Sothan 2018). On paper, it fosters democracy, human rights, and good governance, and it reduces poverty to help recipient nations' development. However, there are cases on the ground, where the practice is different from the theory.

The EU's infrastructure project in Uganda, for example, has been criticised for its occidental-centric monopolisation of the project, solely implemented by French, Italian, and British companies. As a result, the infrastructure quality has been rated poorly (Langan and Scott 2014). Unfortunately, aid conditionality may deteriorate recipient countries' sovereignty and ownership. Aid is just a tool for the occidental to create a legitimised mechanism for their benefits or a "boomerang-aid" (Langan and Scott 2014). Not to mention that the funding has been supplemented to foreign multinational corporations instead of local firms, while occidental donors disregard labour conditions, wages, and environmental problems affecting the local (Salamah 2017; Ebinumo and Ikunga 2019). Therefore, aid does not help much with poverty reduction or economic development. Instead, it creates a dependency loop where a recipient needs to follow the line drawn by a donor (Ebinumo and Ikunga 2019). One example is a British company, BiWater, which has received government subsidies to invest in clean water projects for the Tanzanian capital. In this instance, neoliberal aid has created two problems. The corporation increased the price of water, which negatively impacted the locals, while the financial assistance intended to assist Tanzania's water sector has instead returned to the United Kingdom through the company (Langan 2018a).

Last, it is still controversial whether aid conditionality will create an environment where recipient states can be considered client states of donor countries. There is the assertion that aid can benefit a recipient's internal improvement (Karki and Pappas 2020). But, again, it is flawed to consider only the positive end, as the sovereignty of recipient states can become a bargaining tool. Once the ascendancy has turned into a commodity, a subject to trade on, it is almost definite that the donors will and can challenge the sovereignty of the recipients (Dornan and Pryke 2017). Not much different from the African region, in the pacific, the small island nations' faith is also in the hand of regional powers such as New Zealand and Australia. The politics of selectivity by the donor states confirms this. Countries such as Australia and New Zealand have designed aid to maintain stability, security, patron-client relations, and influence rather than targeting poverty reduction. An instance is their foreign assistance for Papua New Guinea and the Solomon Islands (Overton et al. 2012).

Aid and International Law

Sovereign equality needs appropriate consultation with the international legal frameworks. Besides the theoretical reasoning above, the legal provisions will help identify the neo-colonists presupposed by foreign aid. As established above, foreign assistance can be considered an economic tool of donors, mainly the occidental, to exploit the rest. Therefore, it is accurate to conclude that international law protects sovereignty and sovereign equality. Essentially, the freedom from any interference by any means shall be followed, such as:

Article 2 of the United Nations (UN) Charter stated:

The Organization is based on the principle of the sovereign equality of all its Members. (United Nations Charter 1945)

The Declaration on the Granting of Independence to Colonial Countries and Peoples declared:

All peoples have the right to self-determination; by virtue of that right they freely determine their political status and freely pursue their economic, social and cultural development. (Declaration on the Granting of Independence to Colonial Countries and Peoples 1960)

The Declaration on Principles of International Law Friendly Relations and Co-Operation Among States in Accordance with the Charter of the United Nations affirmed:

The principle of sovereign equality of States. All States enjoy sovereign equality... In particular, sovereign equality includes the following elements: ... (d) The territorial integrity and political independence of the state are inviolable; (e) each state has the right freely to choose and develop its political, social, economic and cultural systems. (Declaration on Principles of International Law Concerning Friendly Relations and Cooperation among States in Accordance with the Charter of the United Nations 1970)

Any emphasis on foreign aid supply by donors towards developing nations entails neoliberal connotations. These are liberalisation, right to private property, free market, democracy, and others. By no means such intention is negative; however, forcing, threatening, or coercing the weak to submit to a given order is immoral and even violates international law (De Jonge 2014). The Third World Approach to International Law (TWAILs) supports this view of legalised hegemony. The occidental will use this as an instrumental force for the rest of the third world nations to follow their way of doing things without considering the latter's unique culture, environment, and tradition (Ikejiaku 2014; Simpson 2009).

In line with the dependency theory, it confirms the civilising mission of the occidental and their neo-colonialism tendency (Kapoor 2002). Various academic sources pointed out that adopting the neoliberalist economic system and accepting the neoliberalist conditions in exchange for aid have not turned out great as expected. To be precise, entering a competitive and free access to the global market does not necessarily benefit the poor countries (Ikejiaku 2014). Inequality exists when the weak, with limited capability, enter negotiations or contracts with the powerful. The former may likely need to adopt the latter's proposal that may infringe their sovereignty (Anghie 2005).

Furthermore, it is important to reemphasise the powerful's leverage in imposing trade restrictions, and in the case of aid, they use agreements and laws as a tool to coerce third world countries to submit to unfair treaties and agreements (Anghie 2005; Ikejiaku 2014; Koskenniemi and Kari 2020). It is equally important to note that hegemon may exercise their power through international institutions such as the World Bank and the IMF. These institutions will likely give off aid if the recipient countries comply with their policies (Salamah 2017).

Besides the SAP, it is evident that other types of policy arrangement concentrating on governance and reforms or, in other words, "string attached," require recipient countries to alter or act in a certain way, especially to submit to their policies (Eneka 1970; Eneasato 2020). As a result, developing countries in ensuring the flow of money and aid are likely to give in to the conditions even if the policies do not benefit their people. In the case of Ghana, when it

was seeking to raise tariffs to protect the local people's products, it met with pressure from the donors (Langan 2015).

Conclusion

Although democracy, human rights, and good governance are essential, the occidental practice of a one-size-fit-all solution would risk undermining individual nations' unique cultural, traditional, and social characteristics. Evidence showed that limited state subsidies, involvement, and support for the local and pursuing the so-called neoliberal policies set out by foreign donors and international institutions have not benefitted the internal system. In contrast, they have created resentment and furthered political and economic instability. The dependency theory suggests that such a chaotic and unstable environment will enable the 'core' to benefit more from the vulnerable 'periphery'.

The opinions expressed are the author's own and do not reflect the views of the Asian Vision Institute.

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