

OLD AND NEW FOREIGN AID ARCHITECTURE

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ABSTRACT

OLD AND NEW FOREIGN AID ARCHITECTURE

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The objective of this study is to look into the new foreign aid architecture in the post-Cold War years. While “emerging donors” with seemingly new approaches in the area of international development aid have generated a vast literature in the post-Cold War era; yet there is still need to do more research on the so-called new foreign aid architecture and its effects on the relations among aid actors. After having located development aid into a systemic framework, it attempts to explore continuity and change of “new foreign aid architecture.” It demonstrates the relevance of aid to the hegemonic project that pursues the incorporation of the remnants of labor into the exploitative global capitalist relations in the post-Cold War years. Finally, all these discussion on the new aid architecture are related to a more general perspective, which critically questions the use and necessity of aid in development efforts. This thesis points out that “proletarianization of the poor” is at the core of the hegemony in the old and new foreign aid architecture.

Keywords: Foreign Aid, Marshall Plan, OECD-DAC, Proletarianization

ÖZ

ESKİ VE YENİ DİŐ YARDIM MİMARİSİ

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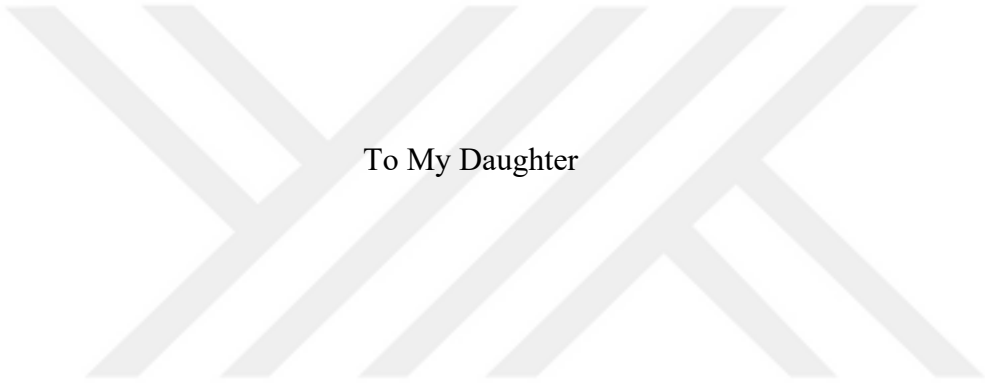
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Bu alıŐmanın amacı, Soğuk Savaş sonrası dönemde “yeni dış yardım mimarisi”ni incelemektir. Uluslararası kalkınma yardımı alanında sözde yeni yaklaşımlara sahip “yükselen donörler” üzerine oldukça geniş bir literatür bulunmasına rağmen, “yeni dış yardım mimarisi” ve bunun dış yardım aktörleri arasındaki ilişkilere etkisi alanında daha fazla araŐtırmaya ihtiyaç duyulmaktadır. Bu tezde, kalkınma yardımı, Soğuk Savaş döneminde sistemler arası ve Soğuk Savaş sonrası dönemde sistem içi rekabet çerçevesine yerleŐtirilmeye alıŐılacaktır. Kalkınma yardımını sistemik bir çerçeveye yerleŐtirdikten sonra, “yeni yardım mimarisi”ndeki değiliŐim ve süreklilik incelenecektir. alıŐmanın sonucunda “yeni yardım mimarisi”ne ilişkin tüm tartışmalar, yardımın kalkınma abaları açısından faydası ve gerekliliğini eleŐtirel bir şekilde sorgulayan daha geniş bir perspektifle ilişkilendirilecektir. Bu tez, eski ve yeni dış yardım mimarilerinin hegemonyalarının merkezinde “yoksulların proleterleŐtirilmesi” olduĐuna iŐaret etmektedir.

Anahtar Kelimeler: Dış Yardım, Marshall Planı, OECD-DAC, ProleterleŐme



To My Daughter

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LIST OF ABBREVIATIONS

AAAA	Addis Ababa Action Agenda
ADB	Asian Development Bank
AfDB	African Development Bank
AFL	American Federation of Labor
AIDS	Acquired Immunodeficiency Syndrome,
BAC	Business Advisory Council
BMZ	German Federal Ministry of Economic Cooperation & Development
BRICS	Brazil, Russia, India, China and South Africa
CED	Committee for Economic Development
CGT	Confederation Générale du Travail
CGIL	Confederazione Generale Italiana de Lavoro
CEC	Committee for Economic Development
CFR	Council on Foreign Relations
CIA	Central Intelligence Agency
CIO	Congress of Industrial Organizations
CIS	Center for International Studies
COMECON	Council of Mutual Economic Assistance
DAC	Development Assistance Committee
DFID	Department for International Development
EIB	European Investment Bank
EPZ	Export Processing Zone
EROA	Economic Rehabilitation in Occupied Areas
ERP	European Recovery Program
FOCAC	Forum on China-Africa Cooperation
GARIOA	Government Aid and Relief in Occupied Areas

GATT	General Agreement on Tariffs and Trade
GIZ	German Society for International Cooperation
GWIT	Global Workforce in Transition
HIPC	Heavily Indebted Poor Country
HRDC	Human Resource Development Cooperation
IDS	Institute of Development Studies
ILO	International Labor Organization
LDC	Least Developed Country
LIC	Low Income Country
LLDC	Landlocked Developing Country
LMIC	Lower Middle-income Country
MDG	Millennium Development Goal
MIC	Middle Income Country
NPA	National Planning Association
ODA	Official Development Assistance
OEEC	Organization for European Economic Cooperation
OOF	Other Official Flows
PRSP	Poverty Reduction Strategy Paper
SDG	Sustainable Development Goal
SIDS	Small Island Developing State
SDC	Swiss Agency for Development and Cooperation
TOSSD	Total Official Support for Sustainable Development
UMIC	Upper Middle-income Country
UNIDO	United Nations Industrial Development Organization
UNRRA	United Nations Relief and Rehabilitation Administration
USAID	United States Agency for International Development

CHAPTER 1

INTRODUCTION

1.1. Conceptual Framework and Research Question

Foreign aid has become an indispensable part of the discussions on today's most serious global problems ranging from, poverty, climate change, HIV/AIDS to conflict, refugee flows, and terrorism. Historically, foreign aid has been assigned a wide range of functions, including reconstruction of European nations devastated by the Second World War, supporting the development efforts of emerging nations after decolonization, and containing communism. It continues to cover many areas and still has very ambitious goals, such as promoting global welfare and security, improving markets and democracy, alleviating poverty, solving refugee crises and preventing terrorism. Today, every country is engaged as either donor or recipient of foreign aid. For many developing countries, relations with aid agencies have become a significant part of their foreign affairs, while for the developed countries, the provision of aid has become an important component of their foreign and security policies.

In the broadest sense, foreign aid can be defined as a voluntary transfer of resources from one country to another in the form of physical goods, skills, technical know-how, financial grants, and loans.¹ The subject of this study is the most common type of foreign aid, official development assistance (ODA), whose ostensible function is to promote economic development and welfare in poor countries. Aid as a subject of this study has nothing to do with philanthropic activities, charitable donations or religious donations. Although philanthropic

¹ Roger Riddell, *Does Foreign Aid Really Work?* (Oxford: Oxford University Press, 2008), 17.

activities are usually considered as a component of development efforts, this study focuses on official development aid, which is provided by official agencies including state or local governments and international institutions. In this study the terms “aid,” “foreign aid,” “development aid,” “development assistance” and the more technical term “official development assistance” are used synonymously. In fact, foreign aid and development aid are not quite synonymous. In addition to aid for development purposes, the term foreign aid also covers other forms of assistance, such as grants and loans for commercial, political and military purposes. While recognizing the difference between the terms “foreign aid” and “development aid,” they are also used interchangeably in this study because of the blurred distinction in practice between development aid and the other forms of foreign aid, especially the ones for military and commercial purposes.² A donor’s decision to call a transfer of resources “development aid” or “military aid” is politically shaped and does not always match its real motivation or aid’s real impact.³ Although this study focuses particularly on development aid, it would be incomplete if the other forms of foreign aid, especially military aid, were left out of the analysis.

Although official development assistance has an internationally agreed definition provided by the Organization for Economic Cooperation and Development (OECD) since 1969 and its measurement is based on a standard international methodology, its definition and measurement continue to be contested issues. Moreover, despite the fact that billions of aid money has been spent since the early postwar period, the debates on aid’s usefulness, effectiveness and contribution to development and poverty reduction has increasingly continued since the early years of aid flows. Development aid has become hardly justifiable given the disappointing results. Today, even the most ardent supporters of aid have started to talk about the danger of aid dependency, negative effects of aid, failure of aid and

² The distinction between the types of foreign aid is discussed in detail in the next chapter.

³ Robert E. Wood, *From Marshall Plan to Debt Crisis: Foreign Aid and Development Choices in The World Economy* (Los Angeles: University of California Press, 1986), 11.

the need for a reform in the global aid architecture. Besides, the leading development actors and academic circles continue their decades-long debate on how to make aid more effective, and how to solve the problems related to the implementation of aid programs. In the face of such failure, it is no longer a question of how to solve the problems that prevent aid from being successful, but rather it's a question of whether aid itself is the problem.

Given the prominent role of development aid in contemporary international politics, it is easy to forget that institutionalization of development aid is a recent phenomenon. Countries have always engaged in voluntary transfer of resources for trade, military, and political purposes. While there are important precedents, international development aid has its origins in the Cold War. Some of the ideas and practices that constitute development aid go back a lot further. The idea that social and economic progress was not only desirable but was one of the main objectives of government policy, stretches back at least to the Enlightenment.⁴ As a matter of fact, there also is a long tradition of using development and aid as a justification for colonialism and it could rightly be argued that the roots of the contemporary development aid architecture can be found in the colonial era. Indeed, some scholars stretch development aid back too far and provide examples of financial and technical aid from the ancient history, which are out of the scope of this study.⁵

⁴ David Williams, "The History of International Development Aid," in *Handbook of Global Economic Governance: Players, Power, and Paradigms*, eds. Moschella, Manuela, and Catherine Weaver (Abingdon: Routledge, 2014), 234.

⁵ See, for example, Gerard Van Bilzen, *The Development of Aid* (Newcastle upon Tyne, UK: Cambridge Scholars Publishing, 2015), 50-55; Jean Dreze, "Famine Prevention in India," in *The Political Economy of Hunger: Famine Prevention*, eds. Jean Dreze and Amartya Sen (Oxford: Clarendon, 1990), 19; Louis A. Picard and Terry F. Buss, *A Fragile Balance: Re-examining the History of Foreign Aid, Security, and Diplomacy* (Sterling, VA: Kumarian Press, 2009), 21-37. Bilzen states that one of the earliest recorded humanitarian aid practice occurred in 226 BC when a huge earthquake devastated Rhodes and the nations around the Mediterranean sent food and equipment to the victims. He also notes that, in an early example of overseas technical aid in 300 AD, a number of Koreans were sent to China from Japan to teach the art of weaving and preparing silk for production. Dreze states that one of the oldest treatises on food aid by governments was written more than two thousands years ago in India. Picard states that Alexander the Great provided Egypt with technical aid during the founding of the city of Alexandria.

For the purposes of this study, the institutionalization of development aid can be traced to the aftermath of the Second World War. During this period, we see the emergence of development organizations, agencies, experts, development plans, and university courses in development. The first significant programs of foreign aid to developing countries were launched in the late 1940s and early 1950s. Until the Second World War, a country's development was perceived as a national goal. This does not mean that there were no international implications but until the Second World War economic growth and development efforts had continued without appeals for international aid. However, in the postwar period, economic growth and industrialization in poor countries became an international issue, and aid became a significant feature of the inter-systemic competition between the Western capitalist states and the Soviet Union. Institutionalization process of development aid was shaped by the dominant position of the USA at the end of the Second World War and aid played a significant role in the consolidation of the inter-systemic struggle during the Cold War. The origins of aid as an institutionalized activity lie in the political and economic ambitions of the United States in the postwar era. This is not to suggest that the United States was the first country that gave foreign aid. However, it was the first country to make the provision of aid a regular part of its foreign relations to achieve both its broad international economic goals and the narrower goal of containing communism.⁶

This study is a critique of the theory and practice of the development aid. The most common criticism that development aid receives is that it is a strategic foreign policy tool in disguise, used by donor countries to reach certain political and military goals rather than supporting the development efforts of aid recipients. It does not take an elaborate research to see that the underlying motivation of official development assistance has always been certain political, economic and military interests rather than humanitarian and moral concerns - which is a secret that everybody knows. Even a cursory research based on the OECD-DAC's annual

⁶ Williams, "The History of International Development Aid," 235.

statistics on the amount and destination of aid flows would reveal the fact that aid is not targeted to countries most in need. The OECD aid figures show that donors may prefer to provide less aid to the poorest countries, while providing more aid to some other countries that are relatively doing better. Although this study agrees that aid has always been used to promote and sustain the unequal relations between the recipient and donor countries, confining aid to the bilateral relations among donor countries and recipient countries would provide us with an incomplete picture. Given the fact that donors have used aid to reach various political, economic, and military goals, the emphasis on development aid's usage as a "foreign policy tool" of donor countries is understandable. However, this reduces development aid to an instrument in bilateral relations, discouraging a richer and more systemic analysis of development aid in a global context. Therefore, rather than relegating aid to an "instrument" in the mutual relations between donor and recipient countries, the aim of this study is to locate it in a more prominent position in a wider systemic analysis.

Development has always been problematized in terms of the threat that poverty and related issues pose to the security of developed countries and capitalist system in general rather than the well-being of the poor people in underdeveloped regions. Development aid had a prominent role in the foreign relations of the United States in the context of its general ambition to contain communism during the Cold War. As the Cold War intensified, nation building and modernization through aid were seen as key tools in preventing countries from falling to communism. From its very beginning, development aid has always been explicitly used in support of geopolitical and military strategies to contain communism. However, it would be an oversimplification to assume that development aid has been limited to being an instrument for geo-strategic and military ends during the Cold War. The mainstream understanding of the Cold War reduces the explanatory significance of the socio-economic properties of the superpowers by separating the bipolar political–military relationship from wider political, economic and ideological processes associated

with the rival social systems of capitalism and communism.⁷ While the mainstream IR theory has limited the Cold War to a discussion on military and geo-strategic rivalry between two great powers, it has also reduced development aid simply to an instrument designed and used by superpowers for geopolitical and military supremacy in the Third World. This study rejects the conventional understanding of the Cold War, which considers it as a typical great power conflict based on military and strategic competition. Following Saull⁸, this study considers the Cold War as a form of global rivalry between capitalism and communism involving states and social forces other than the superpowers. What this suggests is that the Cold War is a form of global social conflict between states and social forces associated with the rival social systems. From this perspective, this study argues that development aid is not limited to being used as an instrument of military and geo-strategic rivalry, but it is an important part of a wider and global systemic struggle concerning the organization of economic and social life.

Although development aid was always intended as a weapon to address the perceived security threat of spreading communism, its role was not limited to the geopolitical threat of the Soviet Union and the international political threat of communist revolution. As a matter of fact, development aid's role in containing communism was only part of the story, even though a very significant one. A comprehensive research on development aid should also include its role in the restructuring of the postwar international economy. Evaluating development aid simply in terms of the quantity of resources that it has provided to the recipient countries would be inadequate. In this regard, this study assumes that development aid should be examined, first and foremost, in terms of its contribution to the construction of a new international order in the postwar period.

⁷ For a useful review of the contending approaches to the origins and nature of the Cold War, see Tolgahan Akdan, *A Systemic Analysis of the Cold War and Turkey's Postwar Drive to the West*, Master's thesis, Middle East Technical University, 2014 (Ankara: METU, 2014).

⁸ Richard Saull, *The Cold War and After: Capitalism, Revolution and Superpower Politics* (London: Pluto, 2007).

As Wood suggests, “the worldwide internationalization of capital and ‘interdependence’ of economies, which are often taken for granted today, were laboriously created against what many observers in the early postwar period saw as almost overwhelming odds, and aid played a major role in the process.”⁹ In 1945, the old world order that was centered on the European-imperialist capitalist powers and Britain in particular had ended as a result of two world wars and the interwar economic crisis.¹⁰ On the other hand, The USA ended the war in a dominant economic and military position, and it used this to construct an international order that preserved and enhanced its own economic and security interests. The US political leadership and capitalist class had concluded that the absence of US political leadership in the management of the world economy in the interwar era had been a major cause of the global economic crisis. Consequently, the key objective of US policymakers after 1945 was to prevent the return of economic nationalism as well as regional trade blocs as had happened during the 1930s in response to the great depression.¹¹ In the immediate postwar years, the US was disturbed by the fact that most countries in Western Europe adopted policies associated with national capitalism such as exchange controls, capital controls and bilateral trade arrangements. The primary aim of the United States foreign policy makers was to prevent the emergence of national capitalist experiments and to create a liberal, open and multilateral international economy. One of the basic assumptions of this study is that development aid played a significant role in preventing the emergence of national forms of capitalism and gaining support in the construction of a multilaterally managed liberal world economy based on free trade in the postwar era.

As Adelman suggests, “no area of economics has experienced as many abrupt changes in leading paradigm during the post-World War 2 era as has economic

⁹ Wood, *From Marshall Plan to Debt Crisis*, 5.

¹⁰ Richard Saull, *The Cold War and After*, 61.

¹¹ *Ibid.*

development.”¹² These changes have had significant implications for the way the development aid was designed and delivered in different periods in the postwar era. Besides, changes in the development paradigm have also had significant implications for the relations of aid and the roles that the donors and recipients are assigned both in the Cold War era and the post-Cold War years. What has particularly characterized the postwar aid has been its durability: aid has managed, repeatedly, to reinvent and renew itself.¹³ As a matter of fact, history of development aid has been a “checkered history of constant adaptation.”¹⁴ Development aid was successful in adapting to the conditions of distinct phases of the Cold War. For instance, when the concern for counter-insurgency in the Third World intensified during the Cold War, development aid became militarized and was directly used as a weapon of war, as in the case of Vietnam. When there was a transformation away from the embedded liberalism of the early postwar period to neoliberalism in the 1970s, aid became consistent with the principles of neoliberal market-based development models.

Aid was also quick to adjust to the changing conditions brought by the end of the Cold War. Many of the leading development actors argued that we would witness the end of official development aid, as we had known it. The United Nations Development Program (UNDP), for instance, saw the end of the Cold War as “a rare opportunity to make a fresh start,” calling for a restructuring of aid in a way that would genuinely benefit the poor.¹⁵ A report by the OECD stated, “it is believed that

¹² Irma Adelman, “The Role of Government in Economic Development,” in *Foreign Aid and Development: Lessons Learnt and Directions for the Future*, eds. Finn Tarp and Peter Hjertholm (London: Routledge, 2000), 47. For a comprehensive historical overview of development approaches and theories which have influenced practical development cooperation, see John Martinussen, *Society, State and Market: A Guide to Competing Theories of Development* (London: Zed Books, 1997).

¹³ Riddell, *Does Foreign Aid Really Work*, 2.

¹⁴ Homi Kharas, “Development Assistance,” in *International Development: Ideas, Experience, and Prospects*, eds. Bruce Currie-Alder et al. (Oxford: Oxford University Press, 2014), 861.

¹⁵ Kunibert Raffer and Hans Wolfgang Singer, *The Economic North-South Divide: Six Decades of Unequal Development* (Cheltenham: Elgar, 2004), 79.

the end of the Cold War would generate a 'peace dividend' that would free up more resources to assist the developing world."¹⁶ This optimistic approach seemed to be based on the expectation that resources that had been allocated to contain the spread of communism would now be directed to development objectives of a more humanitarian nature.

Whether the participants believed aid would wither away or make a fresh start after the end of the Cold War, the dominant theme in the discussion on the future of aid throughout the 1990s was that we were witnessing the end of official development aid, as we had known it. In fact, today, this theme continues to be the starting point for the discussion on the development aid. In the political and academic debates on development aid in the post-Cold War years, there is often reference to "new aid architecture." Especially since the late 1990s and early 2000s, various reports and official documents of the leading development actors, such as the World Bank, the UNDP and the OECD, are referring to "new development architecture," "changing aid architecture," "changing landscape of development assistance" and "new development framework".

Today, various official reports and policy documents of the international development actors as well as national development agencies refer to the rise of "new actors" and "new paradigms" in the development cooperation, challenging the traditional international aid architecture.

While these new players with seemingly new or revised approaches in the area of development aid have generated a vast literature in the post-Cold War era; yet there is still surprisingly little research on the new aid architecture and its effects on the relations between donor and recipient countries. The present thesis attempts to explore and point out the continuity and change of "new aid architecture."

Official development assistance has been subject to harsh criticisms by both mainstream and critical development scholars and practitioners. Neoliberal critics of aid argue that aid hinders economic growth by obstructing the unfolding of the

¹⁶ OECD, *Development Cooperation: Aid in Transition* (Paris: OECD, 1994), 4.

market dynamics and therefore development should be left to the markets. Whether on purpose or by ignorance, these criticisms neglect the fact that far from being contradictory to free market mechanisms, development aid has always been intertwined with the policies and practices of free trade, private enterprise and investment.

Critical left-wing scholars are also skeptical about development assistance, but for distinct reasons. For example, as early as 1960s, the critical approaches, which are related to dependency theory, provided important insights and contributions in terms of showing the exploitative nature of development aid. Dependency theorists argued that foreign aid could be understood only by reference to its existence in a bipolar world characterized by exploitation of the periphery by the core. However, the bipolarity here is not limited to “core-periphery,” “North-South” or “donor country-recipient country” bipolarity. One of the basic assumptions of this study is that development aid is directly related to the exploitative relations between capital and labor. Therefore, bipolarity here is considered also as a bipolarity of class. In this regard, this study examines the role of development aid in the exploitative relations between capital and labor at the global level.

The main theoretical framework in this study is based on the understanding that development aid is first and foremost related to the restructuring of global capitalism. Development aid, from its beginning, has been used as a means for ensuring the hegemony of capital over labor, and the subjection of the aid recipient countries to the imperatives of capitalist accumulation.

This thesis will explore how and to what extent development aid can be located and interrogated within the inter-systemic competition during the Cold War period, and intra-systemic rivalry in the post-Cold War years. After having located development aid into a systemic framework, it will further explore how development aid is related to the incorporation of the remnants of labor into the global capitalist relations.

1.2.Literature Review

Recent years have witnessed a growing public interest in development and humanitarian aid. There has been no shortage of publications that reinvigorate the decades long debates on why donors provide aid, whether aid “works or not” and how it could work better. The proliferation of literature on the topic from different perspectives has been labeled by some scholars and media organizations as “great aid debate.”¹⁷ Some mainstream economists, like Dambisa Moyo, Jeffrey Sachs and Paul Collier, who contributed to this so-called “great aid debate,” even gained a kind of celebrity status.¹⁸ *New York Times* described this so-called “great aid debate” as a “ferocious intellectual debate about how to best help the poor people around the world.”¹⁹ Leaving aside how “great” this aid debate has been, in fact, it has been significant in term of illustrating the contemporary parochialism in development aid research. There were no critical voices in these debates, which mostly revolved around the same old questions of whether aid or market mechanisms were better in reducing poverty and whether aid should be increased or not. Even the contributors that opposed aid ignored any systematic critique of the politics of exploitation, advocating market-based solutions, which created the problem in the first place. This “great aid debate” was further watered down when rock-stars and fashion-magazines became involved in it. Irish rock star Bono, has recently contributed to the great aid debate by suggesting “capitalism takes more people out of poverty than aid.”²⁰

Before discussing in detail the contemporary debates on aid, it could be useful to provide a historical overview of aid research and *literature in order to better grasp why these simplistic and narrow-minded approaches are dominant in the current*

¹⁷ Nilima Gulrajani, “Transcending the Great Foreign Aid Debate: Managerialism, Radicalism and the Search for Aid Effectiveness,” *Third World Quarterly* 32/2 (2011): 199.

¹⁸ Susan Engel, “The Not-so-great Aid Debate,” *Third World Quarterly* 35/ 8 (2014): 1374.

¹⁹ Elsa Dixler, “Paperback Row,” *New York Times*, April 18, 2010.

²⁰ Michael W. Chapman, “Bono: Capitalism Takes More People Out of Poverty Than Aid,” *CNS News*, March 26, 2015, accessed February 2, 2017, <http://www.cnsnews.com>

debates on aid. This literature review starts by focusing on mainstream international relations (IR) theory's standpoint on foreign aid. The IR literature that has analyzed aid, either directly or indirectly, is huge and this section will only cover a summary of the IR literature on the issue. Although a summary inevitably oversimplifies and ignores important divisions both within and between the different IR theories, it is meant to be illustrative of the limitations of mainstream IR in the analysis of foreign aid. As a matter of fact, conventional international relations perspective is not a useful starting point for a comprehensive and systemic analysis of aid - not only because the dominant discipline in development aid studies has been economics but also because it fails to understand the historically unique character of foreign aid in the postwar era, confining the subject within the boundaries of national interest and security. However, the mainstream international relations approach to foreign aid could be a useful starting point in terms of revealing some of the flawed assumptions and methodology that most foreign aid analyses are based on. Understanding the influence of the mainstream IR theory's ahistorical and parsimonious assumptions on foreign aid studies could also be helpful in terms of grasping why the existing aid research and literature cannot go beyond the same old infertile debates.

Conventional perspectives of international relations see foreign aid as a foreign policy tool to promote the national interests of the donor countries. From this point of view, the main concern of foreign policy is survival and foreign aid is one the wide range of foreign policy instruments at the disposal of foreign policy makers to protect and promote national security and interest in a hostile anarchic international environment. Morgenthau, who is considered as one of the "founding fathers" of the realist school, argues that "as military policy is too important a matter to be left to the generals, so is foreign aid too important a matter to be left to the economists."²¹ He identifies six type of foreign aid: "humanitarian aid, subsistence aid, military aid, bribery, prestige foreign aid, and foreign aid for economic

²¹ Hans Morgenthau, "A Political Theory of Foreign Aid," *American Political Science Review* 56/2 (1962): 309.

development.”²² For Morgenthau, “much of foreign what goes by the name foreign aid is ... in the nature of bribes. The transfer of money and services from one government to another performs here the function of a price paid for political services rendered or to be rendered.”²³ Several scholars have also argued that aid was merely a continuation of the old practice of bribery, which goes back centuries.²⁴ Such an understanding, which simply consider foreign aid as a continuation of centuries-old practice of “buying” political influence, is just one of the many examples that illustrate the failure of the mainstream IR theories to see the historically unique character of the postwar development aid.

In the IR literature on foreign aid, neo-liberal institutionalism is often presented as challenging realist assumptions, advancing a vision that is more humanitarian and more optimistic about the potential for international cooperation. Aid is presented as one of the many areas of disagreement between these two apparently opposing views, one emphasizing national interest and the other emphasizing international cooperation. These two theoretical approaches essentially share similar views of the social world despite the fact that they put emphasis on the different aspects. As Elias and Sutch suggests, realism set the framework of IR and “all that those scholars of a more liberal persuasion could do was to make noises about the role of international institutions and norms while accepting the broader claims of the neo-realist paradigm.”²⁵ It is easy to identify various realist assumptions in the aid analysis of the liberal IR scholars. In his famous work “After Hegemony,” Keohane analyzes under which conditions actors may care for the welfare of the others. He interprets foreign aid to be a kind of “generalized reciprocity” in which apparently unbalanced exchanges can be regarded as balanced

²² *Ibid.*, 301.

²³ *Ibid.*, 302.

²⁴ John White, *The Politics of Foreign Aid* (London: The Bodley Head, 1974), 198.

²⁵ Peter Sutch and Juanita Elias, *International Relations: The Basics* (London: Routledge, 2007), 113.

with the exchange of tangible benefits for intangible or deferred but unspecified benefits.²⁶ In the case of the Marshall Plan, he refers to “situational interdependence,” where the actor tries to improve the welfare of others because improvements in others’ welfare improve their own, whatever the other actor does. He views the Marshall Plan as “a combination of an exchange relationship - material benefits in return for present and future deference- and generalized reciprocity based on situational and empathetic interdependence.”²⁷ This understanding of aid is not really different from the realist-informed interpretations, even though Keohane uses more subtle concepts such as “generalized reciprocity” and “situational interdependence” instead of “national interest” and “economic self-interest.” Keohane refers to foreign aid programs as the instruments to provide positive incentives for cooperation whereas Morgenthau defines aid as bribes. Although Keohane seems to be a lot more careful with the terminology he uses, analysis of foreign aid is nothing but a subtler version of a realist interpretation of aid.

Not surprisingly, during the Cold War, mainstream IR, both realist and liberal, considered foreign aid first and foremost as a weapon against the perceived threat of communism. Waltz argues that the main objective of the major powers, especially in a bipolar system, is to eliminate their rivals and establish hegemony. The United States, pursued this objective in the postwar period through construction of security alliances on the one hand, and acting “for the good of other people” on the other to contain communism.²⁸ From this perspective, military aid strengthens the bilateral security relations, whereas development aid programs buy influence and win allies. In both cases, however, foreign aid is designed to serve national interests.

Waltz’s argument is typical of mainstream understanding of Cold War, in which the bipolar rivalry is subsumed within a long history of great power conflict

²⁶Robert Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton: Princeton University Press, 1984), 130-131.

²⁷ *Ibid.*, 131.

²⁸ Kenneth Waltz, *Theory of International Politics* (Reading, Mass.: Addison-Wesley, 1979), 200.

and limited to a discussion of strategic and military rivalry. While conventional IR perspective has limited the Cold War to a discussion on military and geo-strategic rivalry between two great powers, it has also reduced development aid simply to an instrument used by superpowers for buying influence. This is not to suggest that aid is not guided by the donor countries' economic, political and security interests rather than the needs of the recipients. From the very beginning, aid has always served donor countries' economic, political and military interests. However, the conventional IR perspective reduces aid to an instrument in the inter-state rivalry over economic and military resources, discouraging a richer analysis of aid that pays attention to its role in a wider inter-systemic struggle concerning the organization of social and economic life, involving social forces as well as nation-states.

This study rejects the conventional understanding of the Cold War, which considers it as a typical great power conflict based on military and strategic competition. Following Saull, this study considers the Cold War as a form of global conflict between capitalism and communism involving states and social forces other than the superpowers. From this perspective, this study argues that development aid is not limited to being used as an instrument of military and geo-strategic rivalry, but it is an important part of a wider and global inter-systemic struggle concerning the organization of social and economic life.

As already indicated, although measurement of official development aid is based on a standard international methodology, it continues to be a subject to intense debate. Despite substantial amount of aid flows since the early postwar period, the debates on aid's effectiveness and its impact on development and poverty reduction has been continuing. In the following, mainstream development economists' standpoint on development aid is examined. The importance of these mainstream economists' studies lies more in their influence in shaping the scope and nature of development aid relations at the global level than the quality of their analyses. The thinking of the mainstream economists, particularly those working for the leading development institutions like the World Bank, are paid particular attention in this study since they have often become incorporated into the aid programs of the

Western governments and become accepted as the development orthodoxy.²⁹ However, as discussed in more detail in the second chapter, the mainstream (or orthodoxy) in development and aid debates has changed constantly since the early postwar period. Therefore, the approaches of the mainstream economists are evaluated together with how “mainstream” itself has shifted over time.

In the immediate postwar period, development was narrowly defined in terms of economic growth in the Western capitalist states with little, if any, attention to social and cultural aspects of development.³⁰ Growth theory, rarely used in economic analyses before the war, became the essence of development studies in the postwar era.³¹ The largest part of the quantitative aid research has focused on the impact of aid on economic growth over the last fifty years, with inconclusive results. Hansen and Tarp identify three “generations” of aid-growth literature that were framed by the prevalent methodologies and datasets available at the time of publication. The first generation refers to the 1960s and early 1970s, when research was based on the assumption that aid would contribute to economic growth by increasing savings and investment in recipient countries. The second generation studies, in the 1980s and early 1990s, focused on the investigation of aid’s impact on growth via investment while in the third generation, as from the mid-1990s, researchers started to use new data and methodologies, taking into account factors such as institutions and policies.³²

Conditionality emerged as a prominent theme in the aid literature from the early 1980s with the advent of structural adjustment programs. In this period, aid-growth literature continued to debate the impact of aid and the research did not seem

²⁹ Gordon Cumming, *Aid to Africa: French and British policies from the Cold War to the new Millennium* (Aldershot: Ashgate, 2001), 31.

³⁰ Robert O'Brien and Marc Williams, *Global Political Economy: Evolution & Dynamics* (Basingstoke, Hampshire: Macmillan Education, 2010), 311.

³¹ Stephen Browne, *Aid and Influence: Do Donors Help or Hinder?* (London: Earthscan, 2007), 24.

³² Henrik Hansen and Finn Tarp, “Aid Effectiveness Disputed” in *Foreign Aid and Development: Lessons Learnt and Directions for the Future*, eds. Finn Tarp and Peter Hjertholm (London: Routledge, 2000), 104-115.

to go beyond simplistic aid-growth regression analyses carried out during the 1970s. Like their predecessors, these studies were trying to assess the correlation between aid and growth. However, various neoliberal policy variables were incorporated into these aid-growth analyses.

In line with the emphasis on neoliberal conditionality during the 1980s and 1990s, the debates on whether aid worked or not were added a new perspective that began to focus on the good policy environment that would make aid more effective. In other words, aid would promote growth to the extent that the recipient countries created “good policy environment” by pursuing neoliberal policies. Aid literature, during this period, started to prescribe what kind of policies and institutions aid recipient countries had to have so as to use aid flows in an effective way. In general, Stockemer identifies this literature as “conditionality literature” with three separate arguments 1) “the good policy model” - aid works if the recipient government pursues good policies; 2) “the medicine model” - aid works in the correct dosage but is ineffective if too high or too low; 3) “institutions model” - aid works beneficially if the right governmental institutions are in place.³³

As a matter of fact, this so-called “conditionality literature” corresponds to what Hansen and Tarp call “third-generation of aid-growth literature” that was mentioned above. As already mentioned, their method of analysis did not differ from the previous “generations.” They mainly examined whether aid-growth relationship was conditional on certain policies and institutions. Durberry et al., for example, used growth regressions with policy variables for 68 developing countries over the period 1970-1993 and concluded that aid has a positive impact on economic growth, conditional on a stable macroeconomic policy in the recipient countries.³⁴ In a more prominent example of “conditionality literature,” Burnside and Dollar conclude

³³ Daniel Stockemer, Bernadette Lamontagne, and Jason Charrette, “Panacea, Placebo, or Poison? The Impact of Development Aid on Growth,” *Canadian Journal of Development Studies* 32/1 (2011): 5.

³⁴ Ramesh Durberry, Norman Gemmill, and David Greenaway, *New Evidence on the Impact of Foreign Aid on Economic Growth*, working paper: 8/98 (Centre for Research in Economic Development and International Trade, University of Nottingham, 1998).

that aid only works where there are good fiscal, monetary and trade policies (e.g. low inflation, fiscal balance, a liberalized trade regime), but has little effect in the presence of poor economic policies.³⁵ Contrary to Burnside and Dollar, Guillaumont and Chauvet suggest that aid's effects are more positive when a country faces a bad environment: the worse the environment, the greater the need for aid and the higher its productivity.³⁶ According to Jensen and Paldam, on the other hand, the impact of aid on growth depends more on the correct dosage than the policy environment and it helps the recipient countries only up to a certain point after which it turns harmful.³⁷ There are also economists who argue that the aid effectiveness is conditional on geographic location and climate-related circumstances. For example, Dalgaard et al. argue that aid has a strong positive impact on growth outside the tropical region, while the impact is smaller in the tropics.³⁸

Despite decades of debate, the quantitative researchers have not reached a conclusion on whether aid works or under which conditions it is more efficient. As shown in more detail in the next chapter, the findings, and conclusions of the quantitative analyses of aid conducted by the mainstream development economists have often become incorporated into the policy approach of the leading development actors, such as the World Bank and the OECD. Over the last 50 years, countless studies sponsored or carried out by the World Bank and the OECD have reviewed aid-development linkage and made recommendations for the efficiency of development aid. However, the literature published by these important development actors has included little debate on whether aid “works or not” and focused more on the conditions under which aid works more effectively since the assumption was that

³⁵ Craig Burnside and David Dollar, “Aid, Policies, and Growth,” *American Economic Review* 90/4 (2000).

³⁶ P. Guillaumont and L. Chauvet, “Aid and Performance: A Reassessment,” *Journal of Development Studies* 37/ 6 (2001).

³⁷ Peter S. Jensen and Martin Paldam, “Can the Two New Aid-Growth Models Be Replicated?,” *Public Choice* 127/1-2 (2006).

³⁸ Carl-Johan Dalgaard, Henrik Hansen, and Finn Tarp, “On The Empirics of Foreign Aid and Growth,” *The Economic Journal* 114/496 (2004).

aid necessarily made a positive contribution to poverty reduction and economic growth. Like the above-mentioned mainstream quantitative studies, the importance of official studies published by the leading development actors lies in their role in shaping the scope and nature of the aid architecture rather than the quality of their analysis. For example, the World Bank-sponsored Pearson Commission, as the first-ever commission on international development that was set up in 1969, set the tone for subsequent international reports on aid and development.³⁹ As an important mainstream study, the report recommended strengthening and expanding of the multilateral aid system using international institutions. It also proposed to raise official development assistance (ODA) to 0.7% of donors' gross national income (GNI). The report's proposals were very influential in shaping the aid policy in the following years. Since then, raising ODA to 0.7% of donors' national income has become the best-known international target in the aid field and today the OECD regularly monitors and provide data on donor countries' ODA/ GNI ratio.

Subsequent international studies like the Brandt Commission Reports in 1980 and 1983 reinforced these conclusions.⁴⁰ The Brandt Commission was formed by the former German Chancellor Willy Brandt in 1977 at the suggestion of the President of the World Bank (IBRD) and consists of 18 politicians and economists from all the major regions of both North and South except the Communist bloc. A key concept underpinning the Brandt Reports was that of global interdependence, and the assertion that the rich world had to assist the poor and would lose out if it didn't. In other words, the report suggested that helping the poor countries was in the self-interest of the rich countries. Though these two reports were wide-ranging, some of their key recommendations focused on aid issues. Indeed, reminiscent of Pearson Report ten years earlier, one of the main reasons why the Commission was set up was to address the growing criticism and skepticism about aid. Echoing

³⁹ Riddell, *Does Foreign Aid Really Work*, 30.

⁴⁰ Brandt Commission, "North-South: A Programme for Survival. The Report of the Independent Commission on International Development Issues under the Chairmanship of Willy Brandt," (1980).

Pearson Report, Brandt Report called for a doubling of ODA by 1985 in order to reach the 0.7 per cent ODA/GNI target.

These concerns for increasing the quality and quantity of aid were carried over to the post- Cold War period. In a very similar manner to the World Bank, the OECD embarked on a series of initiatives to increase the amount of aid. Particularly important was its 1996 publication titled *Shaping the 21st Century: The Contribution of Development Cooperation*.⁴¹ The report stands out for a number of reasons. First, never before had a comprehensive program for action in development been formulated at so high a level. What is more, the degree of consensus among key development actors and the high-profile support it received were arguably unprecedented in the history of development cooperation. The report called for increasing aid not only in terms of quantity and emphasized the importance of enhancing its effectiveness.

Similar calls for increased aid can be found in countless official reports and policy documents published in recent years by the leading development actors such as the UNDP, the OECD or the World Bank. Despite the fact that most of these official views of aid end up arguing that more development aid (both in terms of quantity and efficiency) is necessary, aid has had its critics from both right and left. For example, as early as 1958, Milton Friedman, as one of the most prominent supporters of free market, argued that aid should have been abolished since it would retard economic development and promote socialism rather than democracy.⁴² Peter Bauer, a neoliberal development theorist, published in 1972 a book titled *Dissent on Development*, which argued that, rather than helping, “foreign aid...is likely to obstruct” development by creating market imperfections and distortions.⁴³ Unlike the quantitative aid effectiveness analyses that were mentioned above, Friedman and

⁴¹ OECD, *Shaping the 21st Century: The Contribution of Development Cooperation* (Paris: OECD, 1996).

⁴² Milton Friedman, “Foreign Economic Aid,” *Yale Review* 47/4 (1958).

⁴³ Peter Bauer, *Dissent on Development: Studies and Debates in Development Economics* (Cambridge, MA: Harvard University Press, 1972), 95.

Bauer's arguments were not based on empirical research. Rather, their rejection of aid was based on their absolute faith in the capacity of market mechanism to solve all economic and social problems. As shown in the second chapter, the recent years have witnessed the emergence of various studies that are in favor of the market mechanisms and against foreign aid.

As a matter of fact, far from being antithetical to free market mechanisms, aid has always served the free-market economic system at the global level. Through this perspective, the international development community's current emphasis on poverty alleviation can be interpreted as the adoption of policies that extend the scope of the world market. Cammack suggests that behind these apparently progressive aims of development and poverty alleviation there stands a commitment to a project that Marx once described as "the entanglement of all peoples in the net of the world market."⁴⁴ He examines the World Bank's apparently pro-poor policies since early 1990s and suggests that it has been "systematically engaged in promoting the proletarianization of the world's poor through pro-poor discourse and policies."⁴⁵ According to Cammack, the World Bank's poverty alleviation policies aim to ensure the hegemony of capital over labor, and the subjection of both capital and labor to the imperatives of capitalist accumulation. Cammack illustrates his argument with reference to the World Bank in particular. At this point, one assumption of this study is that in addition to the World Bank, Cammack's argument can be applied to the other institutions and instruments of development aid such as the OECD and the bilateral donor agencies.

Just like neoliberal critics of aid, critical development scholars have also been skeptical about development aid but for different reasons. Since the early postwar era, a strong critique of foreign aid has come from the left as well. Dependency theorists were among the first to develop a left perspective on aid. In fact, since it is

⁴⁴ Paul Cammack, "Attacking the Global Poor," *New Left Review* 13 (2002): 125.

⁴⁵ Paul Cammack, "Politics of Global Competitiveness," *Papers in the Politics of Global Competitiveness* 1 (2006), Institute for Global Studies, Manchester Metropolitan University, e-space Open Access Repository. Accessed October 30, 2016. <https://ssrn.com/abstract=981846>.

a very comprehensive theory analyzing a long historical period ranging from colonial history to contemporary North-South relations, dependency theorists have not focused specifically on foreign aid. Rather, they have examined in detail North-South relations and foreign aid has been a part of that analysis. Given that the major policy prescription of the dependency school for the periphery was to cut or minimize the links with the global economy, it is not surprising that it approached foreign aid with suspicion. For example, in 1971, Szentes argued that foreign aid would serve only to integrate its recipients even more tightly into the inherently exploitative global economic system, resulting in a complete loss of independence.⁴⁶ Similarly, in his analysis of the United States' aid to Latin America, Frank argued that aid flows are offset by the outflow of profits, and aid was a vehicle for getting access to the riches of Latin America for maintaining the present structure of the American economy.⁴⁷

Another strand of the critical literature on aid drew upon classical theories of imperialism, in which the development aid architecture was depicted as having roots in the colonial era, and as a tool serving the interests of the core by facilitating the underdevelopment of the periphery. One of the early critical studies from this perspective was Teresa Hayter's book *Aid as Imperialism* that was published in 1971. Hayter suggests, "the existence of aid can only be explained in terms of an attempt to preserve the capitalist system in the Third World."⁴⁸ She argues that aid can be used to build social and economic systems considered to be resistant to

⁴⁶ Thomas Szentes, *The Political Economy of Underdevelopment* (Budapest: Akadémiai Kiadó, 1971) quoted in John McKay, "Competing Development Paradigms and Alternative Evaluations Of Aid Effectiveness: Challenging The Dominant Neoliberal Vision" in *Assessing the Impact of Foreign Aid: Value for Money and Aid for Trade*, ed. Viktor Jakupec and Max Kelly (London: Elsevier, 2016), 36.

⁴⁷ Andre Gunder Frank, *Latin America: Underdevelopment or Revolution* (New York: Monthly Review Press, 1969) quoted in John McKay, "Competing Development Paradigms and Alternative Evaluations Of Aid Effectiveness: Challenging The Dominant Neoliberal Vision" in *Assessing the Impact of Foreign Aid: Value for Money and Aid for Trade*, ed. Viktor Jakupec and Max Kelly (London: Elsevier, 2016), 37.

⁴⁸ Teresa Hayter, *Aid as Imperialism* (Harmondsworth: Pelican, 1971), 9.

revolutionary change.⁴⁹ In this regard, aid can also be conditional on certain reforms adopted by the recipient countries (especially in the areas of land reform and taxation) in order to prevent the potential revolutionary situations. For Hayter, aid also helps to create and sustain, in the Third World countries, a class that is dependent on the continued existence of aid and therefore becomes an ally to imperialism.⁵⁰

The rise of the so-called emerging donors in the post-Cold War period reinvigorated the debates on development aid as imperialism, but this time in a very different manner and from a different direction. As has been frequently noted in the recent debates on “new aid architecture”, the provision of development assistance by emerging powers (such as China, India and Brazil) has led to a diversification of actors, ideas and modalities in the field of development aid. The emerging donors have not only complicated the existing international aid architecture but have also challenged the mainstream rules and principles of aid, particularly those determined of the OECD Development Assistance Committee (DAC).⁵¹ In this context, traditional donors as well as various policy-makers and academicians from the developed countries blamed the new donors, especially China, for using development aid for imperialist ends. Brookes and Shin, for example, claim that, China’s rapidly expanding influence in Africa is endangering Western goals and visions for the region since China is supporting African dictatorships, hindering economic development, and exacerbating existing conflicts and human rights abuses in troubled countries.⁵² Naim labeled China’s foreign aid as “rogue aid”, suggesting, “it is non-democratic in origin and non-transparent in practice.”⁵³ Jones went even

⁴⁹ *Ibid.*, 9.

⁵⁰ *Ibid.*, 10.

⁵¹ Soyeun Kim and Kevin Gray, “Overseas Development Aid as Spatial Fix? Examining South Korea’s Africa Policy,” *Third World Quarterly* 37/4 (2016): 651.

⁵² Peter Brookes and Ji Hye Shin, “China’s Influence in Africa: Implications for the United States,” *The Heritage Foundation Backgrounder No. 1916* (2006): 1-2.

⁵³ Moses Naim, “Rogue Aid,” *Foreign Policy* (March 2007): 95-96

further and called China's aid "Sino-imperialism."⁵⁴ These criticisms may have a truth in them. It is well known that both traditional donors and the so-called emerging donors have used and continue to use aid to access resources and markets. Besides, both the traditional donors and emerging donors have supported dictator and regimes with human rights abuses for political and strategic interests. But these recent debates in the West about the imperialist intentions of the emerging donors are well-meaning, given their silence and hypocrisy on Western colonialism and imperialism. This concern for the aid practices of the so-called "rogue donors" is not a concern for the exploitation of the developing countries by these donors. But rather, this concern is directly related to the challenge that the emerging powers pose to the US-led capitalist world order. Therefore, this study tries to situate the challenge of the emerging donors in the larger context of an increasingly multipolar world. From this perspective, the role of development aid in the post-Cold War context as an instrument of intra-systemic struggle in a more multipolar world is analyzed.

1.3. Research Design

1.3.1. The General Method

This study is a qualitative analysis of official development aid. There are several quantitative descriptive studies, which are very useful in providing information on aid allocation and disbursement of donor countries as well as on the sectors, industries and countries receiving development assistance. Such quantitative studies are very important and made use of in this study. Especially, the statistical figures and the quantitative data on official development aid published by the leading development actors, such as the OECD Development Assistance Committee

⁵⁴ Mark T. Jones, "China and Africa: Colonialism Without Responsibility," *Somalilandpress*, March 20, 2011, accessed October 20, 2016. <http://www.somalilandpress.com/china-and-africa-colonialism-without-responsibility/>.

and the World Bank, are paid particular attention. Moreover, the data on the official development aid provided by the bilateral aid agencies (for instance, the annual reports of the leading bilateral aid agencies like the United States Agency for International Development and the UK Department International Development) are important sources of information for this study.

Such quantitative studies are very helpful but ultimately insufficient for critically assessing the impact of development aid or understanding what, if anything, is new about the so-called “new aid architecture.” Besides, they are not sufficient to enable us to locate development aid into a systemic framework. There are two main reasons for this: First, a quantitative analysis is not sufficient to investigate the usage of aid as a tool in the inter-systemic conflict between two different socio-economic and political models in the Cold War. A quantitative analysis provides us with the information on how much aid was given to which countries. But it requires a qualitative analysis to determine the role of development aid, for example, as a weapon against the perceived threat of spreading communism. Second, the quantitative indicators are generally restricted to measuring inputs. However, the evaluation of the impact and the outcome of development aid require a qualitative analysis. For example, according to the OECD-DAC figures, the total amount of official development aid provided by donors was all-time high in 2013 (134,8 billion USD).⁵⁵ Several quantitative studies on the OECD aid figures, which simply focused on the surface appearances, considered the 2013 official development aid amounts as a historical success. But, the very same year, the aid to the countries most in need, which are labeled by the UN as the Least Developed Countries (LDCs), fell sharply even though the overall aid was increasing.⁵⁶ In this regard, a qualitative analysis is required to investigate what lies beneath the fact that

⁵⁵ OECD, “Aid to Developing Countries Rebounds in 2013 to Reach an All-time High,” OECD Newsroom, April 8, 2014, accessed December 25, 2016, <http://www.oecd.org/newsroom/aid-to-developing-countries-rebounds-in-2013-to-reach-an-all-time-high.htm>.

⁵⁶ *Ibid.*

donors preferred to provide less aid to the least developed countries while providing more for the recipients that are relatively doing better.

This study will conduct a critical evaluation of the official documents and reports, which are influential in shaping foreign aid policy. Moreover, statements, comments and speeches related to development aid by policy makers are examined. Besides, an overview of the history of development aid is provided. However, neither the emphasis nor the contribution of this study is theoretical. The original contribution it seeks to make is empirical. It is an exploration into the actual practice of development aid both during the Cold War period and the post-Cold War years.

1.3.2. Theoretical Framework

This thesis benefits from the insights of the neo-Gramscian approach since it provides useful concepts and analytical framework for a systemic analysis of development aid in the Cold War and the post-Cold War years.⁵⁷ This study is underpinned by the view that development aid was directly related to the United States' twin goals of containment of Soviet communism and regulating the relations between the capitalist states during the Cold War. The Marshall Plan, which is the first large-scale development aid initiative in the postwar era, was one of the main instruments through which the US hegemony was established in the postwar era. As a matter of fact, Neo-Gramscian analyses of the Marshall Plan have provided some significant insights into the role that development aid played in the construction of the US-led global capitalist system. For example, Murphy noted, "the Marshall Plan provided as perfect a demonstration of Gramsci's formula for securing hegemony as

⁵⁷ Here we should remind ourselves of Uzgören's warning about employing Gramscian concepts without divorcing Gramsci from the historical materialist tradition. For details, see Elif Uzgören, "Consolidation of Neoliberalism through Political Islam and Its Limits: The Case of Turkey," *METU Studies in Development* 45 (December 2018).

you could ever find.”⁵⁸ Similarly, Cox suggested that “the Marshall Plan extended beyond influencing state policies right into the conscious shaping of the balance among social forces within states and the emerging configuration of historic blocs.”⁵⁹ It is surprising, then, that there are no in-depth neo-Gramscian studies on the role and function of development aid in the aftermath of the Marshall Plan.

This study assumes that development aid, from its beginning in the early postwar period, has played a role not only in exploitation of the aid recipient countries by donor countries, but also in ensuring the hegemony of capital over labor at the global level. Hegemony in the mainstream IR has often been used to imply leadership or dominance by one specific state based on the military and economic capabilities. Gramsci’s hegemony, on the other hand, provides a deeper understanding by “explain[ing] how legitimacy is wielded through economic and socio-cultural forms, which transform over time.”⁶⁰ Rather than seeing hegemony solely in terms of state dominance over other states, neo-Gramscian approach considers it as “a form of class rule constituted internationally in dialectical interaction among the social relations of production, the forms of state, and world order.”⁶¹ Unlike mainstream IR theory, which reduces hegemony to dominance or leadership, Neo-Gramscian approach broadens its scope. Hegemony, in this sense, is

the articulation and justification of a particular set of interests as general interests. It appears as an expression of broadly based consent,

⁵⁸ Craig N. Murphy, *International Organization and industrial Change: Global Governance since 1850* (Cambridge: Polity Press, 1994), 238 cited in Vickers, *Manipulating Hegemony: State Power, Labour and the Marshall Plan in Britain* (Basingstoke: Macmillan, 2000), 15.

⁵⁹ Robert W. Cox, *Production, Power, and World Order: Social Forces in the Making of History* (New York: Columbia University Press, 1987), 214.

⁶⁰ Owen Worth, “The Janus-like Character of Counter-hegemony: Progressive and Nationalist Responses to Neoliberalism,” *Global Society* 16/3 (2002): 298.

⁶¹ Joseph Masciulli and Mikhail A. Molchanov, “Hegemonic Power,” in *Encyclopedia of Global Studies*, ed. Helmut K. Anheier and Mark Juergensmeyer, Vol. 2 (Los Angeles: Sage Reference, 2012), 788.

manifested in the acceptance of ideas and supported by material resources and institutions, which is initially established by social-class forces occupying a leading role within a state, but is then projected outwards on a world scale.⁶²

As Worth notes, “it is the ‘general interest’ that serves as the hegemonic norm, under which norms and practices are developed and become saturated into civil society and popular culture.”⁶³ Linked to the Gramscian concept of hegemony is historical bloc, which is key for both constructing and contesting hegemony. It refers to a form of unity in aims and beliefs among various social-class forces with competing and heterogeneous interests.⁶⁴ In the postwar period, a historical bloc led by the United States emerged with the incorporation of states and societies in Western Europe (and beyond) into an anti-communist bloc organized around liberal multilateralism and liberal-capitalist policies. This study assumes that development aid played an important role in the formation of this historical bloc. In this regard, from a Neo-Gramscian point of view, the Marshall Plan and the subsequent aid programs are elaborated as attempts to create a transatlantic historical bloc under the leadership of US.

Neo-Gramscian approach pays particular attention to the role that intellectuals play in the construction and contestation of hegemony. In the functioning of hegemony, they act as social agents that communicate and spread the dominant ideology’s common sense. As far as aid is concerned, organic intellectuals, drawn from governments, business associations, academia and trade unions of the core capitalist countries, played a prominent role in the planning and implementation of aid programs. For example, experts and researchers from the anti-communist trade unions in the United States worked in cooperation with the anti-communist trade unionist in the Western European countries in the implementation of the Marshall

⁶² Adam D. Morton, *Unraveling Gramsci: Hegemony and Passive Revolution in the Global Political Economy* (London: Pluto Press, 2007), 113.

⁶³ Owen Worth, “The Janus-like Character of Counter-hegemony”, 298.

⁶⁴ Adam D. Morton, *Unravelling Gramsci*, 97-98.

Plan. Neo-Gramscian approach enables us to examine the role of aid initiatives and institutions in providing platforms for “organic intellectuals” to attract wider social forces towards the formation of a historical bloc in support of a multilaterally managed liberal world economy.

As noted in the literature review section, neoliberal critics of aid offer market mechanism as an alternative to development aid for tackling poverty, while conducting an ideological offensive to persuade us that there is no alternative way to development other than pro-market solutions. This study assumes that far from being antithetical to free market mechanisms, aid has played an important role in the US-led neoliberal restructuring process, as it did in the emergence of the preceding postwar international historical bloc under US hegemony that was characterized by the Fordist mode of capital accumulation. At this point, neo-Gramscian approach widens our focus by allowing us to progress from one-dimensional analysis (donor country–aid recipient country) to a multi-dimensional analysis on how the practices of development aid in the post-Cold War years are related to a larger hegemonic project that pursues the incorporation of the remnants of labor into the exploitative global capitalist relations at the global level. Utilizing an analytical framework derived from the neo-Gramscian approach, this thesis focuses mainly on aid’s role in securing consent for, and legitimacy to, the hegemonic project that seeks proletarianization of the poor at the global level. It aims to show aid’s role and function in the proletarianization of the global poor, which are comparatively less-emphasized and insufficiently explored by critical approaches. Here, the implication is not that aid is the only factor behind the process of proletarianization. It is one of the many mechanisms of proletarianization developed and used by various actors.

As already noted, this study assumes that development aid, from the very beginning, was directly related to the subordination of the recipient countries into the discipline of capitalism. This primary role of foreign aid was not specific to the Cold War inter-systemic rivalry and continued in the post-Cold War years. Although development aid is generally associated with the consensual aspect of hegemony, one should keep in mind that development aid was literally used as a weapon of war

against the perceived threat of communism during the Cold War. In this regard, development aid's coercive role as a strategic weapon against the perceived communism was more noticeable than its consensual role throughout the Cold War period. This situation led to the depiction of development aid simply as an instrument for geo-strategic interests and military supremacy in the struggle between two superpowers in the mainstream debates on development aid. These analyses are informed by the mainstream understanding of the Cold War as a typical great power rivalry based on military competition. Following Saull⁶⁵, this study considers the Cold War as a form of global social conflict between the rival social systems of capitalism and communism involving states and social forces other than the superpowers. From a systemic point of view, this study traces the change and continuity in aid architecture by comparing the form and essence of the aid architecture in the Cold War and in the post-Cold War years.

1.4. Chapter Outline

The remainder of this thesis is organized as follows: The second chapter starts with a discussion on the definition and measurement of aid. The size of development aid provided by donor countries is measured and reported on the basis these definitions. Despite the fact the official development assistance is based on an internationally agreed definition and its measurement is based on an agreed methodology, the debate on the appropriateness and credibility of the concept and its measurement still continues. The aim of this chapter is to examine the origins and the evolution of the concept of official development assistance (ODA) to demonstrate how the vagueness of its definition and the inconsistencies in its measurement contribute to the manipulation and inflation of aid figures and performances by donor countries.

⁶⁵ Richard Saull, *The Cold War and After: Capitalism, Revolution and Superpower Politics* (London: Pluto, 2007).

The third chapter focuses on development aid during the different phases of the Cold War era. It points out how the changes in the development paradigm in different phases of the Cold War affected aid policies. The Marshall Plan, as the first large-scale development aid initiative in the postwar era, is paid particular attention. Officially known as the European Recovery Program, the Marshall Plan has laid the foundations of the postwar aid architecture. Most analyses of the Marshall Plan focus on its unique success and the inspiration that it provided as a “success story” for the subsequent aid programs. This chapter, following Wood⁶⁶, offers a reinterpretation of the Marshall Plan, suggesting that it is limited neither to Europe nor to recovery. Accordingly, the Marshall Plan is evaluated not simply in terms of the quantity and quality of aid provided to Europe, but rather in terms of its attempt to create a US-led multilateral international economy. During the Cold War, development aid was directly related to the United States’ twin objectives of regulating the relations among the capitalist states and containment of communism. Development aid’s coercive role in the containment of communism was much more noticeable than its consensual role in the construction of the US-led global capitalist economy, especially when the Cold War rivalry intensified and the revolutionary movements in the Third World triggered geopolitical crises involving the superpowers. In this regard, this chapter focuses on how military and aid policy were merged and provides an overview of the militarization of aid in the Cold War period. This overview is also intended to provide points of comparisons for the new forms that aid has taken in the post-Cold War years. Although the militarization of aid is a very important aspect of the Cold War aid architecture, development aid was not limited to being simply an instrument for military ends. The third chapter attempts to overcome the reduction of aid to an instrument for military or strategic goals by locating aid into a wider and global systemic struggle. This also requires going beyond the mainstream theories of the Cold War that play down the socio-economic dimension of the Cold War and depict it as a typical great power conflict based on

⁶⁶ Wood, *From Marshall Plan to Debt Crisis*.

military competition. Having this in mind, this chapter seeks to build on the systemic approaches to the Cold War that integrate the geopolitical conflict with the social and economic dimensions of the Cold War. The objective is to highlight aid's role in a wider and global inter-systemic struggle concerning the organization of social and economic life.

The fourth chapter focuses on the so-called “new aid architecture” in the post-Cold War years. The first section of the chapter explores what, if anything, is new about this “new architecture of aid” and traces the change and continuity by comparing the form and essence of the aid architecture in the Cold War and in the post-Cold War years. In seeking to understand the emergence of the so-called “new aid architecture” in the post-Cold War era, this chapter is designed to explore whether and how aid has played a role in promoting proletarianization and capitalist competitiveness at the global level in the post-Cold War era. To this end, it first analyzes the relevance of aid to the hegemonic project that pursues the incorporation of the remnants of labor into the exploitative global capitalist relations at the global level. It then focuses on the role of aid in transforming social and industrial relations to promote the competitiveness not only of aid recipient countries, but also of the global capitalist system. In this respect, it is to pay particular attention to the so-called global value chains.

The fifth chapter focuses on the growing number and importance of new actors of development cooperation, namely the “emerging” donors.” The advent of the emerging donors (or the Southern providers) has profoundly disrupted the logic of the traditional development cooperation agenda, based on a clear division between developed and developing, donor and recipient countries. Much has been written in recent years about the rise of these “new actors” in the development aid landscape, challenging the traditional global aid architecture, which has mainly been framed by Western perceptions, strategies and practices. Among others, China as an emerging donor undertook some significant and high-profile interventions in the area of development aid in the last two decades. Therefore, while analyzing the role of emerging donors in this so-called new aid architecture, China's development

assistance is the main focus of this chapter. The main assumption here is that the recent growth of emerging donors cannot be disassociated from the broader global trend of economic weight shifting to the East, and the growing role of regional economic powers. From a systemic point of view, the chapter aims to locate the post-Cold War development aid into a framework of intra-systemic rivalry among major powers in an increasingly multipolar world. The chapter will try to situate the China's "global aid offensive" in the larger context of an increasingly multipolar world. The aim here is to examine whether new aid donors and modalities, the Chinese economic and technical cooperation in particular, are a manifestation of the emergence of a counter-hegemonic bloc, or a manifestation of the frictions and tensions within the neoliberal historical bloc.

The sixth chapter attempts to analyze the quantitative data on aid flows provided by the traditional donors and China in particular. The purpose of the chapter is to complement qualitative critique of aid with a quantitative review and to provide insights on the level of development assistance provided to recipient countries. The most comprehensive source of data on official development assistance is provided by the OECD-DAC. Based on the OECD-DAC database, this chapter will critically review the sectorial and geographical breakdown of aid for different recipients, donors and sectors.

In the final chapter, all these discussions on the "old" and "new" aid architecture are related to a more general discussion, which critically questions the purpose and effectiveness of poverty reduction-oriented aid strategies in capitalist system.

CHAPTER 2

DEVELOPMENT AID: DEFINITIONS AND ACTORS

2.1. Introduction

The official development assistance (ODA) has an internationally agreed definition and its measurement has been based on a standard methodology for almost 50 years. However, work on aid terminology, and the debate on the appropriateness and credibility of the concept still continue.

The size of development aid provided by donor countries is calculated based on various definitions. Since these definitions, especially the definition of official development assistance, have immense significance for the assessment and measurement of aid figures and performances, this chapter starts with descriptions of the important concepts in development aid. In this respect, the origins and the evolution of the concept of official development assistance (ODA) is critically examined in order to show how the vagueness of its definition and the inconsistencies in its measurement contribute to the manipulation and exaggeration of aid figures and performances by donor countries.

2.2. The Definition and Measurement of Official Development Aid: Ambiguities and Inconsistencies

The definition of ODA and the related concepts are largely donor-driven; they are based on consensus reached by the like-minded donor countries. These definitions have not been contested by the recipient countries and it has always been the donor countries that have always decided how development aid should be

defined, how much aid should be given and the form in which it is to be given.⁶⁷ The most comprehensive work undertaken to develop definitions of what constitutes foreign aid (what counts as aid and what does not) has been led by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD). The OECD originated as the Organization for European Economic Cooperation (OEEC), which was formed in 1948 to administer American aid under the Marshall Plan for the reconstruction of Europe after the Second World War. The OEEC was reorganized into the OECD in 1961. Established from very early on under the OECD's umbrella was the Development Assistance Committee (DAC), which was a forum for donors on aid-related issues. Originally conceived as the Development Assistance Group⁶⁸ in 1960, the Committee has played a very important role in aid-related institutional developments, which have laid the foundation for the current aid system. The DAC currently has 30 members⁶⁹ that commit to use the DAC guidelines and reference documents in formulating development cooperation policies. The OECD-DAC does not provide aid but seeks to harmonize development aid policies of its members. Its actions have focused on monitoring, assessing and reporting the provision of official development assistance. Even though the United Nation's specialized agencies, the International Monetary Fund and the World Bank are also engaged in this work, the DAC has been the primary forum in building consensus among donors about basic definitions and statistical norms of development assistance.

⁶⁷ Roger Riddell, *Does Foreign Aid Really Work?* (Oxford: Oxford University Press, 2008), 18.

⁶⁸ DAG members in 1960 were Belgium, Canada, France, Germany, Italy, Portugal, the United Kingdom, the United States, the Commission of the European Economic Community, Japan, and the Netherlands.

⁶⁹ Australia, Austria, Belgium, Canada, Czech Republic, Denmark, European Union, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Republic of Korea, Luxembourg, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, United Kingdom, and the United States. Members of the OECD that are not members of the DAC, but have full observer status and participate in DAC meetings are Chile, Estonia, Israel, Latvia, Mexico, and Turkey. The World Bank, IMF, UNDP, the African Development Bank, and the Inter-American Development Bank participate as observers in the OECD-DAC meetings.

While the United States remained the biggest provider of foreign aid in the Cold War period, development aid was institutionalized more generally with the creation of OECD. The DAC's collection of statistics on resource flows to developing countries has its origins in US-inspired attempts to share the burden of development assistance.⁷⁰ The DAC has been measuring financial flows from its members to developing countries since 1961. The first comprehensive survey of flows of financial resources to developing countries, titled as *The Flow of Financial Resources to Countries in Course of Economic Development*, was published in March 1961, and covered the period 1956-59.⁷¹ It was followed by annual reports and time series were collected from 1961 onward for aggregate flows and from 1973 for country level activities.⁷² Initially, the OECD-DAC member states (donors) simply reported any financial flow or physical flow (goods and services) to developing countries as aid, which seemed to be based on the understanding that whatever comes from them must always be useful for the development efforts of the poor countries. Almost any flows from the developed countries to the developing countries, including grants, loans, export credits, private investments and other sources of private finance were all considered as aid without distinction. The OECD-DAC defined in 1962 that aid should cover⁷³:

- All loans and investments by the private sector, for a period longer than 1 year
- Loans by the public sector, for a period longer than 1 year

⁷⁰ William Hynes and Simon Scott, *The Evolution of Official Development Assistance* (Paris: OECD Publishing, 2013), 3.

⁷¹ Helmut Führer, *A History of the Development Assistance Committee and the Development Cooperation Directorate in dates, names and figures* (Paris: Organisation for Economic Cooperation and Development, 1996), 9.

⁷² Philippe Le Houreou, Akihiko Nishio, and Gaiv Tata, "Aid Architecture: An Overview of the Main Trends in Official Development Assistance Flows," World Bank, May 1, 2008, accessed December 21, 2017, <http://documents.worldbank.org/curated/en/688091468134712330/Aid-architecture-an-overview-of-the-main-trends-in-official-development-assistance-flows>.

⁷³ Gerard Van Bilzen, *The Development of Aid* (Newcastle upon Tyne: Cambridge Scholars Publishing, 2015), 2.

- Grants by the public sector
- War compensation payments
- Loan consolidations
- Export credits
- Net contributions to multilateral organizations

The OECD-DAC's equation of development aid with all kinds of flows, including the non-developmental commercial loans, had its critics as early as 1960s. For example, Myrdal criticized the OECD's aid recordings in the 1960s, pointing at the regularly and systematically blurred distinction between official development assistance and commercial flows in the official OECD-DAC statistics. He stated that the DAC's aid statistics included private flows to the developing countries, which are indeed business transactions that would have never been considered as aid when made between developed countries.⁷⁴ He examined the aid figures and statistics published by the DAC during 1960s and suggested that they suffer from a definitional ambiguity that can be misleading for the researchers:

The first thing to note is that in the table headings DAC secretariat uses the terms "the flows of financial resources." It is legitimate to assume that this term is chosen in order not to have to exclude items that have no aid element, particularly private investments and credits. The fine point that DAC statistics record all sorts of "flows," whether having the character of aid or not, is regularly and systematically forgotten by persons the world over when they make use of the figures.⁷⁵

Criticizing the widespread practice of equating commercial flows with development aid by economists, politicians, journalists and international organizations, Myrdal pointed out that the DAC did "little or nothing to prevent this opportunistic misuse of the figures."⁷⁶ He argued that the ambiguity surrounding the

⁷⁴ Gunnar Myrdal, *The Challenge of World Poverty: A World Anti-Poverty Program in Outline* (London: Penguin Books, 1970), 317.

⁷⁵ *Ibid.*, 316.

⁷⁶ *Ibid.*

definition of aid was created and maintained on purpose by the OECD- DAC to make the amount of aid seem more than it really was.

In the face of such criticisms, one of its first challenges of the OECD-DAC was to produce agreement on requirements for financial flows to be considered as foreign aid. In 1968, the DAC established an *Ad Hoc Group on Statistical Problems* to elaborate the concept of official development assistance and to define the official concessional element of resource flows for development.⁷⁷ By 1969 the standardization of terminology was almost complete, including a qualitative and quantitative definition of official development assistance. The definition was further elaborated in 1972, adding a more clear definition of “grant element” and replacing the previous term “social development” with “welfare.” Finally, ODA was defined as grants or loans to countries on *the DAC List of ODA Recipients* and to multilateral institutions undertaken by the official sector, administered with the promotion of economic development and welfare of developing countries as the main objective, and are concessional in character having a grant element of at least 25 per cent (calculated at a rate of discount of 10%).⁷⁸

This definition has remained valid to date and ODA has become the measure used in all assessments of aid performances. The OECD-DAC’s definition includes both qualitative and quantitative components. A flow must fulfill the following four criteria to be considered as ODA: 1) it must be provided by the official sector; 2) the recipient country must be on the OECD-DAC’s list, 3) it must have the purpose of promoting economic development, 4) it must be concessional with a minimum 25 percent grant element.⁷⁹ In addition to being provided by an official source and having a grant element, “intention” seems to be an important component of the definition of ODA. The OECD-DAC considers a grant or loan as development

⁷⁷ OECD, *Measuring Aid: 50 Years of DAC Statistics*, booklet, April 2011, accessed March 24, 2016, <https://www.oecd.org/dac/stats/documentupload/MeasuringAid50yearsDACStats.pdf>

⁷⁸ OECD, *OECD Glossary of Statistical Terms* (Paris: OECD, 2007).

⁷⁹ *Ibid.*

assistance if the promotion of welfare and development is its “main objective.” According to the OECD definition, then, a donor’s declared intention of promoting development is enough to define an activity or financial flow as development aid, even if it fails to increase the welfare or inflicts damage to a recipient country. The OECD-DAC’s official aid figures simply reflect the amount of aid provided by the donors with the intention of promoting development, but they do not say much about its impact on the recipient country. Indeed, the success or failure of aid does not seem to matter at all, the declared intention suffices. Riddell attracts attention to the problems arising from this purpose-based criterion:

A key problem with purpose-based definitions is that purpose is a very slippery concept, the meaning of which is open to a wide variety of interpretations. Who is to judge whether a particular form or type of aid is intended to contribute to development, and what criteria should be used to judge whether the purpose-based criteria are met? If aid is provided in part to contribute to development and human welfare and in part to achieve other purposes-political, strategic or commercial-then how should these mixed-purpose transfers be treated?⁸⁰

Riddell seems to have a point, given the fact that there is a wide disagreement on what economic development means, and there is more disagreement on how it can be achieved - even among those like-minded donor countries of the OECD-DAC. Besides, if all resource flows, which were provided with the intention of promoting economic development, are counted and reported as ODA then the implication would be that aid always fulfills its developmental objectives and never fails. For example, quantitative aid data might include construction of a hospital worth millions of USD in an African country. However, it does not tell whether it operates effectively, or it has sufficient medical equipment and qualified doctors. In fact, it does not even tell whether hospital is operational or not.

By contrast, compared to having development “as the main objective,” the minimum grant element seems like a more objective criterion at first glance.

⁸⁰ Riddell, *Does Foreign Aid Really Work*, 20.

However, this criterion is also problematic. Most ODA is provided in the form of grants. Nonetheless, concessional loans – loans provided on favorable terms to developing countries – also occupy an important space in aid statistics. A concessional loan has a lower interest rate than the market rates, a relatively long maturity and an initial grace period during which no repayments are made. According to the OECD definition, a loan from the official sector is counted as ODA if the grant element is at least 25 per cent. In the ODA figures, any loans with a grant element of over 25 per cent are fully reported in the ODA figures in their entirety and the repayments on loans in the following years are subtracted from ODA.⁸¹ All concessional loans meeting the minimum 25% grant element requirement – whether it is 26% or 99% – are treated equally in the current reporting system and the full loan amount is reported as ODA. One might argue that these figures are consequently corrected when the repayments on loans in the following years are subtracted from ODA. Principal repayments are subtracted from gross ODA loans once they are made by the recipients. However, this measure, according to current OECD directives, does not consider the interest repayments, which are not subtracted from net ODA. This means that, in practice, a significant amount of money paid from the developing countries to the donors in the form of interest payments on ODA loans is ignored in the ODA statistics. The fact that interest repayments are not deducted from gross ODA loans overstates the net value of ODA resources transferred to recipient countries. According to a study carried out in 2013 by an independent research group, “if interest repayments are considered, the net resource flows associated with global ODA are approximately \$ 5 billion per annum lower than the reported total net ODA figure suggests.”⁸²

⁸¹ The OECD -DAC is changing these rules on how donor lending is counted as aid. In future, only the grant element rather than full value of the loan will be counted as official development assistance and repayments will no longer be subtracted from donors' ODA. In addition, there will be new thresholds for lower- and middle-income countries to determine which loans count as ODA. These rules were proposed in 2014 and are due to be in full force by 2018.

⁸² Rob Tew, “ODA Loans: ITEP Discussion Paper,” April 2013, accessed April 14, 2016, <http://devinit.org/wp-content/uploads/2013/08/ODA-loans-discussion-paper-v1.0-2.pdf>.

Another important problem related to the grant element is the 10 percent discount rate that is used to calculate it. To assess the grant element of a loan, the present value of a loan provided, as aid must be compared with the present value of a loan with 10 percent interest rate. This 10 percent is a conventional figure used as an approximation of the donor's opportunity cost of lending the money rather than investing it. The difference between the two present values must be at least 25 percent for the loan to qualify as ODA. However, discount rate of 10 percent, which was set in the 1970s at a time of higher market interest rates, no longer reflects a donor's real opportunity cost of lending in an environment characterized by much lower interest rates since the 2000s, especially in the aftermath of the global financial crisis in 2008. In real market conditions characterized by lower interest rates, 10 percent discount rate enables a donor to report the loans made from market-raised funds, on which a profit could be made, as ODA. In the low interest rate environment of the early 2000s, a donor could easily borrow a long-term loan at very low interest rates, re-lend to the recipient countries at several percent higher rate, and made profit while still meeting a grant element exceeding 25% when discounting at 10 percent per year.⁸³ In face of criticisms against an arbitrary 10% discount rate, which was too high in a global low interest environment, the chair of the OECD-DAC suggested revising the discount rate in 2003 and 2004 annual High Level Meeting of the DAC. This proposal did not reach a consensus and was rejected by the donor countries. The discussion disappeared for a while as interest rates rose again but came back on the agenda in 2008 when rates fell sharply due to the financial crisis. In this period, the concessionality definition of the OECD-DAC was again unable to prevent mixed lending practices from donors that reported profitable loans as ODA. In 2013, the OECD stated that three DAC members - European Union, Germany and France- included in their ODA reporting vast

⁸³ David Roodman, "Straightening the Measuring Stick: A 14-Point Plan for Reforming the Definition of Official Development Assistance (ODA). CGD Policy Paper 44," June 2014, accessed October 2016, <http://www.cgdev.org/publication/straightening-measuring-stick-14-point-plan-reforming-definition-official-development>.

amounts of profitable loans that should not have been considered as concessional.⁸⁴ Moreover, it was noted that these loans were mainly used by middle-income countries to which the World Bank provides loans only on non-concessional loans. Through this practice a major inconsistency has been introduced in DAC statistics, since loans provided by multilateral and bilateral donors at similar terms to the same recipient country were treated differently.

From a discussion between the DAC Secretariat and the above-mentioned donor countries (France, Germany and the EU), the debate broadened in 2012 to include all DAC members.⁸⁵ There were different views on the interpretation of concessionality and the consensus was not reached on how to revise the discount rate. Consequently, members asked the DAC Secretariat to facilitate the debate and to “establish, as soon as possible, and at the latest by 2015, a clear, quantitative definition of concessional in character, in line with prevailing market conditions.”⁸⁶ In the meantime, the donors reached a transitional compromise until the revised definition of concessionality is agreed upon by 2015. In this compromise, the DAC Secretariat, rather than imposing a uniform standard, acknowledged differences of interpretations among members about “concessional in character” and allowed different donors’ aid practices being assessed by different standards that were defined by the donors themselves. This led to another inconsistency, where the same loan could be reported as aid when provided by Germany and not aid when provided by France.

As a response to the donors’ request, the OECD-DAC secretariat proposed a system for calculating grant element in 2014. According to the new system, only the grant element rather than full value of the loan will be counted as official

⁸⁴ OECD, “Note on the treatment of loan concessionality in DAC statistics,” OECD, accessed November 19, 2017, <http://www.oecd.org/dac/stats/concessionality-note.htm>.

⁸⁵ Stephanie Colin, “A Matter of High Interest,” January 2014, accessed November 19, 2017, <http://www.eurodad.org/amatterofhighinterest>.

⁸⁶ OECD, “Options on Concessional,” May 27, 2014, accessed November 12, 2016, <http://www.oecd.org/dac/stats/documentupload/DCD-DAC%282014%2929-ENG.pdf>.

development assistance in future. In addition, 10% discount rate used in the calculation of grant element will be replaced by three discount rates, differentiated according to the recipient country's income category.⁸⁷ The new system was in force starting with 2015 aid flows. During a three-year transition period both the new and current system will be run in parallel and the new system will become the standard for reporting from 2018 on. It means that as of 2018 loans will be reported according to the new rules, but this will not have an impact on figures until then. The DAC claims that the changes brought by the new system “conveys a fairer picture of provider effort” and “strengthen the integrity of DAC statistics and the transparency of development cooperation.”⁸⁸ However, one should keep in mind that these changes were made after it was noted that France, Germany and the European Union had reported huge amounts of “concessional” loans at interest rates above their own borrowing costs.⁸⁹

So far, the OECD-DAC has allowed large volumes of loans to be reported as ODA even though they did not meet the requirements of the existing definition of ODA. Besides, it has also allowed donors to use different practices in reporting their loans, instead of providing a uniform standard. Then, it came up with a new system of grant element calculation, claiming that it will provide a fairer picture of aid efforts. At this point, a question arises as to what prevented the OECD-DAC from

⁸⁷ For the details, see Agence France Trésor, “The New Rules for Official Development Assistance Loans,” March 2016, accessed April 19, 2017, <https://www.tresor.economie.gouv.fr/Ressources/File/423394>. As already noted, the threshold for ODA eligibility was set at a grant element of 25%. But, under the new system that is supposed to be in full force in 2018, loans to the least developed countries (LDCs) and other low income countries (LICs) must reach a grant element of at least 45% to be reportable as ODA, while lower middle-income countries (LMICs) will require only a minimum 15% grant element and upper middle-income countries (UMICs) a minimum 10% grant element. Besides, the discount rate will be determined by the donors' financing terms, as measured by the reference rate applied in the IMF debt sustainability and debt limits, plus a risk premium set in accordance with the recipient country's category: 1% for UMICs, 2% for LMICs, and 4% for LDCs and LICs.

⁸⁸ OECD, “Why Modernise Official Development Assistance? - OECD,” July 2015, accessed September 10, 2016, <http://www.oecd.org/dac/financing-sustainable-development/Addis%20flyer%20-%20ODA.pdf>.

⁸⁹ OECD, “Note on the treatment of loan concessionality in DAC statistics.”

providing a “fair picture” of donor efforts in the first place. The DAC is silent as to why the current reporting system was allowed to provide a “less fair” picture of donor effort for so long. As a matter of fact, the DAC avoids taking responsibility for allowing the inconsistent reporting practices across donors in the current system, simply stating that the revised system will provide solution to these inconsistencies in the current system. In other words, The OECD-DAC presents itself as part of the solution to the problems it has created over the years by turning a blind eye to the inconsistent ODA reporting practices of the different donors. Despite these recent attempts to make improvements in the reporting system, the practice of reporting profitable commercial loans as ODA widely continues.

To clarify the ambiguities associated with the activities to be considered as ODA, the OECD-DAC has established ODA reporting guidelines that defines in detail what qualifies as ODA and what does not. It is a set of reporting directives against which all the OECD-DAC members report annually. According to the OECD-DAC statistical reporting directives, the DAC members have agreed to the following limits on ODA reporting to reduce the scope for subjective interpretations and promote comparable reporting⁹⁰:

- Provision of weapons and military equipment including the forgiveness of debts arising from military purposes, are not reportable as ODA.
- In line with the exclusion of military costs, expenses related to peacekeeping operations are not reportable as ODA. However, expenses for some developmental activities within the framework of peacekeeping operations are counted as ODA.
- Financial and in-kind support to the recipient’s police force, paramilitary operations or intelligence service operations are not reportable as ODA. However, expenditure on police training is reportable as ODA.

⁹⁰ OECD, “Is It ODA?-Fact Sheet,” November 2008 , accessed February 01, 2016, <https://www.oecd.org/dac/stats/34086975.pdf>.

- Assistance to refugees in developing countries is counted as ODA. Assistance to refugees in donor countries coming from developing countries is only reportable as ODA during the first 12 months of their stay.
- Scientific research, which is directly related to the problems of developing countries, is counted as ODA.

Although these limitations were meant to prevent subjective interpretations of ODA, the OECD have repeatedly admitted in recent years that “while the definition of official development assistance (ODA) has not changed since 1972, some changes in interpretation have tended to broaden the scope of the concept.”⁹¹ The OECD-DAC members have constantly sought to broaden the definition of ODA after the establishment of the internationally agreed definition. Since 1972, the OECD-DAC members have agreed to include the following expenditures as ODA in their reporting to the DAC⁹²:

- administrative costs of managing aid flows (since 1979)
- implicit subsidies of tuition costs of students from developing countries studying in donor countries (since 1984)
- assistance provided to refugees during the first year after their arrival in the donor country (eligible to be reported as of the early 1980s but widely used since 1991)
- the ODA-eligible component of bilateral contributions to peacekeeping (since 1994)
- six defined items of expenditure in the fields of conflict, peace and security (since 2004)
- 6% of DAC members’ multilateral contributions to UN peacekeeping (since 2007)

⁹¹ OECD, *Development Cooperation Report 2016: The Sustainable Development Goals as Business Opportunities* (Paris: OECD Publishing, 2016), 305.

⁹² *Ibid.*

Even though the establishment of limitations on the internationally agreed definition and standardization of reporting methods seemed to provide a solution to the confusion of aid with other types of financial transfers, the uncertainty over what constitutes ODA have increasingly continued to this day. In 1990, the World Bank stated, “many ‘aid’ programs in donor countries cover an assortment of activities (including commercial and strategic initiatives) which often have, at best, a tenuous connection with development.”⁹³ It also noted that the definition of ODA excludes military assistance but “the borderline is sometimes blurred; the definition used by the country of origin usually prevails.”⁹⁴

As a matter of fact, the distinction between development aid and military aid has always been clouded since the early postwar period. Furthermore, as development aid has become more integrated into military initiatives, it has become harder to determine what counts as development or military aid. Before the DAC defined the terms of aid more precisely, the supply of military equipment and services had been widely reported as ODA. As will be shown in detail in the following sections, the United States always included military aid in the 1950s and 1960s in its development aid figures. In an equivalent manner, Japan, for example, regarded the war reparation payments to some Southeastern countries as the beginning of its aid program in the 1950s.⁹⁵ But even though the internationally agreed definition clearly excluded military aid, the practice of reporting military aid as ODA continued even afterwards. For example, the USA included substantial

⁹³ World Bank, *World Development Report 1990: Poverty* (New York: Published for the World Bank, Oxford University Press, 1990), 127.

⁹⁴ *Ibid.*, 253.

⁹⁵ Ministry of Foreign Affairs of Japan’s website suggests that the historical background of Japan’s financial assistance starting as providing reparations and economic cooperation in tandem therewith to Asian countries. For details, see Ministry of Foreign Affairs of Japan, *Japan’s ODA: Accomplishment and Progress of 50 Years*, accessed November 20, 2016, <http://www.mofa.go.jp/policy/oda/cooperation/anniv50/pamphlet/progress1.html>.

amounts of military debt cancellations in its ODA statistics in 1990.⁹⁶ From 1990 to 1992, military debt forgiveness remained reportable as ODA by the donor countries but was excluded from the OECD-DAC total. However, the OECD's annual Development Cooperation Report, which was published in 1992, declared that military debt forgiveness would be excluded from the ODA reports in the following years, while the forgiveness of other non-ODA loans (mainly export credits) would continue to be recorded as ODA. The report also stated that the DAC members considered forgiveness of military debt and of export credits as equally important in terms of their economic effects and contribution to development, but they decided not to report military debt cancellations as ODA "in deference to concerns expressed over public opinion impacts."⁹⁷ In other words, the DAC members recognized military debt cancellation as ODA, but agreed not to include them in ODA figures due to public opinion concerns. While the DAC excludes the military aid from the definition of ODA, its approach to the issue of military debt forgiveness is illustrative of the blurred distinction between military and development aid.

The problem of distinguishing development aid from military aid is further complicated by the issue of fungibility. Aid fungibility can be defined as the reallocation of aid funds provided for a specific purpose to other projects and programs, whether they are development-related or not. The inflow of development aid funds may provide the recipient with the opportunity to switch its own resources to a range of non-developmental projects and activities, including the ones for military purposes. For example, a recipient government may ask a donor to finance health or education sector to free up its own resources to buy military equipment. As a result, what counts as development aid may indirectly contribute to the provision of military equipment and services. Similarly, providing military aid may also provide the recipient with the opportunity to divert its resources to the other sectors.

⁹⁶ Kunibert Raffer and Hans Wolfgang Singer, *The Economic North-South Divide: Six Decades of Unequal Development* (Cheltenham: Elgar, 2001), 91.

⁹⁷ *Ibid.*

Fungibility has always been an important aspect of postwar aid architecture since the early postwar period. For example, in his account of the military aid to Turkey under the Truman Doctrine in 1947, Joseph Jones notes that “...Turkey was in dilemma between financing her defenses and strengthening her economy, and both were sorely needed. It was there decided to supply military rather than economic aid to Turkey, in the knowledge that, if helped with the military burden, Turkey could probably qualify, with some delay, for large scale economic reconstructions loans from the World Bank and the Export-Import Bank.”⁹⁸ Jones’ account on the subject clearly shows that donor countries took advantage of aid fungibility from the early days of postwar aid and the distinction between military aid and development aid was treated as artificial.⁹⁹

The attempts to merge military and development aid increasingly continue. Most recently, in the OECD Development Assistance Committee High-Level Meeting in February 2016, the OECD-DAC members agreed to include more military and security-related costs as ODA. In the Communique that was published after the meeting, it was stated that “development, human rights, and peace and security are indivisible and interrelated” and the OECD-DAC members agreed to “update and modernize” the ODA reporting directives regarding activities involving the military and the police as well as activities preventing violent extremism.¹⁰⁰ The activities that can be reported as ODA include capacity building for security institutions for the prevention of extremist or terrorist threats, training of partner country military personnel with a developmental purpose, financing to support non-routine civil policing functions such as training in the safety, security and storage of lethal weapons. The Communique suggests that when assessing the ODA eligibility

⁹⁸ Joseph Marion Jones, *The Fifteen Weeks: February 21 - June 5, 1947*. (New York: Harcourt, Brace and World, 1955), 162.

⁹⁹ Robert E. Wood, *From Marshall Plan to Debt Crisis: Foreign Aid and Development Choices in the World Economy* (Berkeley, CA: University of California Press, 1986), 11.

¹⁰⁰OECD, “OECD DAC High Level Meeting Communique 2016,” accessed April 20, 2017, <https://www.oecd.org/dac/DAC-HLM-Communique-2016.pdf>.

of security-related activities, their purpose must be considered. Accordingly, military and security-related aid can be reported as ODA if “their primary purpose is developmental.”¹⁰¹ Here, the OECD-DAC once more uses a purpose-based definition to distinguish the ODA eligible component of military aid from the non-ODA eligible component. Military aid is assessed, not in terms of its impact, but in terms of a donor’s intention. The Communique repeatedly notes that military aid is excluded from ODA and only a limited number of military and security-related activities that contribute to development services and benefit civilians will be ODA-eligible. However, there are no mechanisms to oversee whether the military aid really benefits civilians and carried out for developmental purposes. For example, there are no mechanisms to ensure that security forces of a recipient government, which are provided by a donor country with military equipment and training for preventing violent extremism, will not use these equipment and skills against non-violent civil opposition groups in their country. As a matter of fact, given the OECD criteria, there is no logical reason not to consider military activities as ODA-eligible if security forces shoot or kill with the intention of promoting development.¹⁰²

So far, it has been argued that the borderline between the other types of aid (military and commercial) and ODA has always been blurred from the very beginning. Besides, the broadening of the scope of the internationally agreed definition of ODA has allowed various activities and expenditures to be subsumed under ODA in the following years, although their contribution to economic development is dubious. By blurring the distinction between diverse types of aid and labeling more and more field of activity as ODA, donor countries have reported higher amount of ODA than they have provided under the internationally agreed definition. The OECD recognizes that changes in the interpretation have broadened

¹⁰¹ *Ibid.*

¹⁰² Kunibert Raffer, *Debt Management for Development: Protection of the Poor and the Millennium Development Goals* (Cheltenham: Edward Elgar, 2010), 245.

the scope of ODA substantially but refuses to specify the quantitative impact of broadening quoting the difficulties with data collection and coverage as an excuse:

Precise quantification of the effects of these changes [in the interpretation of ODA] is difficult because changes in data collection methodology and coverage are often not directly apparent from members' statistical returns. The amounts involved can, however, be substantial.¹⁰³

The explanation that the DAC provides for its failure to track and quantify “substantial” amounts of money is the inadequate quality of the statistical returns from the donor countries. This casts severe doubts on the quality and the consistency of the aid figures published by the OECD-DAC. At this point, it is difficult to understand why the OECD-DAC regularly collects and publishes the aid figures that the donor countries provide if the quality of the statistical returns from the donors were so poor. Broadening has obviously and increasingly inflated ODA even though the OECD-DAC refuses to specify the quantitative impacts of broadening. For example, according to Raffer's calculations, ODA flows between 1992 and 1994 would have been more than 40 percent lower if the internationally agreed definition of ODA had been strictly applied by the OECD-DAC.¹⁰⁴

As already indicated, The OECD-DAC members have boosted aid statistics by expanding the coverage of ODA with the activities that have doubtful or no noticeable developmental impact. But, even more problematic is the fact that many donor countries are misreporting ODA that they provide by including costs and transfers that should not be counted as ODA under the existing OECD guidelines. While the OECD aid statistics have been inflated due to broadening of the scope of the concept, it is further inflated due to misreporting. A recent study by Concorde, the European NGO Confederation for Relief and Development, documents that

¹⁰³ OECD, *Development Cooperation Report 2016: The sustainable development goals as business opportunities* (Paris: OECD Publishing, 2016), 305.

¹⁰⁴ Kunibert Raffer and Hans Wolfgang Singer, *The Economic North-South Divide: Six Decades of Unequal Development* (Cheltenham: Elgar, 2001, 91), 86-87.

some of the expenditures EU countries report as aid do not translate into a transfer of resources to developing countries.¹⁰⁵ In fact, some of these activities that are reported as ODA could be considered as inhumane, let alone being developmental. For instance, Spain reports as ODA the costs of supporting and equipping security forces in transit countries to keep the refugees away from its borders.¹⁰⁶ The Spanish aid is spent on helping transit countries patrol their land borders and forming barriers to the routes of migration in Africa.¹⁰⁷ The police forces in the transit countries such as Morocco, Mauritania and Senegal are provided with equipment and training to detect and stop migrants before they reach European countries.¹⁰⁸ In a similar manner, Malta has reported as ODA the money that it spent to build migrant detention centers, where the migrants are held under bad conditions.¹⁰⁹ These expenditures on security precautions against refugees should not have been reported as ODA according to the OECD directives on reporting refugee costs, which clearly states that “policing and border patrol at entry points, transit routes or accommodation centers” are non-ODA eligible.¹¹⁰ The practice of reporting the security related expenditures as ODA leads to further subordination of development

¹⁰⁵ Javier Pereira and Dorota Sienkiewicz, *Concord Aidwatch 2015*, November 25, 2015, accessed March 20, 2016, <http://library.concordeurope.org/record/1567/files/DEEEP-REPORT-2015-086.pdf>;

Rebekah Webb, Karen Hoehn, and Sibylle Keonig, *Concorde Aidwatch Report 2016*, October 26, 2016, accessed November 30, 2016, http://concordeurope.org/wpcontent/uploads/2016/10/CONCORD_AidWatch_Report_2016

¹⁰⁶ Pereira and Sienkiewicz, *Concord Aidwatch 2015*, 18.

¹⁰⁷ The Economist, "How Spain Deals with Migrants - Forward Defence," *The Economist*, October 15, 2015, accessed February 12, 2016, <https://www.economist.com/news/europe/21674726-what-other-europeans-can-learn-spanish-efforts-limit-illegal-migration-forward-defence>

¹⁰⁸ *Ibid.*

¹⁰⁹ Pereira and Sienkiewicz, *Concord Aidwatch 2015*, 19.

¹¹⁰ OECD, "Clarifications to the Statistical Reporting Directives on In-Donor Refugee Costs," October 31, 2017, accessed November 11, 2017, [http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/DAC\(2017\)35/FIN/AL&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/DAC(2017)35/FIN/AL&docLanguage=En).

aid to security and military objectives, while inflating the amount of aid provided by the donors. According to Concorde's calculations, which are based on the figures in the OECD database, the EU member states and the European institutions inflated their aid flows €7.1 billion in 2014 and almost €10.5 billion in 2015.¹¹¹

The concept of official development assistance has been further eroded when the OECD proposed a new concept to measure development aid in support of the 2030 Agenda for Sustainable Development, which replaced the Millennium Development Goals in September 2015.¹¹² This new international statistical measure that is currently being developed by the OECD is called Total Official Support for Sustainable Development (TOSSD). The stated purpose of TOSSD is to measure flows and activities that could be considered developmental but are not currently captured in official development assistance. In 2014, OECD-DAC ministers agreed that the measure of total official support for sustainable development would “potentially cover the totality of resource flows extended to developing countries and multilateral institutions in support of sustainable development and originating from official sources and interventions, regardless of the types of instruments used and associated terms, including both concessional and non-concessional financing provided through various instruments.” TOSSD, while still under construction, seeks to capture both concessional and non-concessional resources and thus includes both ODA and the resources that are made available to the developing countries by private sector. In the discussions on the proposed measure of TOSSD, official development assistance has been questioned with respect to whether it properly reflects the full measure of resources provided by the donors for development efforts in the developing countries. While the debates on the relevance and credibility of ODA in measuring developmental efforts continue, surprisingly, the harshest

¹¹¹ Pereira and Sienkiewicz, *Concord Aidwatch 2015*, 15; Webb, Hoehn, and Keonig, *Concord Aidwatch Report 2016*, 12.

¹¹² The Sustainable Development Goals (SDGs), officially known as The 2030 Agenda for Sustainable Development, is a set of 17 global goals with 169 targets that were launched by the United Nations in September 2015 to replace the Millennium Development Goals.

criticism to the concept of official development assistance has come from the OECD-DAC itself. The recent OECD-DAC publications repeatedly state that the current definition of official development assistance fails to provide us with the full picture of resources available to developing countries in the post-2015 development agenda.¹¹³ In a very ironic manner, the OECD-DAC has been undermining the ODA concept, which was defined and updated by the DAC itself, by implying that it is inadequate to provide us with a complete picture of developmental efforts. On the other hand, TOSSD measure is showcased by the OECD as a mechanism, which will provide us with a full picture of the donor efforts in supporting the development of the poor countries. Even though the DAC argues that the TOSSD measure will complement and not replace ODA measure, it underlines that there are various activities and flows, which are developmental, but are not included in ODA.¹¹⁴ By doing this, the OECD implies that, compared to TOSSD, ODA is limited in capturing the whole financial and material flows that are assumed to benefit development in the poor countries.

Indeed, the OECD-DAC already has a measure for the official flows that are not captured in ODA. This measure, which is called Other Official Flows (OOF), is defined as transactions by the official sector, which does not meet the conditions for eligibility as ODA, either because they are not primarily aimed at development, or because they are not sufficiently concessional. At this point a question arises as to why “fuller picture of resources available to developing countries”¹¹⁵ necessitates the introduction of a new measure like TOSSD, rather than clarification and better measurement of ODA and OOF that already exist. After all, TOSSD does not offer a better statistical measure. By recognizing private sector flows as developmental and combining them with ODA, it simply blurs the distinction between aid flows

¹¹³ OECD. “Public Consultation on TOSSD Compendium.” Public Consultation on TOSSD Compendium - OECD. June 24, 2016. Accessed November 21, 2017. <http://www.oecd.org/dac/financing-sustainable-development>

¹¹⁴ *Ibid*, 21.

¹¹⁵ *Ibid.*, 10.

and commercially motivated flows - a distinction that was embodied in the difference between ODA and OOF.

According to the OECD-DAC's definition of ODA, a grant or loan is categorized as development assistance if its main objective is promotion of economic development. As already indicated, in the early years of the OECD DAC, before the emergence of the internationally agreed definition in 1969, the donors simply reported any financial and material flow to the poor countries as aid without considering whether it is made for commercial or developmental purposes. This approach seems to enjoy a revival within the donor community nowadays, as the development of the TOSSD framework has again started to blur the distinction between commercial flows and aid flows, as well as the distinction between private sector and development actors. Unlike ODA, the TOSSD measure does not consider "having economic development as the main objective" as a necessary criterion for considering a grant or loan as developmental. According to the OECD-DAC, profit-seeking, commercially motivated and self-interested activities and flows would equally qualify as developmental in the TOSSD framework:

The TOSSD concept aims to cover a broader range of activities that support sustainable development in developing countries, not necessarily with development as their primary objective. This means it will be better aligned with the principle of mutual benefit. Accordingly, a TOSSD project could serve equally the interests of other countries involved – instead of principally focusing on the development of one of the countries involved. These interests may be developmental, but could also be of a commercial, cultural or political nature.¹¹⁶

As this statement clearly shows, the DAC has recently gone back to its old habit of labeling any financial or material flow from developed countries to poor ones as developmental, even if they are of commercial or political nature. At this point, this study assumes that the TOSSD, with its emphasis on developmental impact of private sector and market mechanisms, is part of an attempt to integrate the private sector more formally into international development agenda of the

¹¹⁶ *Ibid.*, 15.

bilateral and multilateral development institutions. As matter of fact, throughout the evolution of development theory and policy, the private sector has always been considered as a major partner and vehicle of development cooperation contributing to poverty reduction by creating jobs, building infrastructure and supplying goods and services. The emphasis on the private sector as an instrument or tool of development cooperation is not new. What has been different and distinctive about the TOSSD measure is the increasing emphasis on private sector, not just as target or vehicle of development but as its primary actor. Current approach of the leading development actors, such as the OECD and the World Bank, shows a clear tendency to give private sector a more prominent or even leading role in the design and implementation of development policies and strategies at the global level. Intertwined with this emerging agenda has been the reconceptualization of official development assistance, which has been increasingly considered as complementary to private sector-led development efforts rather than in and of itself funding development efforts. For example, the OECD-DAC has recently defined ODA as “a drop in the bucket compared to other international financial flows.”¹¹⁷ In 2016 OECD Ministerial Council Meeting, OECD Ministers stated that that “the strategic use of ODA to catalyze private capital is a growing priority for...development cooperation efforts.”¹¹⁸ What the OECD suggests is that that bilateral and multilateral development actors can only play a catalytic role, not a leading in development. It increasingly highlights private flows as a superior alternative to aid flows, whereas ODA, which had traditionally been considered as the more appropriate tool to engage in development finance, is presented as supplementary to private sector and market-determined processes. In this respect, rather being simply considered as a new metric to capture resource flows including and extending

¹¹⁷ OECD, “Why Modernise Official Development Assistance? ,” *Financing Sustainable Development* , July 2015, , accessed September 10, 2016, <https://www.oecd.org/dac/financing-sustainable-development/Addis%20flyer%20-%20ODA.pdf>.

¹¹⁸ OECD, “OECD Ministerial Council Statement 2016,” *OECD Newsroom*, June 1, 2016, accessed August 21, 2016, <https://www.oecd.org/newsroom/2016-Ministerial-Council-Statement.pdf>.

beyond ODA, the TOSSD measure must be evaluated in the context of this reorientation of ODA around a focus on the private sector as both purpose and source of development finance.

As Raffer suggests, “the history of ODA recording is, in fact, a history of tinkering and cooking data.”¹¹⁹ The OECD has broadened the scope of ODA over time by including activities and flows that have a tenuous or no relationship with development. Moreover, it is relying on an obsolete, 45-year reference rate of %10 to determine whether a loan qualifies as ODA. As already argued, this reference rate may have made sense in 1972, when it was adopted, but it does not make sense in today’s international environment of low interest rates. The problem of distorted and miscounted aid figures, however, is not simply a matter of methodology. The OECD-DAC is an exclusive club of Western donors that takes decisions on what count as aid or not. The donors are much more eager to change the aid measuring rules when it moves their aid figures upwards rather than downwards. Moreover, aid figures produced by each donor, which form the basis of the OECD’s aid statistics, are never reviewed and checked by the recipient countries or independent institutions. ODA figures produced by each member state are only reviewed by other DAC members by means of a process called “peer review.”¹²⁰ The OECD-DAC double monopoly on data production and performance evaluation casts severe doubts on the reliability of the OECD’s aid statistics. The above-mentioned inconsistencies in aid reporting and widespread distortion of aid figures by the donors confirm these suspicions.

2.3. Conclusion

So far, it has been shown that aid figures have been inflated and misreported by the donors in numerous ways. However, even if all quantitative aid data were

¹¹⁹ Kunibert Raffer, *Debt Management for Development*, 246.

¹²⁰ *Ibid.*, 240.

accurately calculated according to the OECD-DAC standards, they still would not provide us with an accurate picture of the impact of aid. Quantitative aid figures based on the OECD-DAC's ODA definition and measurement methodology are insufficient for assessing developmental impact of aid to developing countries since they are based on inputs rather than on results. In other words, ODA is measured by the quantity of material and financial flows to the recipient countries (as reported by the donors), not by their developmental impact or quality. ODA measure does not tell us anything about the outputs and impacts that are reached through the projects and programs financed by the donors. According to the OECD-DAC figures, the total amount of official development aid provided by donors was all time high in 2016 (142,6 billion USD). Several quantitative studies on the OECD aid figures, which simply focused on the surface appearances, considered the 2016 official development aid amounts as a historical success. But, the very same year, the aid to the countries most in need (labeled by the UN as the least developed countries) fell by 3.9% in real terms from 2015 and aid to Africa fell 0.5% even though the overall aid was increasing.¹²¹

Similarly, ODA figures reflect how much aid is provided to the health sector in the developing countries, but they do not tell us how much of it getting through to the people in need or how effective and successful these aid projects have been in terms of objectives. For example, despite global aid totaled USD 131.6 billion in 2015, World Health Organization (WHO) reported 5.6 million early child deaths for the same year, more than half of which were due to conditions that could be prevented with access to simple and affordable interventions.¹²² Besides, when total development aid reached a new peak of 142.6 billion in 2016, most of this amount was spent within the boundaries of the donor countries to cover the costs of the

¹²¹ OECD, "Development aid rises again in 2016 but flows to the poorest countries dip," OECD Newsroom, April 11, 2016, accessed August 4, 2016, <https://www.oecd.org/newsroom/development-aid-rises-again-in-2016-but-flows-to-the-poorest-countries-dip.htm>.

¹²² World Health Organization, "Children: Reducing Mortality," WHO Media Centre, October 2017, accessed November 12, 2017, <http://www.who.int/mediacentre/factsheets/fs178/en/>.

refugee crisis.¹²³ The analyses simply focusing on quantitative data have interpreted these huge increases in aid money as a sign of the donors' generosity and commitment. It is understandable that a huge increase in the amount of aid may be considered as a positive development. However, a pure quantitative assessment of development aid obscures something quite important - that the increase in aid is not reaching to the poorest people, meaning the impact of aid on poverty reduction and development efforts is not what it might appear from the quantitative aid data.

Another significant problem with the official development assistance is that not only does it not really reflect the real impact of the development assistance in the recipient countries, but it also fails to reflect what leaves the recipient country due to aid in the form of repayments on credits or illicit financial flows. Moreover, ODA does not capture and subtract the externalities that come along with the development aid projects, such as environmental problems and resource degradation. The introduction of a new measurement framework, the TOSSD, might seem like an attempt to resolve these deficiencies. However, rather than solving these ambiguities related to the definition and measurement of ODA, the TOSSD makes things more complicated by blurring the distinction between private sector actors and development actors. With its emphasis on the private sector not just as a vehicle but the primary actor of development, the TOSSD should be considered as part of an attempt to create a new policy platform, where private sector leads the other development actors in adopting aid policies that contribute to the preservation of the environment in which capitalism operates. In the context of the current crisis of capitalism, this new development policy platform can be considered as an attempt to use aid in a way that limits the self-destructive tendencies of capitalism by managing the competition among private sectors.

¹²³ OECD, "ODA 2016 Detailed Summary," April 11, 2017, accessed April 21, 2017, <https://www.oecd.org/dac/financing-sustainable-development/development-finance-data/ODA-2016-detailed-summary.pdf>.

CHAPTER 3

THE EVOLUTION OF DEVELOPMENT THEORY AND AID DURING THE COLD WAR ERA: THE ROLE OF DEVELOPMENT AID IN THE INTER-SYSTEMIC CONFLICT

3.1. Introduction

This chapter explores the actual practice of development aid during the Cold War period. This study assumes that, during the Cold War, development aid was directly related to the United States' twin objectives of regulating the relations among the capitalist states and containment of communism. The aim here is to provide insights into the role and relevance of the development aid in the emergence of the US-led capitalist international order in the postwar period from a Neo-Gramscian perspective. It provides an overview of the historical context of development aid and shows how changes in the development paradigm affected the aid practices in different phases of the Cold War era. Here, The Marshall Plan, as the first large-scale development aid initiative in the postwar era, is paid particular attention.

Officially known as the European Recovery Program (ERP), the Marshall Plan is generally considered to have laid the foundations of the Cold War aid architecture. Most analyses of the Marshall Plan focus on its unique success and the inspiration that it provided as a "success story" for the subsequent aid programs. This section, offers a reinterpretation of the Marshall Plan, suggesting that it is not limited to recovery or reconstruction. Accordingly, the Marshall Plan is evaluated not simply in terms of the quantity and quality of aid provided to Europe, but rather in terms of its attempt to create a US-led multilateral international economy. Development aid's coercive role in the containment of communism was much more

noticeable than its consensual role in the construction of the US-led global capitalist economy, especially when the Cold War rivalry intensified and the revolutionary movements in the Third World triggered geopolitical crises involving the superpowers. In this regard, this chapter focuses on how military and aid policy were merged and provides an overview of the militarization of development aid in the Cold War period.

In the rest of the chapter, the evolution of the development aid policy and research literature during the Cold War is critically examined. Such an evaluation is undertaken by comparing the foreign aid practices and research literature in the 1950s, 1960s, 1970s and 1980s, respectively.

3.2. The Birth of the Postwar Aid Architecture: The Marshall Plan

The origins of aid as an institutionalized part of foreign policy lie in the efforts to create a US-led international capitalist order in the postwar era. This is not to suggest that the United States was the first country that provided aid. As already indicated, the origins of foreign aid go back a lot further. However, the United States was the first country to make the provision of aid a regular part of its foreign policy. Following Saull, this study assumes that it is impossible to understand the US foreign policy only from a diplomatic perspective without considering the capitalist character of American foreign policy.¹²⁴ Because, when we refer to American foreign policy, we are not only referring to the diplomatic relations between the states but also other socio-economic actors and processes that are committed to maintaining and expanding capitalist relations of production. From this point of view, when we refer to American foreign aid, which is an integral part of its foreign policy, we are not solely referring to development experts, official agencies or international cooperation between states but also to the other actors (private sector,

¹²⁴ Richard Saull, "American Foreign Policy during the Cold War," in *US Foreign Policy*, eds. Michael Cox and Doug Stokes (New York: Oxford University Press, 2012).

NGOs, trade unions) and processes (production, trade, class struggle) that are committed to promoting and maintaining capitalist social relations.

Two important foreign policy initiatives, by which the United State tried to achieve its international economic goals and the narrower goal of containing communism in the postwar era, placed foreign aid at the center of their strategies. These two initiatives were the Truman Doctrine and the Marshall Plan, which became the major elements of the US international policy from 1947 on. In February 1947, the British government declared that it could no longer provide aid to the pro-Western Greek government, which was fighting a civil war against communist forces. The possibility of communist victory in Greece was considered by the US foreign policy-makers as a threat to the security of not only Greece and Turkey, but to the entire Middle East. It was this perceived threat that led President Truman to deliver a speech to the Congress, which became known as the Truman Doctrine. Approval for 400 million military and economic aid to Greece, and Turkey was won from the Congress by an exaggerated interpretation of the Soviet threat. Despite its ostensibly narrower scope, the Truman Doctrine was extraordinarily ambitious. It was the first step in the United States' political and military commitment to the security of Western Europe and its later commitment to contain communism at the global level. With the announcement of the Truman Doctrine, aid became an indispensable part of the inter-systemic struggle. Fear of communism was the prime motivation behind aid efforts. Aid to the countries that were regarded as of strategic importance to the United States began to be considered as the "first line of defense" against communist expansion.¹²⁵ Although development aid was always intended as a weapon to address the perceived security threat of spreading communism, its role was not limited to the geopolitical threat of the Soviet Union and the international political threat of communist revolution.

As a matter of fact, development aid's role in containing communism was only part of the story, even though a very significant one. Aid was also assigned a

¹²⁵ Lamont Colucci, *The National Security Doctrines of the American Presidency: How They Shape Our Present and Future* (Santa Barbara, California: Praeger, 2012), 359.

very important and prominent role in the restructuring of the postwar international economy. While playing a key role in the struggle against Soviet and communist expansion, it was also assigned a significant role in shaping and influencing economic, political and social developments within the other capitalist states, especially the ones in Western Europe. The US foreign policy initiative that assigned foreign aid a role in the establishment of the postwar international capitalist economy was the Marshall Plan. President Truman described the Marshall Plan and the Truman Doctrine as “two halves of the same walnut.”¹²⁶ He seemed to have a point given the fact that both foreign policy initiatives made use of aid to reach their objectives and shared the purpose of containing communist expansion. From an aid point of view, however, the Marshall Plan was much more sophisticated in its use of aid mechanisms and more influential in making foreign aid a permanent feature of the foreign policy of the United States and, later, the other developed capitalist states in the postwar era.

This section will focus on the role and relevance of the Marshall Plan in the emergence of the US-led capitalist international order from a Neo-Gramscian perspective, which considers the legitimacy of the functioning of the US-led multilaterally managed liberal world economy in the postwar era as the hegemony. This hegemony was institutionalized in the Bretton Woods system, which was based on the liberal multilateralism combined with the state intervention at the national levels to ensure domestic social stability through employment creation and social security mechanisms.

The institutional basis of the postwar multilateral system under the US hegemony was decided at the Bretton Woods conference in July 1944. Leading economic policymakers and the business circles in the United States believed that fragmentation of the international trade system into the competing blocs had been one of the major causes of the inter-war economic crisis and, consequently, the main objective of US administration in the postwar era was to prevent the return of

¹²⁶ John Killick, *The United States and European Reconstruction, 1945-1990* (Abingdon: Routledge, 2013), 80.

economic nationalism as well as the national, regional and imperial economic currency and trading blocs as had emerged during the interwar period in response to the Great Depression. Bretton Woods Conference created two international institutions to help oversee the operation of the postwar multilateral global economy: The International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (the World Bank). The efforts to avoid protectionism and the emergence of competing trading blocs also brought the establishment of the General Agreement on Tariffs and Trade (GATT), which was the first in a series of multilateral trade agreements to liberalize international trade. The GATT arrangements, together with the Bretton Woods institutions were expected to provide the general institutional framework for the construction of the US-led liberal multilateralism in the postwar era. However, the economic and social conditions in the core capitalist countries in the early postwar period soon made it clear that creating a liberal, open and multilateral international order required, first and foremost, reviving capitalism and eliminating the communist challenge in war-torn Western Europe. The attempts to establish a multilateral international economy would be insistently maintained, though not in the way that had been originally planned or intended in the Bretton Woods. When the institutions established at the Bretton Woods Conference in 1944 soon proved to be insufficient in providing a framework for the reconstruction of multilateral trade and payments in Western Europe under the conditions of the early postwar era, attention turned to bilateral mechanisms. As discussed in detail in the following, the Marshall Plan was a bilateral aid initiative that played a prominent role in the revival of capitalism and the reconstruction of multilateral trade and payments system in the core capitalist countries. This is not to suggest that it replaced or provided an alternative to the Bretton Woods institutions. On the contrary, it was a bilateral aid initiative that was launched by the United States to ensure the smooth functioning of the original Bretton Woods multilateral system. Instead of providing aid in cash or in kind to the recipient countries based on need, the Marshall Plan was designed to make aid conditional on the multilateralization of the European trade and payments.

Furthermore, Marshall Plan aid also encouraged multilateralism at the institutional level by making the aid conditional on Western countries coordinating among themselves about the distribution of aid. In this sense, the Marshall Plan, as a bilateral foreign aid initiative, went much further than reconstructing Western Europe's physical infrastructure. The introduction of the Marshall Plan established the basic framework of the postwar international capitalist economy, of which the key features were the Keynesian forms of macroeconomic management at the national levels, liberal and multilateral international economy based on free trade, the equation of development to economic growth and political stability within and between the major capitalist states.

Whereas Marshall Plan's role in dealing with Western European economic crisis and reconstruction in the early postwar period was more immediately visible, this study assumes that its significance lies in its contribution to the formation of a what Gramsci calls a "historical bloc" around a US-led international capitalist order. In concrete terms, the Marshall Plan played a prominent role in the emergence and consolidation of the US-led postwar international capitalist order that saw the incorporation of Western European states and societies into a trans-Atlantic historical bloc in support of anti-communism and liberal multilateralism.¹²⁷ The leading social forces in this trans-Atlantic historical bloc, which were centered in the United States, benefited from the experiences of the New Deal of the 1930s. The Marshall Planners had in their aid policy toolbox the state interventionist policies of the New Deal Era, even though the historical context and conditions where the Plan was applied was completely different.¹²⁸

Although the Marshall Plan was introduced through diplomatic channels, it was implemented by a wider coalition of the private sector and non-governmental

¹²⁷ Richard Saull, "Rethinking Hegemony: Uneven Development, Historical Blocs, and the World Economic Crisis," *International Studies Quarterly* 56/ 2 (2012): 329.

¹²⁸ One should keep in mind that the Marshall Planners' use of the New Deal experience must be interpreted by taking into account the Western European context and the conditions in the postwar era, which was quite different from the conditions of the New Deal Era in the United States.

agencies.¹²⁹ From a Neo-Gramscian perspective, this study argues that the Marshall Plan institutions created in the United States and the Western Europe provided a platform for organic intellectuals to attract wider social forces towards the formation of a historical bloc in support of a liberal multilateral system organized around anti-communism and Keynesian-Fordist mode of capital accumulation. These organic intellectuals, drawn from governments, business associations, non-governmental organizations and trade unions of the core capitalist countries of North America and the Western Europe directly took part in the planning and implementation of Marshall Plan. Business-oriented organizations that took the lead in designing and promoting the Marshall Plan were Council on Foreign Relations (CFR), the Business Advisory Council (BAC), the Committee for Economic Development (CED), and the National Planning Association (NPA). Anti-communist trade union leaders and administrators were also declared as “part of the first team” by the Marshall Plan Administration.¹³⁰ Experts and researchers from the anti-communist trade unions in the United States were assigned to the Marshall Plan missions in Europe and they worked in close cooperation with the anti-communist trade unionist in the Western European countries. Moreover, in Europe prominent figures like Jean Monnet of France, who had strong transatlantic connections and shared the vision of the Marshall Planners, played a vital role in the promotion of the Marshall Plan to deserve the title organic intellectual. Similarly, Germany’s Konrad Adenauer, Belgium’s Paul-Henri Spaak, the United Kingdom’s Eric Roll, Italy’s Giovanni Malagodi with many other bureaucrats, technocrats and academicians of Western Europe ensured the successful implementation of the Plan as organic intellectuals.¹³¹

¹²⁹ Richard Saull, “American Foreign Policy during the Cold War,” 69.

¹³⁰ Anthony Carew, *Labour under the Marshall Plan: The Politics of Productivity and the Marketing of Management Science* (Detroit, MI: Wayne State University Press, 1987), 81.

¹³¹ Barry Machado, “A Usable Marshall Plan,” in *The Marshall Plan: Lessons Learned for the 21 st Century*, ed. Elliot Sorel and Pier Carlo Padoan (Paris: OECD, 2008), 56.

3.2.1. Contribution of the Marshall Plan to the Formation of Capitalist International Order

In the following, the contribution of the Marshall Plan to the emergence of US-led capitalist international order in the postwar era will be critically assessed in its historical context, with a special focus on its relevance to the inter-systemic conflict during the Cold War. The assumption here is that the Marshall Plan played a prominent role in the emergence and consolidation of the postwar US-led multilateral capitalist system. All of this, however, is not to suggest that the Marshall Plan, and the foreign aid in more general, was the sole component of the postwar hegemonic order. But rather, the Marshall Plan is considered as one of the important components of the US-led postwar hegemonic order that was more generally institutionalized in the Bretton Woods system. Multilateral institutions like IMF and IBRD, economic arrangements like the General Agreement on Tariffs and Trade (GATT) and security arrangements like the North Atlantic Treaty Organization (NATO) were the other important components of this hegemonic order.

Officially known as the European Recovery Program, The Marshall Plan is considered as the most successful aid program launched by the United States in the 20th century. Proposed in June 1947 by the US President Harry Truman's secretary of state, George C. Marshall, the European Recovery Program has been credited with helping Europe to get back on its feet after the devastation of the Second World War, preventing communism from gaining support in the Western European countries, and laying the foundations of the European integration. It is considered by many as the most generous aid exercise in history. British Prime Minister Winston Churchill once called it "the most un-sordid act in history", while his Foreign Secretary Ernest Bevin said that it was an act of "generosity...beyond belief."¹³² By the program's end in 1952, the United States had channeled to 16

¹³² Brian Keeley, *From Aid to Development: The Global Fight Against Poverty* (Paris: Organisation for Economic Co-operation and Development, 2012), 70.

European countries USD 13 billion in the form of economic and technical assistance, which is today equivalent to approximately USD 100 billion.¹³³

While it has been marketed as an act of generosity and benevolence, the strict conditions on which the Marshall Plan funds were provided and the “strings” attached to the Marshall aid have never been publicly advertised. In the years since its completion, the Marshall Plan has become a metaphor for a major international success, as is reflected in the periodic calls for a new Marshall Plan for Eastern Europe in the 1990s, for Africa in the 2000s, and now for the Middle East. Faced with today’s challenges in the developing countries, such refugee crisis and global terrorism, donor countries and the leading development actors are championing the Marshall Plan as an example of economic aid and international development that can be transplanted from the early postwar Europe to Africa, Asia, Latin America and the Middle East today.

It has become fashionable to call for a “new Marshall Plan” whenever a country or a region is effected by a political or economic crisis or a natural disaster. Some countries have proposed their own versions of the Marshall Plan for entirely different regions. For example, British government offered a “Marshall Plan for southern Africa” to keep southern Africa stable in the final years of the apartheid regime in South Africa. During its presidency of the G8 group in 2005, the British government once more proposed “a modern Marshall Plan” for the developing world. In a comparable manner, The United Nations Millennium Project, which was commissioned by the UN in 2002 to develop an action plan to achieve Millennium Development Goals, evoked the Marshall Plan in its reports, as did the US administration’s Millennium Challenge Account, which was launched in 2006. George W. Bush, the former president of the United States, likened his countries nation-building efforts in Afghanistan to the Marshall Plan, whereas Barack Obama offered a Marshall Plan for the 21st century during his election campaign in 2008. John Allen, who was Obama’s special envoy for the global coalition to counter the

¹³³ Greg Behrman, *The Most Noble Adventure: The Marshall Plan and How America Helped Rebuild Europe* (New York: Free Press, 2007), 4.

Islamic State (ISIL), called for a Marshall Plan to rebuild the Middle East to prevent the rise of terrorist organizations like the Islamic State.¹³⁴ In the course of the global financial crisis in the early 2010s, the president of the European Investment Bank (EIB), Werner Hoyer, demanded a Marshall Plan for Greece government debt crisis.¹³⁵ The United Arab Emirates' minister of economy called for a global initiative similar to Marshall Plan for the political and economic recovery of the Arab Spring countries in 2013.¹³⁶ The United Nations called for a Marshall Plan to tackle cholera epidemic in Haiti in 2014. In 2015, Liberia's president called for a new Marshall Plan to eradicate Ebola disease and rebuild economies in West African nations devastated by the virus.¹³⁷ Russia joined the chorus in 2016 when the Russian President Vladimir Putin called for "a kind of Marshall Plan" for the war and conflict-torn Middle East.¹³⁸ Most recently, in January 2017, Germany announced "a new Marshall Plan for Africa" as part of a larger effort to prevent migrant flows to Europe.¹³⁹

¹³⁴ BBC, "New Marshall Plan needed to defeat IS, says ex-US general," BBC News, October 22, 2016, accessed November 22, 2017, <http://www.bbc.com/news/av/world-middle-east-37738733/new-marshall-plan-needed-to-defeat-is-says-ex-us-general>.

¹³⁵ Daniel Speich Chasse, "Towards a Global History of the Marshall Plan. European Post-war Reconstruction and the Rise of Development Economic Expertise," in *Industrial Policy in Europe After 1945*, eds. Christian Grabas and Alexander Nützenadel (New York, NY: Palgrave Macmillan, 2014), 192.

¹³⁶ Ben Flanagan, "UAE calls for 'Marshall Plan' for delivery of aid to Egypt, Syria," Al Arabiya News November 17, 2013, accessed May 10, 2017, <http://english.alarabiya.net/en/business/economy/2013/11/17/UAE-calls-for-Marshall-Plan-for-delivery-of-aid-to-Egypt-Syria.html>.

¹³⁷ BBC, "Ebola: Liberia's Johnson Sirleaf urges Marshall Plan," BBC News, March 3, 2015, accessed May 04, 2017, <https://www.bbc.com/news/world-africa-31705594>.

¹³⁸ Patrick Wintour, "Russia should foot Syria reconstruction bill, European leaders say," The Guardian, November 29, 2016, accessed 05 May, 2017, <https://www.theguardian.com/world/2016/nov/29/russia-should-foot-syria-reconstruction-bill-european-leaders-say>.

¹³⁹ Daniel Pelz, "Germany's 'Marshall Plan' for Africa unveiled," Deutsche Welle, January 18, 2017, accessed May 12, 2017, <https://www.dw.com/en/germanys-marshall-plan-for-africa-unveiled/a-37178506>.

The calls for new Marshall Plan haven't been limited to the regions or countries. Detroit City Council and Michigan State University's Land Policy Institute developed "a Marshall Plan for Detroit City" to improve its infrastructure in 2007.¹⁴⁰ As a matter of fact, these calls for "new Marshall Plan" seems to have become an indispensable part of the current debates on development as well as security. It has become fashionable to invoke the Marshall Plan as an example of how the huge global problems, such as refugee crisis in the Middle East or conflicts in Africa, can be solved in a very short period. In the popular imagination, the Marshall Plan helped the economies of Western Europe to recover in a few years and it can do the same today for the Middle East, or Africa. In fact, politicians, bureaucrats and development agencies are not alone in calling for new Marshall Plans. In April 2016, Irish rock star and activist Bono appealed to the US Congress for providing aid to the Middle East, stating that "in the spirit of the Marshall Plan, America once again has the chance to advance global security through global generosity."¹⁴¹ The calls for a new Marshall Plan are not limited to development, security and humanitarian issues, either. It has become fashionable to evoke the Marshall Plan whenever an issue is considered as requiring immediate attention. For example, in 2015, Liberia Football Association called for a Marshall Plan for football in Africa, Asia and Latin America to support local leagues.¹⁴²

Although the Marshall Plan has been almost unanimously associated in the popular imagination with success and generosity, scholars of postwar Europe and

¹⁴⁰ Larry Gabriel, "If we rebuilt war-torn Europe ...Why not Detroit?," *Detroit Metro Times*, January 14, 2009, accessed March 12, 2016, <https://www.metrotimes.com/detroit/if-we-rebuilt-war-torn-europe-why-not-detroit/Content?oid=2194028>.

¹⁴¹ Tim Walker, "Bono outlines three-point plan to tackle refugee crisis that 'affects us all'," *Independent*, April 12, 2016, accessed August 5, 2016, <http://www.independent.co.uk/news/world/politics/refugee-crisis-bono-outlines-three-point-plan-to-tackle-problem-that-affects-us-all-a6981346.html>.

¹⁴² Wade C. L. Williams, "The Audacity of the Small: Musa Bility's FIFA Ambition Pitched Against Liberia's Soccer Decline," *Libpolitics*, June 20, 2015, accessed May 12, 2016, <https://libpolitics.wordpress.com/2015/06/20/the-audacity-of-the-small-musa-bilitys-fifa-ambition-pitched-against-liberias-soccer-decline/>.

Cold War history have been more divided about its impact and motivation. Whereas earlier studies assigned a central causal role to Marshall Plan in the European economic recovery, subsequent studies took a skeptical view of the impact of Marshall Plan, arguing that European economic recovery had already been under way when the Marshall Plan started. These more recent interpretations seriously questioned the practical achievements and the economic influence of the Plan. As the most prominent representative of these negative evaluations, Milward suggests that the effectiveness and importance of the Marshall Plan has been exaggerated, even by those who approached it with suspicion.¹⁴³ Milward contends that economic recovery in Western Europe had already begun before the Marshall Plan commenced and it was the local initiatives undertaken by the Western European countries themselves, rather than the Marshall Plan, that were the main drivers of the European recovery. For Milward, whatever its motivations were, the impact of the Marshall Plan was small and the recovery of Europe would still have been possible in its absence. Milward may have a point in arguing that European economic recovery had already been underway when Marshall aid started and the material impact of the Marshall aid has been exaggerated. However, the Marshall Plan cannot be evaluated simply in terms of the material reconstruction of devastated infrastructure or the repair of the physical capital. The Marshall aid was by no means confined to rebuilding the physical environment, but also, and more importantly, it was aimed at providing political stability within and between Western European states and incorporating them into the US-led capitalist international order. Therefore, a comprehensive analysis of the degree of success of the European Recovery Program must not simply focus on the immediate impact of the material and financial aid that it provided, but it must also consider its role in the inter-systemic rivalry during the Cold War.

Although a vast literature has been produced on the Marshall Plan from various perspectives and disciplines, its role in the establishment of a new world

¹⁴³ Alan S. Milward, *The Reconstruction of Western Europe 1945-1951* (Taylor and Francis E-Library, 2005), 69.

order in the postwar era has been under-researched. While subsequent studies shared Milward's interest in the Marshall Plan's impact on European recovery, the majority of the scholarly debate focused on the motivation behind it.¹⁴⁴ The Marshall Plan is part of a long-lasting debate on the origins of the Cold War and about the causes of the US postwar international economic policy. Mainstream accounts of the origins of the Cold War have provided a very positive evaluation of the Marshall Plan, considering it as a defensive act, designed as a necessary and successful initiative to save Europe from economic collapse and communism, but which received an offensive response from the Soviet Union.¹⁴⁵ They have simply reproduced much of the Marshall Plan propaganda carried out during its implementation. In addition to the academic studies, the traditional perspective can be found in the studies and memoirs of those directly involved in the Marshall Plan.¹⁴⁶

The revisionist approaches, on the other hand, have had a skeptical approach towards the Marshall Plan. They consider it as an offensive act, designed by the United States to shape the postwar global economy, which received a defensive response from the Soviet Union. Revisionist accounts are mostly based on the idea of an American "open door empire" associated with William Appleman Williams. He argued that the United States attempted to solve its domestic economic problems by expanding abroad in search of overseas markets so that American business could operate and profit without restrictions all around the world.¹⁴⁷ According to "open door" interpretation of the United States foreign policy, then, America's prosperity at home depended on access to markets abroad. For Williams, the result of the United States pursuit of an open door foreign policy was the creation of an American

¹⁴⁴ Michael Holm, *The Marshall Plan: A New Deal for Europe* (New York and London: Routledge, 2017), 19.

¹⁴⁵ Rhiannon Vickers, *Manipulating Hegemony: State Power, Labour and the Marshall Plan in Britain* (Basingstoke: Macmillan, 2000), 11.

¹⁴⁶ See, for example, Joseph Marion Jones, *The Fifteen Weeks: February 21 - June 5, 1947* (New York: Harcourt, Brace and World, 1955); Charles P. Kindleberger, *Marshall Plan Days* (Abingdon: Routledge, 2010).

¹⁴⁷ William A. Williams, *The Tragedy of American Diplomacy* (New York: Dell, 1972).

empire. His views became the “bedrock of the revisionist interpretation of the Cold War.”¹⁴⁸ From this point of view, the United States’ open door foreign policy, and not Soviet expansionism, was largely responsible for the emergence of the Marshall Plan. Far from being an act of charity, the Marshall Plan was part of an attempt to finance the US export surplus, ensure American predominance in Europe and establish an American empire. Kolko and Kolko’s work, published in 1972, was one of the earliest revisionist studies that followed in the footsteps of Williams. They argued that the Marshall Plan was not an outcome of US generosity or its fear of communism in Western Europe, but of the anxiety with the proliferation of nationally oriented capitalism based on extensive state intervention and planning in Europe.¹⁴⁹ Similarly, Block has argued that the Marshall Plan was directed at national capitalism based on extensive state intervention, which was the dominant trend in Western Europe at the end of the war:

In fact, in the immediate postwar years, most of the countries of Western Europe resorted to the whole range of control devices associated with national capitalism—exchange controls, capital controls, bilateral and state trading arrangements. The reason these controls were not elaborated into full-scale experiments with national capitalism was that it became a central aim of United States foreign policy to prevent the emergence of national capitalist experiments and to gain widespread cooperation in the restoration of an open world economy.¹⁵⁰

Although they see the issue from different angles and reach very different conclusions, both traditional and revisionist approaches recognized the success of the Marshall Plan. Even though they are unhappy with its impacts and consequences, the revisionist accounts did not revise the traditional views of the economic

¹⁴⁸ Brian Schmidt, “Theories of US Foreign Policy,” in *US Foreign Policy*, eds. Michael Cox and Doug Stokes (New York: Oxford University Press, 2012), 12.

¹⁴⁹ Joyce Kolko and Gabriel Kolko, *The Limits of Power: The World and United States Foreign Policy, 1945-1954* (New York: Harper & Row, 1972).

¹⁵⁰ Fred Block, *The Origins of International Economic Disorder* (Berkeley: University of California Press, 1977), 9.

effectiveness and importance of the Marshall Plan. This study also considers the Marshall Plan as a successful initiative. It was at least successful in terms of reaching its political objectives, whatever its real contribution to physical recovery of Western Europe was.¹⁵¹ As Wood suggests, significance of the Marshall Plan “lay in its contribution to the construction of a new international order, not in the quantity of capital and raw materials it provided Western European industries.”¹⁵²

One of the most critical issues facing the US policy makers, industrialists, and labor leaders at the end of the Second World War was the future health of the economy. The war had lifted the US economy out of depression and the fear was widespread that the economy would slide back into depression conditions with the end of huge government expenditures on military goods after the war. The United States had increased its industrial capacity during the war. It was widely recognized that a return to the economic situation, in which domestic demand would be insufficient to absorb the growing economic surplus, would inevitably lead to economic stagnation and depression. In fact, the concerns about and efforts to avoid a postwar depression had already started in the United States during the war. In addition to the federal executive departments, special bureaus and committees, such as the Senate Special Congressional Committee on Postwar Economic Policy and Planning, were established to deal with the issue.¹⁵³ Moreover, Private corporate policy organizations, including the National Planning Association, the Brookings Institution, the Committee for Economic Development, the Twentieth Century Fund, and the National Association of Manufacturers, concerned themselves with the issue as well.¹⁵⁴ During the war and the early postwar period, there was a consensus

¹⁵¹ David Williams, *International Development and Global Politics History, Theory and Practice* (Abingdon: Routledge, 2012), 22. See also, David Williams, "The History of International Development Aid," in *Handbook of Global Economic Governance*, ed. Manuela Moschella and Catherine Weaver (Abingdon and New York: Routledge, 2014).

¹⁵² Robert E. Wood, *From Marshall Plan to Debt Crisis: Foreign Aid and Development Choices in The World Economy* (Los Angeles: University of California Press, 1986), 31.

¹⁵³ *Ibid.*, 35.

¹⁵⁴ *Ibid.*

among the US policy-makers and business that maintaining a high level of US exports was the key for avoiding a postwar depression. Few expressed disagreements with the Assistance Secretary of State Dean Acheson, when he warned the Special Congressional Committee on Postwar Economic Policy and Planning not to allow the economy to go back where it was before the war. He stated:

It seems quite clear that we are in for a very bad time, so far as the economic and social position of the country is concerned... You don't have a problem with production. The United States has unlimited creative energy. The important thing is markets. We have got to see that what the country produces is used and is sold under financial arrangements, which make its production possible... You must look to foreign markets...¹⁵⁵

These statements and comments of the prominent Marshall planners clearly show that part of the motivation for the Plan arose from the concern for an economic depression in the US due to the overcapacity in industry and the decrease in exports to Europe after the war. This has led some scholars to view the Marshall Plan simply as a source of fund needed for financing the US export surplus.¹⁵⁶ Important as U.S. concern over export surplus in the immediate postwar period was, it does not explain the emergence of the Marshall Plan and the form that it would take. In fact, the economic and political motivations for the Marshall Plan were much more complicated than this.

The Bretton Woods institutions were expected to provide the necessary institutional framework for the construction of a multilaterally managed liberal world economy. The post-war relief and reconstruction efforts also gave birth to several new organizations. The world's first international aid agency, the United Nations Relief and Rehabilitation Administration (UNRRA), had been created by the Allied powers at the end of 1943 and was mandated to provide economic

¹⁵⁵ Quoted in Samuel Rosenberg, *American Economic Development since 1945: Growth, Decline and Rejuvenation* (Houndmills: Palgrave Macmillan, 2003), 89.

¹⁵⁶ See, for example, Samuel Rosenberg, *American Economic Development since 1945: Growth, Decline and Rejuvenation* (Houndmills: Palgrave Macmillan, 2003).

assistance to European nations after World War II and to assist the refugees who would come under Allied control.

At the end of the war, the US policy makers seemed to be convinced that European recovery could be possible by bilateral loans provided by the United States, currency stabilization through the International Monetary Fund and reconstruction activities of the International Bank for Reconstruction and Development.¹⁵⁷ In the period from 1945 to 1947, the United States supplemented its reconstruction efforts by providing funds through the United Nations Relief and Rehabilitation Administration (UNRRA), the Export-Import Bank, and through military and relief expenditures in occupied areas. Two major emergency relief aid funds were established by the United States to prevent hunger, epidemic diseases and social unrest in the US-occupied territories in the immediate postwar period: Government Aid and Relief in Occupied Areas (GARIOA) and Economic Rehabilitation in Occupied Areas (EROA).

Prior to 1947, the prevailing general view was that the Bretton Wood institutions together with the support of the piecemeal assistance by the US through various channels and agencies would lead to a liberal postwar economic recovery.¹⁵⁸ At the beginning of 1947, however, there were few signs of a stable recovery in Europe even though the United States had already provided more than 9 billion US Dollars for a variety of aid programs on the continent since the end of the war.¹⁵⁹ European industrial and agricultural production still lagged behind prewar levels of production. Capital equipment and plant facilities remained obsolete or in need of repair from war damage. A shortage of manpower and basic resources, especially coal and steel, restrained production, while food shortages and the high inflation led

¹⁵⁷ Michael J. Hogan, *The Marshall Plan America, Britain, and the Reconstruction of Western Europe, 1947-1952* (New York: Cambridge University Press, 1987), 29.

¹⁵⁸ John Orme, "The Original Megapolicy: America's Marshall Plan," in *Great Policies: Strategic Innovations in Asia and the Pacific Basin*, ed. John D. Montgomery and Dennis A. Rondinelli (Wesport, CT: Praeger, 1995), 33.

¹⁵⁹ Hogan, *The Marshall Plan*, 30.

to the prospect of major social and political instability. Moreover, the depletion of gold and dollar reserves and the network of bilateral trade and payments made it very difficult for the European countries to play their part in the American plan for a multilateral system of world trade.¹⁶⁰

The wartime destruction of public infrastructure and physical capital was extensive. However, Western Europe's economic difficulties in the postwar era were not limited to rebuilding the physical destruction. The war had also shattered Europe's trade and payments system. Intra-European trade in the immediate postwar period was mostly conducted through bilateral payments agreements that were in fact a sophisticated form of barter system. Bilateral agreements in postwar European trade became widespread because of non-transferability and inconvertibility of European currencies and designed to ensure that imports from a country were paid by exports to the same country.¹⁶¹ Because of the non-convertibility of the European currencies, all intra-European payments had to be made in gold or US dollars. However, since there was a shortage of gold and dollars, countries tended to balance their payments with each of their trade partners bilaterally by means of commodities. As a matter of fact, the dollar and gold shortage was the basis of the economic crisis in Europe in the early postwar era. The collapse of the German industry after the war was one of the key problems since the lack of German coal and exports forced the other Western European countries to turn the United States for the basic needs.¹⁶² Moreover, the breakdown of trade between Eastern and Western Europe cut off an important non-dollar source of food and raw materials and an important market for the Western European countries.¹⁶³ Forced to turn to United States for food, raw

¹⁶⁰ *Ibid.*

¹⁶¹ Thomas H. Oatley, "Multilateralizing Trade and Payments in Postwar Europe," *International Organization* 55/4 (2001): 951.

¹⁶² David S. Painter, *The Cold War: an international history* (London: Routledge, 1999), 20.

¹⁶³ Robert E. Wood, "From the Marshall Plan to the Third World," in *Origins of the Cold War: An International History*, ed. Melvyn Leffler and David S. Painter, Second ed. (London and New York: Routledge, 2005), 241.

material, manufactured goods and capital equipment, the Western European countries were running huge trade deficits with the United States since they were unable to earn the dollars necessary to pay for the US imports.

Before the war, European countries had earned the dollars to pay for the US imports through sales of colonial raw materials to the United States, through revenues from foreign investments and the US investments in Europe and its colonies.¹⁶⁴ However, Britain and France had liquidated much of their overseas investment to finance the war effort and colonial revenues decreased significantly due to independence movements in the important dollar-earning colonies (such as Vietnam and Indonesia) and declining terms of trade for the key commodities.¹⁶⁵ Furthermore, the US investors avoided making investments in Europe due to the risks of political and economic instability. In 1946 and 1947, European exports to the United States covered no more than one-quarter of its imports from the United States.¹⁶⁶ Finally, the European countries found themselves dependent on the US economy in a way they had never been before.

As far as the United States was concerned, the economic crisis in Western Europe raised two prospects. First, an economic crisis in Western Europe could move the countries of Western Europe towards protectionism and bilateralism, thus closing their economies and ruining the plans for a US-led multilateral international economy. In this case, this would not only deprive the United States from foreign markets but also from political influence over Western Europe and the wider international economy, as these economies would remove themselves from American influence. Second concern of the United States administration was that communist forces in Western Europe would take advantage of economic crisis and instability to seize power and push Western European countries towards the Soviet Union.

¹⁶⁴ Robert E. Wood, *From Marshall Plan to Debt Crisis*, 32.

¹⁶⁵ *Ibid.*

¹⁶⁶ Samuel Rosenberg, *American Economic Development since 1945*, 91.

Against this background, the US policy makers realized that the Bretton Woods arrangements were insufficient to deal with the economic problems in Europe and they had to adjust their vision of a liberal market-led postwar recovery to prevent the collapse of liberal capitalism in Europe. As Hobsbawm suggests, “the original American plan for a post-war world economy of free trade, free convertibility and free markets, dominated by the USA proved quite unrealistic, if only because the desperate payments difficulties of Europe thirsting for ever-scarcer dollars, meant that there was no immediate prospect for liberalizing trade and payments.”¹⁶⁷ The economic conditions in Europe did not support the establishment of free trade, with the dollar gap providing a block on reconstruction and multilateral world trade. Therefore, in the middle of 1947, the United States abandoned hope of relying on the Bretton Wood institutions and the other limited international bodies like UNRRA for the European reconstruction. As Wilson puts it:

American planners were confident that they had the key. Unfortunately, neither they nor the political leaders who approved their program for waging-and winning-the peace realized, until it was too late, that the tasks of clearing away the debris of war and of reviving world trade overreached the capacity of the instruments Americans had constructed for these purposes.¹⁶⁸

A combination of growing political tensions with the Soviet Union and intensifying economic crisis in Western Europe during 1946 and 1947 led to a reconsideration of the plans for the organization of the postwar international economy. The weakness of the European economies, the rise of the leftist and revolutionary forces in most European countries, and the increasing international influence of the Soviet Union in the aftermath of the war made the restoration of multilateral international economy a more difficult task than the US policy makers

¹⁶⁷ Eric Hobsbawm, *Age of Extremes: The Short Twentieth Century 1914-1991*(London: Abacus, 1995), 240

¹⁶⁸ Theodore A. Wilson, *The Marshall Plan: An Atlantic Venture of 1947-1951 and How It Shaped Our World* (New York: Foreign Policy Association, 1977), 12.

had imagined.¹⁶⁹ The proliferation of bilateral trading arrangements as well as foreign exchange and capital controls in the immediate postwar period in Europe increased the US policy makers' anxieties about achieving multilateralism. In this context, the US leaders repeatedly emphasized the danger that the Western European experiences with national capitalism and protectionism in the early postwar era posed to the goal of multilateral liberal world economy. In a speech at in March 1947, President Truman publicly stated that the United States had to act immediately to prevent this trend:

The pattern of trade that is least conducive to freedom of enterprise is one in which decisions are made by governments. Under such a system, the quantity of purchases and sales, the sources of imports, and the destination of exports are dictated by public officials. In some cases, may be conducted by the state. In others, part or all of it may be left in private hands. But, even so, the trader is not free. Governments make all the important choices and he adjusts himself to them as best he can. This was the pattern of the seventeenth and eighteenth centuries. Unless we act, and act decisively, it will be the pattern of the next century.¹⁷⁰

Similarly, Marshall attracted attention to the dangers that bilateralism in the postwar European trade posed to the US business and the multilateral liberal international trading system in general:

There is no doubt that if the countries of Europe should be forced to meet their present problems without further assistance from this country, the result could only be a radical increase in the restrictions and controls in force throughout that area affecting international trade and investment. And more important, perhaps, than the actual restrictions themselves would be the deterioration in the atmosphere in which international business would have to be conducted...It is idle to think that a Europe left to its own efforts in these serious problems of recovery would remain open to American business in the same way that we have known it in the

¹⁶⁹ Fred Block, *The Origins of International Economic Disorder*, 70.

¹⁷⁰ Harry S. Truman, *Public Papers of the Presidents of the United States: Volume 3* (Washington: Office of the Federal Register, National Archives and Records Service, General Service Administration, 1963), 170.

past.¹⁷¹

By mid-1947, it had become clear that Europe's huge dollar deficit, which meant its need for United States commodities, was an urgent problem and the efforts of the Bretton Woods institutions to provide postwar liquidity was insufficient. As Milward puts it, "the Bretton Woods agreements proved so unsatisfactory an international basis for reconstruction that they had little force or influence on European reconstruction once the international payments crisis in summer 1947 made their inadequacy evident."¹⁷² Bretton Woods institutions would temporarily lower their profile by June 1947 and the leading role for the reconstruction of European economies would be played by the Marshall Plan institutions. The introduction of the Marshall Plan did not mean the abandonment of the Bretton Woods goals. But rather, it meant the postponement of the some of the Bretton Woods goals (such as rapid convertibility of the European currencies which had to wait until 1958) to solve more immediate problems related to the smooth functioning of the Bretton Woods system, such as the Europe's huge dollar deficit and the collapse of the intra-European trade. The United States decided to pursue its goal of a multilateral liberal world economy through bilateral aid. In this context, the Bretton Woods institutions withdrew to a lower profile. For instance, the World Bank withdrew from the reconstruction of Europe after the Marshall Plan came into effect.¹⁷³ In 1949 the World Bank President, John McCloy, remarked: "The reconstruction phase of the Bank's activity is largely over and the development phase is under way."¹⁷⁴ Having provided \$497 million in reconstruction loans in

¹⁷¹ George Catlett Marshall, *Papers of George Catlett Marshall: "The Whole World Hangs in the Balance,"* ed. Larry I. Bland, Sharon Ritenour Stevens, Mark A. Stoler, and Daniel D. Holt (Baltimore: Johns Hopkins University Press, 2013), 333.

¹⁷² Milward, *The Reconstruction of Western Europe*, 34.

¹⁷³ Vernon W. Ruttan, *United States Development Assistance Policy: The Domestic Politics of Foreign Economic Aid* (Baltimore: Johns Hopkins Univ. Press, 1996), 45.

¹⁷⁴ Quoted in Graham Hancock, *Lords of Poverty: Power, Prestige, and Corruption of the International Aid Business* (New York: Atlantic Monthly Press, 1992).

1947, the World Bank provided only \$202 million between 1948 and 1952.¹⁷⁵ Similarly, IMF's influence was also limited in the late 1940s since there was little interest in the subject of ensuring the stability of the exchange rates in an international environment of widespread import and exchange controls.¹⁷⁶ Restrictions on the access to the IMF funds by the countries that had access to the Marshall Plan funds also limited the use of the IMF funds.¹⁷⁷ During the Marshall Plan years, IMF lending declined sharply, from \$606 million in 1948 to \$119.4 million in 1949, \$52.8 million in 1950, and \$28 million in 1951.¹⁷⁸

In a speech made on 5 June 1947 at Harvard University, the US Secretary of State, George C. Marshall, outlined what was to become the European Recovery Program. On 27 June 1947, a tripartite conference among France, Great Britain and the USSR was organized in Paris. France and Great Britain received the Plan favorably and agreed to the condition that the Marshall Plan funding would be based on joint planning and resource sharing. These conditions were unacceptable to the USSR and the Soviet Minister withdrew from the conference. On 12 July 1947, convened a second conference, attended by 16 countries¹⁷⁹, to draft a recovery program. The participating countries set up a Committee of European Economic Cooperation (CEEC) to work out the ways and means of implementing the recovery program, and how much aid was needed; on 22 September 1947, it submitted a report to the US government.¹⁸⁰ The terms, conditions and institutions under which the European Recovery Program would function were specified in The US Economic

¹⁷⁵ Wood, *From Marshall Plan to Debt Crisis*, 23.

¹⁷⁶ Vernon W. Ruttan, *United States Development Assistance Policy*, 45.

¹⁷⁷ *Ibid.*

¹⁷⁸ Wood, *From Marshall Plan to Debt Crisis*, 23.

¹⁷⁹ Austria, Belgium, Denmark, France, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey and the United Kingdom.

¹⁸⁰ Marcel Alfons Gilbert van Meerhaeghe, *A Handbook of International Economic Institutions* (The Hague, Boston: Martinus Nijhoff Publishers, 1980), 199-200.

Cooperation Act of 1948. The Act established the Economic Cooperation Administration (ECA) to administer the European Recovery Program. ECA was responsible for the execution of the entire program with headquarters in Washington DC and missions in every Western European country. ECA was an independent agency with a single administrator, who had direct access to the US president. Every aid receiving country had a special ECA account and an ECA representative, generally a prominent US businessman. These representatives played a vital role in approving, directing and monitoring Marshall Plan resources. ECA bureaucrats that were assigned to the European countries studied each recipient country's economy and decided where and how funds were needed most. The Act also specified that aid would only be allocated if the participating countries pursued their economic recovery jointly, and the participating countries were required to establish a permanent organization. The CEEC therefore set up a permanent agency for this purpose. On 16 April 1948, in Paris, the 16 countries signed a Convention to establish the Organization for European Economic Cooperation (OEEC), which was the forerunner of the OECD.

One of the most prominent features of European Recovery Program (ERP) was the intensive involvement of private sector. Economic Cooperation Agency (ECA), which administered the ERP, was run by the business leaders, including the administrator, Paul Hoffman of Studebaker Motor Company. Roosevelt's wartime administration had been dominated by corporate figures such as Dean Acheson and John Foster Dulles, and the influence of business leaders in government circles was on the increase in the early postwar years. In 1948, the first year that Marshall Plan commenced, over 40 percent of the people in high governmental positions in the United States had a career background in business, finance or law.¹⁸¹

The Marshall Plan was designed with several goals in mind, one of which was to overcome the dollar shortage in Europe. Obviously, it was the dollar shortage in Europe that provided the immediate background and urgency to the Marshall Plan

¹⁸¹Anthony Carew. *Labour under the Marshall Plan: The Politics of Productivity and the Marketing of Management Science* (Detroit, MI: Wayne State University Press, 1987), 41.

in the summer of 1947.¹⁸² In every recipient country, there were foreign payments difficulties. European countries hesitated to grant credits to one another or to accept any form of payment other than either essential commodities or of gold and dollars, although the dollar and gold reserves were very low. Therefore, most countries, as already indicated, resorted to bilateral agreements to balance their payments with each other, and this unavoidably meant the restriction of trade on the continent. In such a context, the conditional aid of the Marshall Plan was intended to solve the dollar shortage and to encourage intra-European trade. One of its immediate priorities was to replace this restrictive network of bilateral trade agreements with a more flexible trading arrangement on the continent.

To this end, the Intra-European Payments and Compensations Agreement was signed in 1948 by the members of the OEEC. Creditor countries that were party to these agreements granted credits to their European partners for amounts determined for each bilateral relationship and in return they received an equivalent amount of aid from the United States. In this respect, there were two important mechanisms that were used by the Marshall Plan administration to eliminate the barriers against intra-European trade.¹⁸³ The first one was the mechanism of “counterpart funds,” which was the local currency equivalent to the USD value of financial and material flows provided by the Marshall Plan. Counterpart funds were deposited by the recipient country in local currency in special accounts and they could be used only with the consent of the Marshall Plan administration. Since the Americans had the power to decide how and where they would be used, the counterpart fund mechanism was one of the most important instruments by which the Americans influenced the economic and trade relations of the Western European countries.¹⁸⁴ As Hogan argues, these funds were used by the Economic Cooperation Administration “to

¹⁸² *Ibid.*, 2.

¹⁸³ For a brief but comprehensive review of the design and implementation of the Marshall Plan, see Oktar Türel, *Küresel Tarihçe, 1945-1979* (İstanbul: Yordam, 2017), 68-75.

¹⁸⁴ Vickers, *Producing Hegemony*, 40.

reduce national deficits and stabilize currencies...to eliminate monetary barriers to intra-European trade and economic integration.”¹⁸⁵ The second important mechanism to recover intra-European trade was the system of “drawing rights,” which could be considered as indirect aid. In this mechanism, two European countries forecast their bilateral trade balance for the forthcoming year, and the country that is expected to be in surplus offered drawing rights in local currency to the debtor country equal to the amount of the trade imbalance. The debtor country, then, used drawing rights to purchase goods and services from the creditor country, which is compensated by the ECA dollars in exchange for drawing rights that it provided. By means of these two mechanisms, Marshall Aid provided funds directly for the purchase of goods from the dollar area, and indirectly to finance trade deficits between Western European countries, encouraging them to remove the restrictions in their trade relations. Indeed, it would not be wrong to argue that restoring intra-European trade was one of the most significant goals of the Marshall Plan, as is evidenced by the fact that how Marshall aid was distributed not according to the size of each country’s economy but rather according to the amount of their trade deficit.¹⁸⁶

As a matter of fact, drawing rights and counterpart funds were only two of the several available tools that the Marshall Planners used to shape Western European economic policies. The Marshall Planners used aid as leverage by emphasizing the conditionality of aid on economic performance, rather than need.¹⁸⁷ Indeed, as Craft argues, the conditionality had been always an indispensable component of the Marshall aid from the very beginning:

Conditionality was embedded in the Marshall Plan in several ways. First, the bilateral treaty that each country had to sign was an agreement that embodied sound macroeconomic policies and a commitment to trade

¹⁸⁵ Hogan, *The Marshall Plan*, 155.

¹⁸⁶ Tai-Yoo Kim and Daeryoon Kim, *Secrets of Hegemony* (Singapore: Springer, 2017), 236.

¹⁸⁷ Richard Saull, *The Cold War and After: Capitalism, Revolution and Superpower Politics* (London: Pluto, 2007) ,65.

liberalization. Second, the requirement for American permission for the use of counterpart funds gave the ERP authorities both some control over the use of resources and ostensibly bargaining power with regard to domestic policy decisions. Third, Marshall aid gave the Americans leverage to encourage recipients to join the European Payments Union, which also entailed reducing barriers to trade and adopting most-favoured-nation treatment of imports from other members.¹⁸⁸

Marshall aid flows were used to promote or discourage a certain policy. Whenever Western European governments attempted to direct their resources from reconstruction to social services, Marshall aid could be cut or delayed. For instance, the Marshall Planners never tolerated the use of Marshall aid in support of nationalization of industries in the recipient countries. As De Long and Eichengreen show, Britain lost its Marshall Plan timber line item after the government's entry into the construction of public housing, whereas aid to West Germany was delayed until the nationalized railway administration reduced its expenditures to balance its budget.¹⁸⁹ In this regard, the Marshall Plan, as a policy-based grant with conditionality, can be likened to structural adjustment programs of the World Bank and the IMF after 1980. Indeed, De Long and Eichengreen (1993) called it "history's most successful structural adjustment program."¹⁹⁰

Unfettered market capitalism had been discredited by 1945, being associated with the Great Depression and the subsequent ascendance of fascism. Instead, the early postwar years were a period of economic planning and coordination inspired by the success of the New Deal policies in the United States and experience of the wartime economies. Now that the Left had emerged from the war with increased confidence and the Soviet Union had risen as a new contender, there were

¹⁸⁸ Nicholas Crafts, "The Marshall Plan," in *Routledge Handbook of Major Events in Economic History*, eds. Randall E. Parker and Robert Whaples (Abingdon: Routledge, 2013), 209.

¹⁸⁹ J. Bradford De Long and Barry Eichengreen, "The Marshall Plan: History's Most Successful Structural Adjustment Program," NBER Working Paper No. 3899 issued in November 1991, accessed November 01, 2016, <http://www.nber.org/papers/w3899>.

¹⁹⁰ *Ibid.*

expectations in the postwar Europe for a new social consensus based on social welfare rather than a return to the discredited capitalism of 1920s and 1930s.¹⁹¹ In the early days of the Marshall Plan, John Hickerson, one of the Department of State's leading European analysts noted: "The trend in Europe is clearly toward the Left. I feel we should try to keep it a non-communist Left and should support Social-Democratic governments."¹⁹² Obviously the conditions were in favor of the left and especially the communists in Europe after the war. In many respects the social, economic and political conditions in Western Europe, particularly in France and Italy, seemed to threaten the entire framework of capitalist relations of production. United States administration was fully aware in the early postwar era that creating a liberal, open and multilateral international economy required a complex exercise in social engineering, which combined political and military power with socio-economic reconstruction. In the wake of the political mobilization of the working class and the experience of the Great Depression, the US policy makers tried to balance social welfare concerns and with commitment to a liberal, open and multilateral international economy.

The Marshall Plan emerged to promote a particular form of societal organization in Western European states that was committed to promote domestic social stability and a liberal international economy. The expected outcome of the Marshall Plan was to restore capitalism in Western Europe and integrate the continent into this US-led multilateral international economy. Efficient use of the Marshall aid meant that each recipient country would prepare an economic plan and all these national plans would be coordinated by an intra-European Agency, the Organization for Economic Cooperation and Development. However, the scope of economic planning was determined by the Economic Cooperation Administration. The aim, as Esposito argues, was not to create a socialist-style intervention in the

¹⁹¹ Vickers, *Manipulating Hegemony*, 24

¹⁹² Carew, *Labour under the Marshall Plan*, 45.

economy, but to coordinate the private activity from above.¹⁹³ These coordinated plans, in the view of the US Administration, would facilitate economic integration of the Western European states and would “help create large European markets, without commercial barriers, and with healthy free market competition leading to higher productivity, lower prices, unprecedented growth and ever-growing number of European consumers.”¹⁹⁴ The expectation of the US officials was to overcome class conflicts in Europe by importing into Europe the American dream of prosperity for all. For the US administration, economic growth and increased productivity were not only a precondition for European reconstruction but also a means of social and political stability for Europe’s traditional class conflicts.

These ideas, namely that class conflicts could be overcome by improving the general standard of living through economic growth and that working class could support the prevailing order by securing a greater material stake in that order, can be traced back to a bipartisan policy synthesis forged in the United States in the 1920s and 1930s, termed by Hogan as the “New Deal synthesis.”¹⁹⁵ At the root of this synthesis, according to Hogan, “was an emphasis on co-operating links between private economic groups and between these groups and government authorities,” aimed at “equip[ping] particular countries with American production skills, fashion[ing] American patterns of labor-management teamwork, and, in this and other ways, maximiz[ing] the chances for economic integration and social peace on the Continent.”¹⁹⁶ Hogan sees the Economic Cooperation Administration, the US agency that administered the Marshall Plan, as “the hub in an elaborate system of public-private power sharing.”¹⁹⁷ For Hogan, the Marshall Plan was a US-led

¹⁹³ Chiarella Esposito, *Americas Feeble Weapon: Funding the Marshall Plan in France and Italy, 1948-1950* (Westport, CT: Greenwood Press, 1994), 4.

¹⁹⁴ *Ibid.*

¹⁹⁵ Hogan, *The Marshall Plan*, 22.

¹⁹⁶ *Ibid.*, 136.

¹⁹⁷ *Ibid.*

transnational strategy not only to reconstruct the Western European economies, but also to Americanize their financial system and production relations.

Like Hogan, Pijl also traces the motives for the Marshall Plan back to the Roosevelt's New Deal. He considers the Marshall Plan as part of an attempt to export aspects of American New Deal to Western Europe and as "the first important step in exporting American accumulation conditions" into Western Europe.¹⁹⁸ He places greater emphasis on the role of non-state actors in the preparation and implementation of the Marshall Plan and provides a detailed analysis of how "the Marshall offensive" transformed Western European productive and social structures by mobilizing transnational social forces. According to Van der Pijl, Marshall Plan, along with some subsequent efforts, "led to a concrete transformation of the European class structure along lines of the US model."¹⁹⁹ Reordering of European class relations to resemble the United States model was essential "if a Western Europe capable of withstanding the challenge of socialism was to be created and made part of an Atlantic economy in which the American mode of accumulation could be generalized."²⁰⁰

Gill suggests that the postwar US-led international order "involved an international historical bloc built on Fordist foundations, and on the internationalization of aspects of the American New Deal model of corporatism and state planning."²⁰¹ He sees the Marshall Plan as part of an attempt to extend Fordist accumulation strategies based on Taylorist management techniques to Western Europe.

As argued by Hogan, Pijl and Gill, the origins of the Marshall Plan can be traced back to the Roosevelt's New Deal. The New Deal had been based on the

¹⁹⁸ Kees Van der Pijl, *The Making of an Atlantic Ruling Class* (London: Verso, 2012), 148.

¹⁹⁹ *Ibid.*, 138.

²⁰⁰ *Ibid.*, 146.

²⁰¹ Stephen Gill, *Power and Resistance in the New World Order* (Basingstoke: Palgrave Macmillan, 2008), 61.

assumption that domestic stability could be possible by improving living standards through greater productivity; that political conflicts, primarily between capital and labor, could be resolved by economic growth and prosperity.²⁰² In many ways, the Marshall Plan made use of the American New Deal experience. At this point, one should keep in mind that the degree of Marshall Plan's success in benefiting from the New Deal experience in Western European countries differed from one country to another. As Hogan convincingly argues, public and private leaders in the key European countries sometimes ignored ECA advice and followed social and economic policies that diverged from New Deal synthesis and Keynesian strategies.²⁰³ There is no doubt that France, Italy, Britain and West Germany differed in their experiences with the adoption of American-style labor relations and Fordist production methods. It is beyond the scope of this study to discuss in detail each Western European country's experience with the Marshall Plan. The important thing here, for the purposes of this study, is the fact the Marshall Plan institutions and mechanisms overall contributed to the construction of a particular form of societal organization in Western European countries, founded on the American vision of social stability through a general quest for economic growth and productivity that had its roots in the New Deal.

As a matter of fact, many of the US policy-makers in the early postwar, including some of the prominent Marshall Planners, had been engaged in the planning and execution of the New Deal policies. Many of the influential businessmen among the Marshall Planners were the members of the Committee for Economic Development (CED), which had been established in 1942 to guide the Roosevelt Administration in implementing industrial policies²⁰⁴ was a business-led public policy organization that claimed to have non-partisan technical expertise in

²⁰² Vickers, *Manipulating Hegemony*, 23.

²⁰³ Hogan, *The Marshall Plan*, 435-436.

²⁰⁴ John Agnew and J. Nicholas Entrikin, *The Marshall Plan Today: Model and Metaphor* (London: Routledge, 2004), 174.

research to shape public opinion and influence government's industrial and economic policy. In the area of foreign policy, it can be likened to the Council on Foreign Relations. CED members included many businessmen that would occupy important positions in the Marshall Plan Administration. Among the founders of the CED were Paul Hoffman, who later became the administrator of the Marshall Plan; Philip Reed, who became chairman of the Anglo-American Council on Productivity; William Batt, who later was assigned to the Marshall Plan mission in London; David Zellerbach, who headed the Marshall Plan mission in Rome; and William C. Foster, who was assigned as Assistant Deputy Administrator of the Marshall Plan.²⁰⁵ Moreover, nine of the nineteen members of President Truman's Committee on Foreign Aid were businessmen, and five of those nine were CED trustees.²⁰⁶

The members of the CED, who later played important roles in the formulation and implementation of the Marshall Plan, had come to terms with the New Deal's economic planning and had been influenced by the industrial growth brought by the wartime mobilization. These experiences led them to reevaluate the free market orthodoxy and convinced them of the need for planning and government intervention. Their faith in free markets was balanced by their concern to prevent the emergence of financial instability and crises, as had occurred in 1929. To some degree, they recognized the need for public regulation of capitalism, both domestically and internationally. Avarrell Harriman, a businessman who was the Secretary of Commerce at the birth of the Marshall Plan and was later assigned respectively as the head of President's Committee on Foreign Aid and the Marshall Plan's special representative in Europe, stated in 1946: "People in this country are no longer scared of such words as 'planning.' people have accepted the fact the government has got to plan as well as the individuals in the country."²⁰⁷ This

²⁰⁵ Carew, *Labour under the Marshall Plan*, 42.

²⁰⁶ Mark S. Mizruchi, *The Fracturing of the American Corporate Elite* (Cambridge, MA: Harvard University Press, 2013), 58.

²⁰⁷ Quoted in Charles S. Maier, "The Politics of Productivity: Foundations of American International Economic Policy after World War II," *International Organization* 31/4 (1977): 614

recognition of the need for governmental regulation of capitalism by the US administration and business was also reflected in the nature of international capitalist order that the United States constructed after the Second World War.²⁰⁸

CED advocated a supposedly apolitical scientific approach to industrial and economic management, which required government and private sector cooperation in technical expertise. The aim of this ostensibly “non-ideological” technical approach was to transform unresolvable class conflict into a general quest for economic growth and greater productivity, based on harmony and collaboration. Even though the Great Depression had, to some extent, discredited the liberal economic thinking and the image of the America's business elite, the ability to achieve greater level of efficiency during the wartime led to the emergence of a business-labor alliance through the belief that “United States could enjoy productive abundance without a radical redistribution of economic power.”²⁰⁹ CED incorporated business figures that depicted themselves as trustees, public servants or “socially conscious”²¹⁰ capitalists that were ready to cooperate with labor movement and the government, trying to recover the image of the America’s business that had been discredited as selfish and greedy during the Great Depression years.

Efforts by business and government to overcome the Great Depression and win the war not only led to the occupation of state administrative offices by business figures, but also created a broad consensus on the necessity of state intervention and planning to increase productivity and to stabilize the capitalist system. This consensus had an ambiguous approach based on interventionist planning, which tried to achieve economic growth and prosperity while avoiding class conflict. It was an approach that would be extended into the official foreign aid policy of the United States as the basis for the European Recovery Program. At this point, Maier’s

²⁰⁸ Saull, *The Cold War and After*, 62.

²⁰⁹ Maier, *The Politics of Productivity*, 614.

²¹⁰ Carew, *Labour under the Marshall Plan*, 44.

concept of “politics of productivity” as an explanatory framework could be helpful in terms of getting a better understanding of American foreign aid policy towards Western European countries after the war and the motivation behind the Marshall Plan in particular. Maier suggests that the Marshall Plan played a role in the emergence of “consensual American hegemony,” rather than being an instrument of an aggressive US empire as the revisionists claimed.²¹¹ From this point of view, the US influence in Western Europe increased because of the Marshall Plan, but only to the extent that Western Europe countries were willing to accept. While he considers the Marshall Plan as a constituent part of consensual American hegemony, Maier analyzes how the US used foreign aid and its position in the international order to export what he terms “politics of productivity.” Maier uses the term to describe the United States’ attempt to shape the postwar international order in such a way that political issues were transformed into problems of production and productivity. He argues that since the Great Depression, throughout the New Deal years, in the US business and policy circles the idea had become prevalent that “by enhancing productive efficiency, whether through scientific management, business planning, industrial cooperation, or corporatist groupings, American society could transcend the class conflicts that arose from scarcity.”²¹² In other words, Western European societies would overcome social conflicts resulting from scarcity by improving their productivity as had the United States done during the New Deal period. As far as the labor was concerned, politics of productivity meant that class-based labor relations had to be abandoned, with employers and labor becoming partners in the ostensibly apolitical (liberal) pursuit of economic growth. From this point of view, history is not a dialectical series of class struggle, but a linear movement from scarcity to abundance. Accordingly, the transition from scarcity to abundance is considered as a matter of efficiency and engineering, not of politics.

²¹¹ Maier, *The Politics of Productivity*, 607-633.

²¹² Maier, *The Politics of Productivity*, 613.

From the very beginning, this American vision of political and economic stability through economic growth and productivity was clearly visible in the Marshall Plan administration. ECA's special representative in Europe, Averell Harriman, made it explicit in 1949 that improving productivity was a key element of the European Recovery Program when he suggested that "the program of trade and financial stability must be accompanied by a program for greatly increasing productivity."²¹³ In a similar manner, in his speech to the OEEC ministerial council in October 1949, the ECA administrator, Paul Hoffman, stated that creating a single Western European market would "accelerate the development of large-scale, low-cost production industries" and thereby "set in motion a rapid growth in productivity."²¹⁴ As these statements clearly show, in the eyes of the Marshall Planners, the productivity was the key to their goals since reviving capitalism in Western European countries and breaking their dependence on the US foreign aid could only be possible by raising productivity and competitiveness.

In addition to its role in encouraging intra-European trade, The Marshall Plan counterpart funds were also assigned a significant role in ECA's attempts to raise productivity. Sixty percent of these funds were allocated to industrial modernization projects such as Monnet Plan in France.²¹⁵ A far less expensive but quite effective ECA initiative to raise productivity was the Technical Assistance Program. This program was part of a strategy to sell the values of capitalist productivity and hence prevent the appeal of communism. The program's aim was to increase efficiency of industrial production in Western European countries through the introduction of American production, business organization and labor management techniques. Technical Assistance Program funded European experts, engineers and industrialists to visit factories, mines and industrial centers in the United States so that they could

²¹³Bent Boel, *The European Productivity Agency and transatlantic relations, 1953-61* (Copenhagen: Museum Tusulanum, 2003), 24.

²¹⁴ Hogan, *The Marshall Plan*, 274.

²¹⁵ *Ibid.*, 415.

study and copy American agricultural and industrial production methods at home. Besides, hundreds of American experts and technical advisers were sent to Europe for implementing technical-assistance projects, engineering schemes, and productivity surveys. The ECA also formed productivity teams, working closely with industry, labor, and government in Europe, and with groups such as the National Association of Manufacturers, the Chamber of Commerce, and the leading labor unions, farm groups, and trade associations in the United States.²¹⁶ Boel likens the productivity teams to missionaries on an anti-communist crusade:

From 1949 onwards, a growing number of “missionaries,” usually in mixed labor-management teams, went to the US to study American industrial and agricultural production methods. As it gained momentum, it took the form of a “crusade,” with missionaries going to the American Holy Land and on their return spreading the gospel of productivity, which would hopefully save Europe from backwardness and communism. It was supplemented by tours in Western Europe for American experts lecturing about methods to improve productivity.²¹⁷

The Marshall Plan was of a high-profile nature. It incorporated various mechanisms and strategies to disseminate American production relations and management methods in Western European countries. In addition to the Marshall aid propaganda through posters, films and radio broadcasts; the Marshall Planners adopted an extensive propaganda campaign in Europe, known as Information Program. The information campaign promoted the ideas of productivity, scientific management, mass production and economic integration. The slogans of the program, such as “you too can be like us” and “prosperity makes you free,” were aimed at convincing the Western European populations to adopt the US economic model.²¹⁸ This information campaign in Western Europe was effective, in making

²¹⁶ *Ibid.*, 142-143.

²¹⁷ Boel, *The European Productivity Agency*, 27.

²¹⁸ D. W. Ellwood, "The Marshall Plan and the Politics of Growth," in *Shaping Postwar Europe*, eds. Peter M. R. Stirk and David Willis (London: Pinter, 1991), 25.

economic growth “a universal creed and a common expectation to which governments were expected to conform.”²¹⁹

The success of the Marshall Plan and the construction of the US-led multilateral international system required reorganizing the societies and reshaping the ideological and institutional framework within which the working class is organized. The Administrator of the Marshall Plan, Paul Hoffman, is quoted as saying that the Plan was a contest “between the American assembly line and the communist party line.”²²⁰ Trade unions were the key players in this contest. The US officials repeatedly emphasized the need to focus specifically on the trade unions, where the communist influence was the strongest and whose cooperation and loyalty were necessary if the social stability and economic growth was to be restored.²²¹ As early as October 1947, Undersecretary of State, Robert A. Lovett wrote to the American Ambassador in France to keep “the healthy elements of labor movement” in the non-communist camp to secure an American-oriented, pro-capitalist Western Europe.²²² Lovett also made it clear that the American aid to France would not continue unless “a strong, unified and cooperative non-Communist government put the French house in order.”²²³

History of the American trade union organizations and their role in the New Deal are too complex to discuss in detail here. The crucial point, though, is that in the late 1940s, two biggest federation of trade unions in the United States, namely American Federation of Labor (AFL) and Congress of Industrial Organizations (CIO), had positioned themselves in favor of “politics of productivity” that had been

²¹⁹ *Ibid.*, 26.

²²⁰ Carew, *The Labour under the Marshall Plan*, 8.

²²¹ Saull, *The Cold War and After*, 67.

²²² Charles S. Maier, "Two Postwar Eras and The Conditions for Stability in The Twentieth Century Western Europe," *American Historical Review* 86/2 (1981): 347.

²²³ Charles S. Maier, "Hegemony and Autonomy within the Western Alliance," in *Origins of the Cold War: An International History*, ed. Melvyn P. Leffler and David S. Painter (Abingdon: Routledge, 2005), 227.

developed through the New Deal. These two anti-communist trade union federations played the leading roles in separating the revolutionary elements from what Lovett called “the healthy elements” of labor movement in Western European countries. As Rupert has shown, both of the major trade organizations in the United States played a prominent role in selling Marshall Aid to European workers, and encouraging the establishment of anti-communist trade unions because American unionists believed that economic reconstruction in Western Europe would help increase production imports to sustain full employment and higher wages at home.²²⁴ American trade unions collaborated with American officials, business and intelligence service in direct interventions which aimed to marginalize the revolutionary extremists and incorporate more “moderate” elements of labor in Western European countries as partners in the historic bloc underlying the new hegemonic order. As a matter of fact, the Marshall Planners thought that the best ambassadors to sell the Marshall Plan objectives to the European workers were their American counterparts, who were coming from a similar class background but had higher living standards. As Carew puts it:

The aim of ECA was to rationalize and modernize European industry. Long-established practices and resistance to change on the part of the employers and workers had to yield to the new methods.” Productivity” was the vogue word, the American policy of “scrap and build,” of willing adaptation to change, had to be sold to the Europeans, and who better to take the message to European workers, than representatives of their affluent American counterparts, who had directly benefited from such an approach to industry at home?²²⁵

As a result, American trade unions played an increasingly active and decisive role in the implementation of the Marshall Plan. An Office of Labor Advisers, which was established in ECA headquarters in Washington, appointed American trade unionists as advisers and specialists to the ECA missions in the Marshall aid

²²⁴ Mark Rupert, *Producing Hegemony: The Politics of Mass Production and American Global Power* (Cambridge: Cambridge University Press, 1995), 46.

²²⁵ Carew, *Labour under the Marshall Plan*, 81.

recipient countries in Europe. This labor advisory staff were in close contact with the local labor movements and they provided technical assistance and counseling to the unions and governments in Europe on the issues related to productivity, efficiency and labor-management relations. As Rupert shows, American trade unions, by using the Marshall funds and working through the Marshall Plan institutions, successfully contributed to weaken the social and political power of communist trade unions in Western Europe, such as the Confederation Générale du Travail (CGT) in France and the Confederazione Generale Italiana de Lavoro (CGIL) in Italy.²²⁶

This is not to suggest that the Marshall Plan was the only factor that marginalized communist forces in the early postwar Europe. The divisions in the trade unions had already existed in postwar Western Europe even before the Marshall Plan commenced. Moreover, as Carew argues, the political program of the left in countries such as France and Italy concentrated on social stability and reconstruction rather than revolution.²²⁷ France and Italian communist leaderships seemed to give priority to economic growth over the questions of property ownership and distribution of wealth.²²⁸ For example, Maurice Thorez, as the leader of French Communist Party and government minister, underlined production as “the highest duty” of the French worker.²²⁹ “Work hard first, then ask for concessions” and “produce produce” were the slogans of the of the trade union confederation in France.²³⁰ Therefore, we have evidence to believe that the Marshall Plan was not the only factor that undermined the social and political power of communist forces in Europe in the early postwar period. However, the aim here is not to find answer to

²²⁶ Rupert, *Producing Hegemony*, 48.

²²⁷ Carew, *Labour under the Marshall Plan*, 19.

²²⁸ Saull, *The Cold War and After*, 70.

²²⁹ Barry J. Eichengreen, *The European Economy since 1945: Coordinated Capitalism and Beyond* (Princeton: Princeton University Press, 2008), 55.

²³⁰ George Ross, *Workers and Communists in France: From Popular Front to Eurocommunism* (Berkeley: University of California Press, 1982), 31.

the question “what would have happened if it had not been for the Marshall Plan?” - a question that is impossible to answer. Nevertheless, the important thing here is to understand the class dimension of the Marshall aid and its role in changing the balance among social forces within Western European states and constructing a new international economic order.

The Marshall Plan laid the foundations of the so-called long boom, which saw the most widespread growth of the capitalist economies in the world history. It also facilitated the political and economic integration the former enemies in Europe by promoting inter-European trade through mechanisms like conditional aid and drawing rights. But, just as significant as these, is its role in contributing to the domestic political stability of the capitalist states in Europe by implanting strong anti-communist tendencies in major sections of the working class and building a consensus around what Maier calls “the politics of productivity.” Whereas European workers had been the potential actors for a social revolution in the inter-war period, in the postwar they turned into “a pillar of the prevailing social order by securing a greater material stake in that order.”²³¹

Multilateral vision of a capitalist world economy and anticommunism were the most notable features of the Marshall Plan. However, the Plan did not primarily emerge to address the perceived Soviet geopolitical threat to the security of Western European states, but rather, it emerged as a response to the threats that social and economic instability in other capitalist states could pose to the US-led international capitalist order. As Saull rightfully observes, the Marshall Planners were concerned less with the direct threat Soviet policies posed and more with how balance of power among domestic social forces in Western European states could have geopolitical outcomes that are advantageous to the Soviet Union.²³² In this respect, the Marshall Plan clearly illustrates that foreign aid was not simply a strategic instrument in the geo-strategic and political rivalry between the two superpowers, but rather, it was

²³¹Saull, *The Cold War and After*, 66.

²³² Saull, “American Foreign Policy during the Cold War,” 68.

part of a wider systemic conflict between capitalism and communism involving states and social forces other than the superpowers. It was primarily a response to the socio-economic challenges that the political instability and economic crises in the other capitalist states in the early postwar period posed to the US-led international capitalist order. In this regard, the contemporary calls for the Marshall Plan for different regions like Middle East or Sub-Saharan Africa are at best ahistorical, if not altogether meaningless. One should keep in mind that the Western European countries that received the Marshall aid already had the institutions that were necessary for the functioning of the capitalist economic order. Legal system to enforce market contracts, property rights and technical skills were all available in these countries.

The Marshall Planners successfully used conditional aid mechanism to shape and influence the political and economic developments in the recipient countries in favor of the capitalist socio-economic interests. In the longer term, what was more important than the material and financial resources that the Marshall Plan provided was its role in changing the environment in which economic policy was conducted and promoting certain concepts, such as productivity and economic growth, as common sense while marginalizing communist influence.

3.3. Development of Aid during the Cold War Period

3.3.1. Aid at the Service of Development Economics

The perceived success of the Marshall Plan had given American foreign policy makers the confidence to believe that it was a model of successful foreign policy that could be transplanted from Europe to the other regions of the world. Paul Hoffman, the administrator of the Marshall Plan stated in 1951: “We have learned in Europe what to do in Asia, for under the Marshall Plan we have developed the essential instruments of a successful policy in the arena of world politics.”²³³

²³³ Paul G. Hoffman, *Peace Can Be Won* (New York: Doubleday, 1951), 130.

Economists and policy makers seemed to be convinced that the foreign aid mechanisms, which had been efficiently used in Western Europe during the implementation of the Marshall Plan, could be exported to the postcolonial regions. With the process of decolonization, promotion of economic growth and industrialization in poorer countries became an international issue. Throughout the 1950s and 1960s, the debates about aid and development revolved around development economics and modernization approach. Development economics emerged after the war as an economics specifically about the development-related problems facing the developing countries, whereas modernization was distinctly an American approach to development and it contained social and political as well as economic elements.²³⁴ Despite there being disagreements and differences both among and between development economists and modernization theorists, it is possible to draw from each of them certain shared assumptions and arguments about development and aid. While development economists and modernization theorists were generally inspired and encouraged by the Marshall Plan, the regions they sought to develop had noticeably different socio-political conditions compared to the Western European conditions that the Marshall Planners had encountered. After all, building a new factory in a third world country and staffing it with the former peasants turned out to be a lot more difficult than rebuilding a factory in Germany or France and putting the already qualified local labor force back to work after the war.²³⁵

The emphasis on economic growth and productivity to counter the appeal of communism increasingly continued after the Marshall Plan. “Politics of productivity,” which was mentioned in the previous section, became the political and economic conviction during the 1950s, based on the successful experience of

²³⁴ David Williams, *International Development and Global Politics History, Theory and Practice* (Abingdon: Routledge, 2012), 32.

²³⁵ Nils Gilman, *Mandarins of the Future: Modernization Theory in Cold War America* (Baltimore: Johns Hopkins University Press, 2007), 82.

the Marshall Plan. The mainstream development economists' toolkit in 1950s contained theories and concepts such as the "big push," "balanced growth," "take-off into sustained growth," "critical minimum effort thesis."²³⁶ What all these theories and concepts had in common was equating economic growth with development. It was thought that what separated the less developed countries from the developed ones was the lack of savings and investments that were necessary for economic growth. In a context where development was simply defined as economic growth, theoretical and empirical studies on development assistance mostly focused on the effectiveness of aid in promoting growth, measured in terms of gross domestic product. Other economic and social objectives of aid were considered as complementary to economic growth. As a matter of fact, the search for a formula for economic growth has been a constant in the development aid literature, though the path to growth has often changed over time.²³⁷

In the early postwar years, the role foreign aid was initially discussed within the framework of Keynesian-inspired growth models. The most influential of these was the so-called Harrod–Domar model. This model assumed that savings and investment were the key factors determining growth. This model simply tried to calculate investment requirements for a targeted growth rate through a few simple equations. The gap between the amount of a country's domestic savings available for investment and the amount necessary to achieve a certain growth rate came to be known as the "savings gap." Since savings in developing countries were likely to be too low to achieve the planned growth rate, aid was assumed to play a supportive role in relieving the saving constraint and increase investment thus leading to economic growth. Given that developing countries were characterized by low productivity and thus low domestic savings, capital in the form of aid would have to

²³⁶ Erik Thorbecke, "The Evolution of the Development Doctrine and the Role of Foreign Aid, 1950-2000," in *Foreign Aid and Development: Lessons Learnt and Directions for the Future*, eds. Finn Tarp and Peter Hjertholm, (London: Routledge, 2000), 20.

²³⁷ Louis A. Picard and Robert Groelsema, "U.S. Foreign Aid Priorities: Goals for the Twenty-First Century," in *Foreign Aid and Foreign Policy: Lessons for the Next Half-Century*, eds. Louis A. Picard, Robert Groelsema, and Terry F. Buss (Armonk, NY: M.E. Sharpe, 2008), 10.

come from abroad. As can be seen from these assumptions, in the postwar era, the necessity of foreign aid has always been at the core of the discussions on how to achieve development in developing countries from the very beginning.

The so-called Harrod-Domar model and its various extensions simply assumed that the correct quantity and combination of saving, investment and aid were all that was necessary to solve postcolonial social and economic problems. The simplicity and ease of use of these “magic growth equations” to determine the amount of foreign aid required to achieve a certain growth rate made them very attractive for scholars and policy makers.

Another conceptual framework that is used to justify aid-growth relationship in the early literature on aid was the Two Gap Model of Chenery and Strout.²³⁸ Primarily based on the Harrod-Domar model, the two-gap model of Chenery and Strout contributed to foreign aid literature by focusing on not only saving constraint but also foreign exchange. The two-gap model pointed out that international trade and foreign exchange besides domestic savings were also important for economic growth and that a gap between import requirements and export earnings could reduce economic growth by constraining both imports and savings. In the Two Gap Model of Chenery and Strout, the role of aid was to cover the gap between capital investment needs and domestic savings (the internal gap), and to overcome the trade gap by financing imports (the external gap).²³⁹

As from the early 1970s, aid started to be increasingly analyzed in the context of the so-called two-gap model, which focused on aid’s impact on growth via savings and investment. Some of the studies on aid-growth relationship confirmed the positive impact of aid on growth, whereas some others argued that foreign aid does not necessarily lead to growth and development of the poor countries went beyond savings or foreign exchange constraints. For example, Papanek, in a cross-

²³⁸ Hollis B. Chenery and Alan M. Strout, “Foreign Assistance and Economic Development,” *The American Economic Review*, 56/4 (1966).

²³⁹ Stephen Browne, *Aid and Influence: Do Donors Help or Hinder?* (London: Earthscan, 2006), 25.

country regression analysis of thirty-four countries in the 1950s and fifty-one countries in the 1960s, taking foreign aid, foreign investment, other flows and domestic savings as explanatory variables, concluded that foreign aid was more effective in providing growth than the other variables.²⁴⁰ The positive impact of aid on growth in the case of 28 Sub-Saharan countries over the period 1968-1982 was confirmed by Levy.²⁴¹ Subsequently, in consistency with these findings, Fayissa and El-Kaissy, in a cross-country study of seventy-seven countries over the periods 1971-1980, 1981-1990 and 1971-1990, found a positive correlation between aid and growth.²⁴² On the other hand, several studies have rejected the positive relationship between foreign aid and growth. Griffin was among the first to publish empirical research that found negative correlation between aid and economic growth. In 1969, Griffin argued in a study covering Latin America that there was a negative link between high aid levels and savings rates in the countries concerned.²⁴³ In a later study in 1970, Griffin and Enos argued that aid flows could retard development by leading to lower domestic savings, by distorting the composition of investment, by frustrating the emergence of an indigenous entrepreneurial class, and by inhibiting institutional reforms.²⁴⁴ In the following years, many other studies followed showing no or little relationship between aid and growth. For example, Voivodas, in an analysis of 22 least developed countries over the period 1956-1968 found that aid

²⁴⁰ Gustav F. Papanek, "Aid, Foreign Private Investment, Savings, and Growth in Less Developed Countries," *Journal of Political Economy* 81/1 (1973)

²⁴¹ Victor Levy, "Aid and Growth in Sub-Saharan Africa: The Recent Experience," *European Economic Review* 32/9 (1988).

²⁴² Bichaka Fayissa and Mohammed I. El-Kaissy, "Foreign Aid and the Economic Growth of Developing Countries (LDCs): Further Evidence," *Studies in Comparative International Development* 34/3 (1999).

²⁴³ Keith Griffin, *Underdevelopment in Spanish America: An Interpretation* (Cambridge: The MIT Press, 1969).

²⁴⁴ K. Griffin and J. L. Enos, "Foreign Assistance: Objectives and Consequences," *Economic Development and Cultural Change* 18/3 (1970): 326.

has no impact on economic growth.²⁴⁵ Weisskopf also underlined the negative effects of aid on domestic savings of the recipient countries by examining 44 underdeveloped countries in 1972.²⁴⁶ Mosley, in his analysis of 83 developing countries over the period 1969 and 1977, found “a weak and insignificant but negative correlation between aid and growth.”²⁴⁷ In a subsequent study, where Mosley and co-authors used different sub-periods and samples of developing countries, they found no significant relationship between aid and growth.²⁴⁸ A number of reasons were listed for why aid may not be effective in providing economic growth, but the common denominator in these studies that found negative relationship between aid and economic growth was the observation that aid leads to lower domestic savings. Despite decades of trying, the quantitative studies on aid effectiveness have not reached a conclusion on whether aid works or under which conditions it works better.

3.3.2. Aid at the Service of Modernization Approach

Soon after gaining their independence, it became obvious that the mainstream developments economists’ expectations about the self-sustaining economic growth in postcolonial countries were exaggerated. None of the postcolonial countries seemed to be on the path to sustainable industrial growth. Modernization theory now emerged supplementing economics with social and political factors that had been outside development economists’ focus of attention. It claimed to go beyond

²⁴⁵ Constantin S. Voivodas, “Exports, Foreign Capital Inflow and Economic Growth,” *Journal of International Economics* 3/4 (1973).

²⁴⁶ Thomas E. Weisskopf, “The Impact of Foreign Capital Inflow on Domestic Savings in Underdeveloped Countries,” *Journal of International Economics* 2/1 (1972).

²⁴⁷ Paul Mosley, “Aid, Savings and Growth Revisited,” *Oxford Bulletin of Economics and Statistics* 42/2 (1980): 82

²⁴⁸ Paul Mosley, John Hudson, and Sara Horrell, “Aid, the Public Sector and the Market in Less Developed Countries,” *The Economic Journal* 97/387 (1987).

economics by giving primacy to sociology and political science in theorizing about the requirements for, and impediments to, development.²⁴⁹

However, not unlike mainstream development economists, modernization theorists also argued that, at the end of the day, economic growth that was pursued within a capitalist framework would provide the solution to the postcolonial social, political, and economic problems. As one of the most influential articulators of modernization approach, Walt W. Rostow's theory of economic growth can be considered a transition between development economics and modernization theory.²⁵⁰

From the onset of the decolonization, the fear that the Soviet Union could provide a better example of development model to the newly independent countries than the West became the main concern of the modernization theorists. The success of the Soviet Union in achieving rapid industrialization and growth caused much anxiety among American policy makers and social scientists. This concern for the Soviet development model as an alternative was most obviously reflected in the subtitle of W. W. Rostow's famous book, *The Stages of Economic Growth: A Non-Communist Manifesto*.²⁵¹ Rostow argued that there were five phases of development, which a country had to pass through: (1) the traditional society, (2) the preconditions for take-off, (3) the take-off, (4) the drive to maturity, (5) the age of mass consumption. For Rostow, distinct stages had different foreign policy implications for the United States and he assigned a significant role to foreign aid at "take-off" stage, which is characterized by dynamic economic growth.²⁵² The role

²⁴⁹ Radhika Desai, "Theories of Development," in *Introduction to International Development Approaches: Actors, Issues, and Practice*, ed. Paul A. Haslam, Jessica Schafer, and Pierre Beaudet (Ontario: Oxford University Press, 2012), 53.

²⁵⁰ Walt. W. Rostow, *The Stages of Economic Growth: A Non-Communist Manifesto* (Cambridge: Cambridge University Press, 1960).

²⁵¹ Walt. W. Rostow, *The Stages of Economic Growth: A Non-Communist Manifesto* (Cambridge: Cambridge University Press, 1960).

²⁵² Max Millikan and Walt W. Rostow, *A Proposal: Key to an Effective Foreign Policy* (New York: Harper and Brothers, 1957), 53.

of aid was seen as a source of capital to trigger self-sustained economic growth through investment.²⁵³ It was believed that properly used aid would also help to overcome bottlenecks, especially in infrastructure, during the take-off period²⁵⁴. In practical terms, this assumption gave rise to a foreign aid policy, which was based on the notion that “massive dose of aid and foreign capital to less developed countries would enable them to get ready for take-off.”²⁵⁵

In addition to his theoretical contributions, Rostow was also heavily involved in the formulation of the foreign aid policy of the United States. While he was working for Massachusetts Institute of Technology (MIT), Rostow cofounded, with economist Max Millikan, The Center for International Studies (CIS). This academic institution, which was funded by CIA, was concerned with promoting US foreign aid and international policies to prevent the spread of communism to the developing countries. In 1954, Millikan and Rostow wrote a report on how the aid program for the underdeveloped countries could help promote economic growth and political stability, which outlined the theoretical basis for an aid and development policy in the postcolonial countries. In this report, which was later entered into the Congressional Record in 1957 under the title *Objectives of the United States Economic Assistance Program*, Millikan and Rostow recommended avoiding strictly military approach to foreign policy and they called for a shift in emphasis from military to economic aid.²⁵⁶

This report was further expanded and was published by the CIS under the title *A Proposal: Key to an Effective Foreign Policy*.²⁵⁷ It systematized the economic

²⁵³ Maurice Williams, foreword to *U.S. Development Aid—An Historic First: Achievements and Failures in the Twentieth Century*, by Samuel Hale Butterfield (Westport, CT: Praeger Publishers, 2004), x.

²⁵⁴ Nils Gilman, *Mandarins of the Future: Modernization Theory in Cold War America* (Baltimore: Johns Hopkins University Press, 2003), 178.

²⁵⁵ Uma S. Kambhampati, *Development and the Developing World* (Cambridge: Polity Press, 2004), 59.

²⁵⁶ Gilman, *Mandarins of the Future*, 176.

²⁵⁷ *Ibid.*, 177.

arguments first stated in the *Objectives* and defined economic criteria for determining the appropriate level of aid for a given country. The report suggested that the recipient country's place in the stages of economic growth had to be evaluated for its technical and administrative capacity to use the aid effectively. Aid would be used to help developing countries to establish the required conditions for take-off²⁵⁸. Moreover, the report emphasized that the recipient country's national development program had to be "consistent with the requirements of expanding world commerce and the international division of labor."²⁵⁹

For almost a decade, Rostow's take-off theory was, as Hardin sarcastically put it, "the fair-haired boy of the foreign aid establishment"²⁶⁰. However, it soon lost its popularity among development circles. The ostensible optimism of the early theories and models of modernization that democracy and prosperity would be the inevitable outcomes of modernization process was short-lived and was soon replaced by a new development aid perspective that gave priority to political order and stability. For example, Wiggins challenged the perceived connection between development and stability by suggesting, "it is by no means assured...that an increase in the living standards will bring with it a political stability favorable to American interests."²⁶¹ Hoselitz and Weiner suggested that development could lead to more violence; they used India, Asia, Africa and Latin America as examples of their argument.²⁶²

The mainstream accounts generally argue that the early theories and models of modernization approach, represented by scholars such as Gabriel Almond and

²⁵⁸ Millikan and Rostow, *A Proposal: Key to an Effective Foreign Policy*, 52-53.

²⁵⁹ *Ibid.*, 71.

²⁶⁰ Garrett Hardin, *Living Within Limits: Ecology, Economics, and Population Taboos* (New York: Oxford University Press, 1995), 183.

²⁶¹ Howard Wiggins, "Foreign Assistance and Political Development," in *Development of the Emerging Countries: An Agenda for Research*, ed. R. E. Asher et al. (Washington D.C.: Brooking Institution, 1962) 208-209.

²⁶² Bert Hoselitz and Myron Weiner, "Economic Development and Political Stability in India," *Dissent*, 8 (1961): 172-179.

Walt W. Rostow, were naive and over-optimistic intellectual exercises about economic growth and political stability in the postcolonial countries, whereas the actual experience of the postcolonial countries was one of increasing social and political disorder. The story goes that optimism began to disappear around the mid-1960s due to the disillusionment over the actual performance of the newly independent states. As a result, some scholars, such as Samuel Huntington, rejected the early theories and developed new theories that gave priority order and stability to deal with this new situation. These mainstream accounts put the blame on the postcolonial countries for the lack of sufficient economic development and political stability, while portraying early modernization theorists as “naïve” scientists that had placed more confidence in the newly independent states than they should have done.

The shift away from the focus on economic growth to “order and stability” in modernization theory seems to have been poorly understood and misinterpreted by these mainstream accounts. As already indicated, the early modernization theorists put more emphasis on economic growth models. During the late 1960s, however, economic and social problems in the postcolonial countries were re-evaluated by the Western scholar and policy-makers. There was a shift away from the idea that economic growth through foreign capital (in the form of foreign investment and foreign aid) was sufficient to prevent social conflicts. A new perspective, which gave priority to political order and stability, emerged. According to this new perspective, political order was more important to manage the social conflicts that would unavoidably emerge during the process of modernization. From this study’s point of view, this shift in the emphasis from economic growth to order and stability must be evaluated in the context of the intensification of the Cold War inter-systemic rivalry. The revolution in Cuba followed by an unsuccessful US engagement in Vietnam and the revolutionary instability and reaction in Latin America and South Asia were influential in undermining the original optimistic assumption that economic growth was the key to contain communism. Moreover, this change of focus towards order and stability must be understood as a revision of, rather than a rejection of, early

modernization approach. Because, the difference between the earlier theories that focused mainly on economic growth and the perspectives of the late 1960s that gave primacy to political order lies not in their basic assumptions and ultimate goals, but only in the means that they use to the same end- that of containing communism. Early modernization theorists like Millikan and Rostow considered economic stagnation and poverty as a breeding ground for communism. Therefore, they believed that the best means to contain communism was to promote rapid economic growth within a capitalist framework. From this point of view, the underlying rationale of aid was to provide the necessary conditions for self-sustained economic growth. On the other hand, subsequent perspectives, which were more concerned about order and stability and in the context of increasing inter-systemic tensions, saw foreign aid as a means of counter-insurgency and stabilization. Whatever role is assigned to aid by different versions of modernization approach in 1950s and 1960s, it was always subordinate to the goal of containing communism. As fear of the spread of communism grew, so did the interest in the foreign aid. As a matter of fact, the leading modernization theorists regarded the “Soviet threat” as the starting point for thinking about foreign aid. Even though they sometimes disagreed on how the practical implementation of aid should be, they regarded it as serving the same political objective, that of preventing these countries from adopting communism.²⁶³ In this regard, rather than being a “naïve” intellectual exercise that had over-optimistic expectations from the post-colonial countries, modernization was an approach that had very significant practical applications and consequences for the populations of developing countries. As far as aid was concerned, modernization approach played a prominent role in the transformation of aid into a military weapon.

²⁶³ Kambhampati, *Development and the Developing World*, 70.

3.3.3. Militarization of Aid: Development Aid as a Weapon of War

As already indicated, after the completion of the Marshall Plan, the emphasis on economic growth and productivity to counter the appeal of communism continued during the 1950s. However, concurrently, it was also possible to observe a gradual shift towards a more military emphasis in the United States foreign aid. It first became manifest in the name change of the United States' aid agency. In 1951, the US Congress established the Mutual Security Agency, which replaced the Economic Cooperation Administration that oversaw administering the Marshall Plan. This new agency was set up to administer economic assistance as well as military assistance programs, bringing them under the same roof.

Here we need to make a distinction between military aid and the militarization of development aid, which are often confused. In its broadest sense, military aid involves the transfer of military equipment and services or the provision of grants and loans to help countries purchase weapons of war. As already discussed in the section on the definition of aid, even though military aid is not considered and reported as official development assistance, the distinction between military aid and development aid has always been blurred from the very beginning. Militarization of aid, on the other hand, involves the use of development aid for battlefield purposes. Southeast Asia region served as the laboratory for this militarized approach to development aid.

East and Southeast Asia were the primary battleground for Cold War and their rural character was the main problem for American foreign policy makers since the region was almost entirely agricultural, inhabited by peasants who were not directly exposed to the authority of the state or the discipline of capitalist markets and inclined to, as China's revolution had shown, "sudden and decisive shifts of allegiance."²⁶⁴ The end of colonialism had left huge territories in Southeast Asia

²⁶⁴ Nick Cullather, *The Hungry World: Americas Cold War Battle Against Poverty in Asia* (Cambridge, MA.: Harvard University Press, 2010), 73.

without authority, and the US administration was disturbed by its inability to provide intelligence or even predict the social processes in the region that had important strategic consequences for the United States.²⁶⁵ Despite the fact that Marshall Plan had been a success, strategies that worked in Europe were of little use when applied to the conditions of Southeast Asia. This led American policy makers and academicians to doubt their ability to grasp the dynamics of peasant societies. The continent, in Secretary of State Dean Acheson's words, was "an unknown world" for the United States.²⁶⁶ In such a context, the peasants and the rural areas began to be seen as the obstacles disrupting the application of American influence. Throughout the 1960s and 1970s, understanding and controlling the dynamics of rural social environment in Asia was at the center of official and scholarly debates on development and counterinsurgency.

Against the backdrop of the US administration's concerns for widespread peasant uprisings in the region, development assistance was gradually militarized in Indochina. During the US involvement in Vietnam, military and aid policy were noticeably merged together.²⁶⁷ In addition to providing direct military assistance to the South Vietnam Government against Vietcong guerrillas, the United States also began to use development aid in support of the US counter-insurgency operations. The most visible example of it was the Strategic Hamlet Program, which was started by the United States in rural Vietnam in early 1962. Indeed, Strategic Hamlet Program was where aid showed its darkest face.

Strategic Hamlets were fortified villages where local peasants were isolated from contact with Viet Cong guerillas and integrated with the U.S. military personnel. The Strategic Hamlet Program separated the villages from the insurgents

²⁶⁵ Nick Cullather, "The Target is the People: Representations of the Village in Modernization and U.S. National Security Doctrine," *Cultural Politics* 2/1 (2006): 30.

²⁶⁶ Dean Acheson, *Present at the Creation* (New York: Norton, 1969), 4-5.

²⁶⁷ Michael E. Latham, "Redirecting the Revolution? The USA and the Failure of Nation-Building in South Vietnam," *Third World Quarterly* 27/1 (2006): 31.

and “developed” the fortified area by providing aid. The United States also provided aid to the South Vietnamese Government to build schools and hospitals and to provide electricity and some other basic services in these hamlets to encourage the local peasants to move in. In this respect, Strategic Hamlet Program was a pacification plan designed to win the support of the South Vietnam’s peasants by improving their living conditions and prevent the National Liberation Front from having influence on the rural population.²⁶⁸ However, when the local peasants refused to leave their ancestral homes and move to these fortified villages, the United States army bombed rural lands and farming fields, destroyed crops and even killed animals so that the peasants would not be able to support themselves and move into these hamlets, while the United States Agency for International Development was concurrently providing the basic needs and infrastructure in the hamlets through aid. The areas that the people were forcibly removed were declared as “free fire zones,” where bombing could be freely employed by the US army. Any civilian remaining in the free fire zones were assumed to be a Communist guerilla or a sympathizer. When viewed from this perspective, interminglement of aid and counter-insurgency strategies resulted in the forceful displacement and massacre of local populations in the name of modernization and development. The US aid workers took part in the displacement and massacre of the peasants alongside the US soldiers as part of this pacification program.²⁶⁹

Huntington’s “controlled and forced-draft urbanization was the foundation of the implementation of the Strategic Hamlet Plan.²⁷⁰ Forced-draft urbanization (also called forced-draft modernization) involved direct application of military power on rural populations to spur huge migrations to urban areas. As elegantly described by

²⁶⁸ Peter Maslowski and Don Winslow, *Looking for a Hero: Staff Sergeant Joe Ronnie Hooper and the Vietnam War* (Lincoln, NE: University of Nebraska, 2005), 61.

²⁶⁹ Bilzen, *The Development of Aid*, 250.

²⁷⁰ Nabudere, “Development Theories, Knowledge Production and Emancipatory Practice,” 40.

Dunlop and Fairhead, the aim of these programs was to weaken the support for the National Liberation Front's rural revolutionary strategy:

Strategic Hamlets sought to create a front in a frontless war in the jungles, integrating US troops with Vietnamese civilians, creating colonized spaces that forced the Vietcong to attack civilians and to betray their slogan that they 'fight for the people' when assaulting US military installations. The intended purpose of these programs had at least three general outcomes: first, to separate people from the local insurgents to prevent any support (or joining). Second, they created racial and political divisions between people, while using violent force and concessions to encourage people to collaborate with state or colonial authorities. Third and most important to this paper, they introduced new technologies that assisted in integrating rural people into national political and economic structures. This was accomplished by spreading state propaganda, imposing export-based agriculture, and structurally designing these reservations around helipads, communication towers, and roads.²⁷¹

The Strategic Hamlet Program removed villagers from their homes by force and confined them in unfamiliar locations behind walls, where they experienced deteriorated and humiliating, not improved, living conditions.²⁷² The United States Agency for International Development (USAID), which is the official development aid agency of the USA, was directly involved in the Strategic Hamlet Program. Latham has shown that CIA field reports, USAID officers, and RAND Corporation studies in the 1960s clearly admitted how Vietnamese peasants resented being forced out of their ancestral lands and Strategic Hamlet was a failure from both development and military perspectives.²⁷³ The US Embassy in Vietnam once reported that the local residents of the Thua Thien-Hue region of Vietnam likened the strategic hamlets to "small concentration camps."²⁷⁴ A leaflet prepared by the

²⁷¹ Alexander Dunlap and James Fairhead, "The Militarisation and Marketisation of Nature: An Alternative Lens to 'Climate-Conflict'," *Geopolitics* 19/4 (2014): 942-43.

²⁷² Maslowski and Winslow, *Looking for a Hero*, 61.

²⁷³ Latham, "Redirecting the Revolution?," 33-38.

²⁷⁴ Hannah Gurman, *Hearts and minds: A People's History of Counterinsurgency* (New York: The New Press, 2013), 87.

US army during the Vietnam War gives a sense of how the Strategic Hamlet program was used in psychological operations to control the rural population. The leaflet depicts rural people happily living inside a hamlet, whereas outside the fence another Vietnamese peasant shakes with fear as a soldier holds a gun against him.²⁷⁵

While a detailed exploration of the Vietnam War is beyond the scope of this study, it is important to point out that during the Cold War, nowhere was this more visible than in Vietnam that development aid could literally be used as a weapon of war. Established with the passage of Foreign Assistance Act of 1961 under the Kennedy Administration, the United States Agency for International Development (USAID) took over many of the assistance programs launched in Vietnam by other government entities. Even when the United State withdrew its troops from Vietnam in 1973, it left a huge foreign aid program to ensure that South Vietnam regime survived, although it was a short-lived mission given the collapse of South Vietnam in 1975.²⁷⁶

3.3.4. Aid at the Service of Rural Development and Basic Needs Approach

From a foreign aid perspective, the United States' engagement in Vietnam had major impact on aid policy. The use of aid as a counter-insurgency instrument in the rural areas of Vietnam influenced thinking about development. In the following years, rural development and basic needs was the two prominent subjects of foreign aid policy that had their roots in the Vietnam experience. The concern for the destabilizing and detrimental effects of development increasingly continued throughout the 1970s. The industrialization of the developing countries was put into doubt when the process seemed to threaten the Western security interests. Industrialization started to be associated with social unrest and revolutionary

²⁷⁵*Ibid.*,74.

²⁷⁶ Louis A. Picard, and Terry F. Buss. *A Fragile Balance: Re-examining the History of Foreign Aid, Security, and Diplomacy* (Sterling, VA: Kumarian Press, 2009), 113.

consciousness. This led to a new development approach, which was based on the idea that expectations and wants had to be moderated in the developing world for having order and stability. This idea formed the basis of what became known, as the basic needs approach. This approach was a development model that gave priority to the basic needs of the poor as opposed to the development models prioritizing industrialization and growth. The basic needs approach was presented as being a more human-centered and locally relevant process. Based on the idea of basic needs, The United States' Foreign Assistance Act, which was approved by the Congress in 1973, focused on the reduction of extreme poverty by providing credit in order to increase the productivity of small farmers in the developing world.²⁷⁷ By the mid-1970s it was evident that the official international thinking was questioning the wisdom of industrialization and turning towards securing the basic needs of rural populations, primarily through policies maintaining labor-intensive production. In this context, the dominant aid strategy became rural development projects focusing largely on small farmers. Among major donors, such as USAID and the World Bank, aid strategy shifted away from investment projects in power, transport and telecommunications towards projects in agriculture and rural development.²⁷⁸ The World Bank adopted the basic human needs approach to its development lending by increasing its loans to the agricultural sector. Insisting on the direct correlation between development and security, the World Bank President McNamara stated that it was economic backwardness and the contradictions of modernization that led to radical ideologies.²⁷⁹ Much has been written about the Presidency of the World Bank, Robert McNamara, as the man who brought rural development and basic needs focus to the World Bank, placing poverty reduction at the center of development

²⁷⁷ Joao Marcio Mendes Pereira, "Modernization, the Fight Against Poverty, and Land Markets: An Analysis of the World Bank's Agriculture and Rural Development Policies (1944-2003)," *Varia Historia* 32(58): 235.

²⁷⁸ Thorbecke, "The Evolution of the Development Doctrine," 32.

²⁷⁹ Joao Marcio Mendes Pereira, "Modernization, the Fight Against Poverty, and Land Markets," 232.

during the 1970s. Kapur, Lewis and Webb found the source of poverty focus of the World Bank in McNamara's exceptional personality:

The sudden upgrading of poverty alleviation under McNamara was an exceptionally personal decision. Need and poverty had surfaced in many ways as a criterion for Bank operations during the 1960s. McNamara's stance on poverty, however, was far more explicit and aggressive than anything yet countenanced by the institution. If he eventually created a core group of advisers and managers who appeared to share his vision, the intensity of his commitment set him apart.²⁸⁰

Rather than the personal efforts of McNamara, the roots of the emphasis on rural development and the basic needs should be sought in the concern about the spread of communism in South East Asia and the Vietnam experience. If it is insisted that the emergence of the emphasis on rural development be explained by placing McNamara at the center of the analysis, in this case it would make more sense to start from McNamara's approach to poverty and rural development when he was the U.S. Secretary of Defense. McNamara was appointed at the World Bank in 1968 after serving for seven years as Secretary of Defense under the Kennedy and Johnson administrations. As the Secretary of State, he was one of the architects of "Strategic Hamlet Program," which he described as the "backbone" of the South Vietnamese President Diem's program to contain the communist insurgency in the rural areas of South Vietnam.²⁸¹ In 1968, McNamara, who was leaving his position as the US Secretary of State to assume the presidency of the World Bank, noted that transition to modernization had "turned traditionally listless areas of the world into seething cauldrons of change," where insurgency grew out of frustration emerging from poverty. The Vietnam experience led him to question meeting the challenge by military means alone. He argued that the donor countries had to allocate more resources to development aid, not for humanitarian reasons, but because "a dollar's

²⁸⁰ Devesh Kapur, J. P. Lewis, and Richard Charles Webb, *The World Bank: Its First Half Century* (Washington, D.C.: Brookings Institution Press, 1997), 219.

²⁸¹ Yuen Foong Khong, *Analogies at war: Korea, Munich, Dien Bien Phu, and the Vietnam decisions of 1965* (Princeton, NJ: Princeton University Press, 1992), 93.

worth of military hardware will but less security for themselves than a dollar's worth more of developmental assistance."²⁸² Therefore, During McNamara's tenure, the World Bank's sudden "discovery" of poverty and rural development as a strategy to address it should be considered as an expression of a wider Cold War concern that poverty and the contradictions of modernization provided a fertile ground for radical ideologies. McNamara problematized poverty more in terms of the threat that it potentially poses to the order and stability of the developed countries than the well-being of the populations in the less developed areas.

Just like the World Bank, mindful of the perceived risks of industrialization, the International Labor Organization (ILO) proposed an investment shift from physical to human capital, from urban to rural development and from capital-intensive to labor-intensive activities.²⁸³ Basic needs approach signified abandoning the earlier aspirations that developing countries would catch-up with the industrialized countries, and the continuation of unequal capacities in the international system.²⁸⁴ It simply reduced development aid to survival strategies and limited its scope mostly to the rural agricultural production and small-scale industries, thereby trapping the developing countries in primary production and low value-added manufacturing. While legitimizing the lower living standards of populations in the developing world, the basic needs approach also limited what a developing state can offer to its people in terms of social services. International and local non-governmental organizations (NGOs) began to function as channels for aid. Bypassing state institutions in favor of NGOs and international organizations was considered as a practical alternative to reach all corners of the rural areas. During

²⁸² Betsy Hartmann and James K. Boyce, *A Quiet Violence: View from a Bangladesh Village* (London: Zed Books, 1998), 281.

²⁸³ Vanessa Pupavac, "Human Security and the Rise of Global Therapeutic Governance," *Conflict, Security and Development* 5/2 (2005): 178

²⁸⁴ Vanessa Pupavac, "International Development Policies and Global Security," in *Global Security and International Political Economy*, ed. Pinar Bilgin et al. (UNESCO: EOLSS Publishers, 2010), 263.

1970s, USAID started to work in cooperation with NGOs, bypassing governments to channel funds more directly to local communities. In this context, USAID and NGOs were partners in keeping local communities away from communism and promoting the virtues of capitalism.²⁸⁵ Besides, they also contributed to the erosion of the legitimacy of the state and its capacity to provide basic services in the developing countries.

In fact, the emphasis on rural development and the basic needs approach, which is showcased as a search for a broad-based poverty-centered approach to development, had less to do with development than it had to do with the search for order and stability in the rural areas of the developing countries. Even though the emphasis on rural development and the basic needs was strong at the level of principle, its application was very limited during the 1970s. The growing emphasis on rural development was directly related to the efforts for gaining the support of the peasants, which were attributed a strategic importance in the Cold War rivalry in the Third World. Even though their support was not always guaranteed, providing rural development were at least considered as a means to keep the rural areas away from the appeal of communism. This approach was reflected in Huntington's words as follows: "For the political system, the opposition within the city can be disturbing, but it is not lethal. The opposition in the countryside is, however, fatal. Whoever controls the countryside controls the country."²⁸⁶

3.3.5. Aid at the Service of Structural Adjustment Policies

During the 1970s, the postwar historical bloc that had organized the US-led hegemonic order was crumbling due to a combined political and economic crisis.

²⁸⁵ James Petras and Henry Veltmeyer, "Foreign Aid, Neoliberalism and US Imperialism," in *Neoliberalism: A Critical Reader*, ed. A. Saad-Filho and D. Johnston (Chicago: University of Chicago Press, 2005), 121.

²⁸⁶ Huntington, *Political Order in Changing Societies*, 292.

On the political front, the Vietnam War undermined the legitimacy of the US led international system, exposing its imperialist as opposed to hegemonic dimensions; whereas, on the economic front, the so-called “Keynesian compromise” and the Fordist mode of capital accumulation were no more successful in binding the rest of the advanced capitalist world to the post-war historic bloc in the face of a falling rate of profit.²⁸⁷ The fracturing of the economic arrangements that had led to the post-war economic growth and thus social stability not only damaged the anticommunist compromise between capital and labor, but also threatened the whole capitalist system. Therefore, the entire system had to be reconstructed around new institutional and regulatory arrangements to create the conditions for renewed accumulation and expansion of capital, while maintaining the privileged position of the dominant social layers in the historical bloc. These moments of reconstruction, when the existing historical bloc is redefined and reconstructed as a response to the crisis in the mode of production, are also the moments of opportunity for the social forces with an alternative socio-economic and political agenda to establish a new historical bloc. This is how the political and economic conjuncture of 1970s must be evaluated. This was a period of intense social conflicts between capital and labor within the core capitalist countries, accompanied by demands for changes in the international economic system as reflected most visibly in the call for a “New International Economic Order” in 1974 by the “Group of 77” in a special session of the UN General Assembly. In sum, the legitimacy of the US-led international capitalist order came under threat at both domestic and international levels. It was not until the 1980s that that a “solution” to these challenges was found with the emergence of a new historical bloc built around neoliberalism across the advanced capitalist countries. This new neoliberal historical bloc was primarily concerned with overcoming the crisis of falling rate of profit that had emerged over the 1970s and early 1980s. As McNally argues, the neoliberal transformation generated a new

²⁸⁷ Saull, “Rethinking Hegemony,” 329.

wave of economic growth, though a much more uneven and turbulent one than the economic growth achieved during the so-called “golden age” of capitalism:

By attacking working-class organisations and undermining states in the Global South; by raising the rate of exploitation and spatially reorganising manufacturing industries; by generating huge new reserves of global labour (via accelerated ‘primitive accumulation’); through massive foreign direct investment, particularly in East Asia; by introducing new systems of work-organisation and labour-intensification (lean production), and new technologies – by all these means, rates of exploitation were increased, South-to-North value-flows were accelerated, and the rate of profit was significantly boosted from its lows of the early 1980s ...To be sure, all of this has entailed ‘global turbulence’ –volatile restructuring, periodic recessions, heightened global inequalities, and national and regional crises. But it has, nonetheless, also involved a period of sustained expanded reproduction of capital.²⁸⁸

Details of the neoliberal restructuring process are well known. However, less well known is the role that foreign aid played in this process. The period from the late 1970s to the early 1990s witnessed the rise and proliferation of neoliberal ideas in the development strategies. The World Bank and the IMF translated the neoliberal ideas into structural adjustment programs.

A new phase in aid began with the introduction of the World Bank’s structural adjustment loan in 1980 to Colombia.²⁸⁹ Dominant feature of aid giving in the 1980s was the imposition of conditions and linked policy advice attached to official development aid; the idea was not something new but the emphasis became greater. In line with neo-liberal orthodoxies, recipient countries were primarily enforced to open their markets, privatize state assets, and adopt less protective trade policies as a condition for receiving aid. Moreover, they were also encouraged to reduce government expenditures, a condition from which the basic services, such as health

²⁸⁸ David McNally, "From Financial Crisis to World-Slump: Accumulation, Financialisation, and the Global Slowdown," *Historical Materialism* 17, no. 2 (2009): 45-46.

²⁸⁹ Browne, *Aid and Influence*, 33.

and education, were not excluded. Ironically, the World Bank, as the most ardent supporter of the basic human needs approach during the 1970s, was now advising the recipient governments to reduce the expenditures on the most basic needs, such as health, as a condition for providing the structural adjustment loans. As a matter of fact, it was even considered as necessary to neglect some of the basic needs of the poor to achieve successful structural adjustment to the international economy.

Neoliberal conditions imposed by the World Bank structural adjustment or IMF stabilization programs became prerequisites for aid, not only from these institutions, but also from many bilateral donors, which soon started to adopt the same policies and priorities. For example, the leading bilateral aid agency, United States Agency for International Development (USAID) played the same tune when it described its program as “communicat[ing] with governments to eliminat[ing] inappropriate subsidies, price and wage controls, trade restrictions, overvalued exchange rates and interest rate ceilings that curtail economic performance”²⁹⁰

During the 1980s, the debates on aid effectiveness continued to be ambiguous about the impact of aid and the research did not move beyond simplistic aid-growth regression analyses carried out during the 1970s. Like their predecessors, these studies were using time periods and samples of aid recipient countries to assess the correlation between aid and growth. However, various neoliberal policy variables were incorporated into these aid-growth regression analyses. For example, in 1982, Dowling and Hiemenz tested the aid-growth relationship in 13 Asian countries by using a number of neoliberal policy variables (such as trade, finance and government intervention) and concluded that liberal trade and financial policies were conducive to an efficient allocation of foreign aid.²⁹¹

²⁹⁰ US Agency for International Development, *Facts About AID*, report (Washington, DC: USAID, 1986).

²⁹¹ John Malcolm Dowling and Ulrich Hiemenz, “Aid, Savings, And Growth In The Asian Region,” *The Developing Economies* 21/1 (1983).

1980s, as a decade dominated by pro-market and anti-statist rhetoric, provided a convenient environment for neoliberal critics of foreign aid who argued that economic assistance distorts the free market and impedes private-sector development. One of the most frequently quoted critics of aid was Peter Bauer, a neoliberal development theorist, who as early as 1972 had argued that rather than helping, “foreign aid...is likely to obstruct” development by creating market imperfections and distortions.²⁹² Similarly, In 1981 Edward Feulner, the president of the Heritage Foundation, suggested “...foreign assistance too often encourages wrong attitudes and wrong development.”²⁹³ However, the debt crisis prevented these criticisms from going too far in abolishing aid since both public and private creditors in the donor countries had too much to lose from the Third World debt defaults.²⁹⁴

Indeed, in recent years, we have witnessed the emergence of numerous studies on development aid that are in favor of the market as an antidote to development aid. Recently, one of the most popular critics of aid, who follows in the footsteps of Peter Bauer, is Dambisa Moyo. Echoing earlier arguments of Bauer, she calls for a complete abolition of aid and offers market-based prescriptions for alleviating poverty since she believes that “no economic ideology other than one rooted in the movement of capital and competition has succeeded in getting the greatest numbers of people out of poverty, in the fastest time.”²⁹⁵ For Moyo, aid is not the part of the solution but it is the problem.

Another recent and hotly debated study on aid is that of William Easterly’s book titled *White Man’s Burden*. Easterly, another enthusiastic fan of Bauer, offers

²⁹² Peter Bauer, *Dissent on Development: Studies and Debates in Development Economics* (Cambridge, MA: Harvard University Press, 1972), 95.

²⁹³ Vernon W. Ruttan, *United States Development Assistance Policy*, 143.

²⁹⁴Thorbecke, “The Evolution of the Development Doctrine,” 38.

²⁹⁵ Dambisa Moyo, *Dead Aid: Why Aid is not Working and How There is Another Way for Africa* (London: Penguin, 2009), 193.

a strong critique of aid suggesting that the market is a better mechanism for alleviating poverty and ensuring development than are aid institutions. Easterly suggests that the free market can deliver millions of copies of a new *Harry Potter* book to children around the world on the same day, while aid agencies fail to deliver in time a life-saving vaccination for dying poor children:

Let's call the advocates of the traditional approach [to foreign aid] the Planners, while we call the agents for change in the alternative approach [favoring the market rather than aid] the Searchers. The short answer on why dying poor children don't get twelve-cent medicines, while healthy rich children do get *Harry Potter*, is that twelve-cent medicines are supplied by Planners while *Harry Potter* is supplied by Searchers...the mentality of Searchers in markets is a guide to a constructive approach to foreign aid.²⁹⁶

In a very equivalent manner to Easterly, a recent study by Thomas Dichter argues that private sector has been much more effective tool in development than aid:

The private sector, for all the discomforts about it some may harbor, can and is being more effective at economic development than...development professionals have been. Whatever we may not like about the excesses of capitalism, the private sector will over time give the poor what they want, which is first and foremost increased spending power and the means to get it.²⁹⁷

Although they all recognize the problems of aid dependency, the studies by Bauer, Dichter, Easterly and Moyo do not see a necessity to analyze the impact of colonialism and imperialism on the socio-economic problems of the developing countries. Just like the aid-growth literature based on the simplistic correlation analyses, these neoliberal critics of aid never question the unequal and exploitative relations among the states that create and perpetuate the environment, where aid

²⁹⁶ William Easterly, *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good* (New York: Penguin, 2006), 5.

²⁹⁷ Thomas W. Dichter, *Despite Good Intentions: Why Development Assistance to the Third World Has Failed* (Boston: University of Massachusetts Press, 2003), 293-94.

from outside becomes a necessity. What's more, what they offer as a solution (neoliberal market-based development) has proven to create more inequality and dependency, let alone setting developing countries on a development path free from aid and domination. These authors are all in favor of market mechanism as an alternative to development aid for tackling poverty, while conducting an ideological offensive to persuade us that there is no alternative way to development other than pro-market solutions. This approach is typical of the neoliberal logic that offers market as a solution to all socio-economic and developmental problems. The underlying assumption here is that economic growth will have spillover effects and lead to improvements in the living conditions of the poor segments of society, which is a sort of contemporary version of the "trickle down" of modernization approach. The best way to trigger growth, according to this approach, is to allow the market to function and reduce public expenditures on basic services and social protection that are hindering growth. Such an approach fails to recognize the past experiences of the developing countries with the neoliberal market-based approaches to development (structural adjustment) that have generated more poverty and inequality. Besides, while offering neoliberal market-based approach to development as an alternative to aid, these authors, willingly or ignorantly, neglect the fact that development aid and market have never been in conflict. On the contrary, from its beginning, aid is used a means in the restructuring of global capitalism.

Despite these calls for the end of by neoliberal critics, donor countries have constantly increased the amount of aid in the neoliberal era since 1980s. Moreover, in line with the emphasis on neoliberal conditionality during the 1980s and 1990s, "aid works - no, it doesn't" debate was added a new perspective that suggested "aid works, but only in good policy environment." In other words, aid would play a positive role in promoting growth to the extent that the recipient countries pursued neoliberal policies. Aid literature, during this period, started to prescribe what kind of policies and institutions the recipient countries needed in order to benefit from aid. A great part of this literature implied that failure of aid was recipient country's

fault because they did not have good policy environment or well-functioning institutions. In other words, provision of aid was conditional on implementing neoliberal policies, and neoliberal policy environment in the recipient countries was considered as an important requirement for aid to be effective. Structural adjustment in 1980s represented a return to growth-oriented, trickle-down approach to development, where aid in support of “market -friendly” policies was considered to be more effective than anti-poverty or redistributive programs.

3.4. Conclusion

While conducting a research on historical development of aid in the postwar era, a researcher should be aware of the fact that every shift in mainstream approach to development, sooner or later, has found an expression in the policies and discourses of the aid donors as well as the implementation of the aid projects. As Hancock nicely summarizes:

The fact that these policies [development aid policies] change radically - sometimes over quite short time-periods means inevitably that there is a lack of coherence in the development drive: rather than being a concerted and determined effort to achieve clear and agreed objectives, what we actually end up with is something that stops and starts, lurches forward and then doubles back, kangaroo-hops in a particular direction one year and then veers off drunkenly in quite another the next.²⁹⁸

Development aid approaches have not succeeded one another in a chronological order. Sometimes different ideas of what development aid’s role should be co-existed for a decade or so. Some of these assumptions enjoyed a revival after many years. For example, “trickle-down approach to development,” which had retreated to a lower profile during 1970s when the basic needs approach was on the ascendant, enjoyed a huge revival in 1980s. In parallel to aid policies, research literature on aid effectiveness displayed swift changes as well. For many decades,

²⁹⁸ Hancock, *Lords of Poverty*, 74.

the research literature on aid has given mixed messages as to whether aid is effective in promoting economic growth. There has been a lot of quantitative studies on the effects of aid on economic growth, some of which were presented above. These quantitative studies covered different time periods and a large sample of aid recipient countries from different geographical areas. Their methods of analysis have not moved beyond simplistic correlational analysis and multiple regression analysis. Some empirical studies found evidence of aid-growth relationship, whereas some others failed to find any association, or if they did, it was negative. Their assessment of aid was limited to its impact on economic growth. From their perspective “aid works” means that it contributes to the economic growth measured in terms of GDP in the recipient countries. “Aid does not work” if it has no effect on economic growth. These empirical studies simply assumed that poverty and the related conditions would be resolved once the economic growth was achieved. The mainstream development economists, who conduct hardcore quantitative analyses on aid, seem to be in search of a magic formula, which tells us how much aid is necessary to achieve the required economic growth in the recipient countries. Their answer to every problem related to development is “economic growth” which is assumed to move the recipient countries out of poverty automatically. Their assumption that growth will make everyone better off is based on their blind faith in the so-called “trickle-down economics”: the bigger the pie, the bigger the crumbs that fall from the table to the poor. But, these mainstream studies never discuss the unequal and exploitative production relations and relative poverty emerging from the very process of “economic growth” itself. They, purposely or ignorantly, neglect the fact that poverty and economic growth is produced simultaneously, and poverty is an inherent attribute of the functioning of the international capitalist system characterized by a history of crisis, slump, and depression. However, let alone acknowledging the role of aid in the creation and perpetuation of unequal and exploitative relations among the donor and recipient countries, the so-called “conditionality literature” mentioned above puts the blame on the aid recipients for the failure of foreign aid to provide growth. This literature suggests that aid only

works in the recipient countries where there are good fiscal, monetary and trade policies. This study is designed to explore whether or not these “good policies,” which are neoliberal in character, are the cause of poverty and the related problems at the global level.



CHAPTER 4

“NEW AID ARCHITECTURE” IN THE POST-COLD WAR YEARS

4.1. Introduction

Given the opposition of the neoliberals to aid, based on their unquestioned faith in market mechanisms as a solution to poverty and other related problems, it is quite surprising that the amount and scope of development aid have constantly grown since the 1980s, especially in the post-Cold War years. After all, neoliberal governments have generally been in charge in the leading donor countries during the three decades since 1980s when development aid constantly grew and reached a new peak of 142,6 Billion USD in 2016.²⁹⁹ In parallel to their criticisms against aid as an intervention in the free market, the neoliberal critics of aid began to assert that not only market mechanisms were superior to aid in achieving development, but also the main rationale for providing aid had disappeared with the absence of the Soviet factor. At this point, what requires explanation is why neoliberal donor agencies, such as the World Bank and the OECD-DAC members, have constantly increased the amount of aid since the 1980s, and through the 1990s and 2000s even though neoliberal critics have harshly criticized against aid since the early 1980s and even called for its abolishment especially after the end of the inter-systemic conflict.

In the political and academic debates on development aid in the post-Cold War era, there is often reference to new aid architecture. Especially since the late 1990s and early 2000s, various reports and official documents of the leading development

²⁹⁹ OECD, “Development Aid Rises Again in 2016 but Flows to Poorest Countries Dip,” OECD Newsroom, accessed August 4, 2016, <http://www.oecd.org/dac/development-aid-rises-again-in-2016-but-flows-to-poorest-countries-dip.htm>.

actors, such as the World Bank, the UNDP and the OECD, are referring to “emerging aid architecture,” “changing aid architecture,” “development architecture in transition.”³⁰⁰ This chapter is an attempt to explore the continuity and change of “new” aid architecture in the post-Cold War years.

As discussed in detail in the previous chapter, history of aid has been a history of adaptation to the capitalist social relations, as well as distinct phases of the inter-systemic competition during the Cold War. Similarly, aid was quick to adapt to the changing conditions brought by the end of the Cold War. The leading aid agencies adopted a new discourse, approaches, and practices according to the changing circumstances. However, it is questionable whether changes in development aid discourse and practices in the post-Cold War years amount to a “new architecture,” since the concept of “new aid architecture” gives the impression of a fundamental and essential shift from the traditional aid delivery mechanisms and institutions or an important change in the relations among donors and recipients. By examining the changing nature of aid in the post-Cold War years, this chapter intends to figure out to what extent such a fundamental transformation in donor-recipient relations, aid delivery mechanisms and donor institutions has taken place.

As already said, aid has been used as a leverage by the neoliberal donor countries to make developing countries implement the structural adjustment policies as from the initial phase of the neoliberal project starting from the 1970s and throughout the 1980s. Although the Bretton Woods institutions and the OECD donors tried to cooperate more closely as conditionality has come to feature more strongly in their aid programs, they were not successful in achieving coherence.

³⁰⁰ See, for example, Danny Cassimon, Stijn Claessens, and Bjorn Van Campenhout, “IMF Working Paper: Empirical Evidence on the New International Aid Architecture,” December 1, 2007, accessed September 5, 2017, <https://www.imf.org/en/Publications/WP/Issues/2016/12/31/Empirical-Evidence-on-the-New-International-Aid-Architecture-21463>; World Bank, “Aid Architecture: An Overview of the Main Trends in Official Development Assistance Flows,” April 05, 2007, accessed January 21, 2018, <http://documents.worldbank.org/curated/en/745221468313781790/Aid-architecture-an-overview-of-the-main-trends-in-official-development-assistance-flows>. See also, OECD, *Development Assistance Committee Reflection Exercise: Investing in Development -A Common Cause in a Changing World*, (Paris: OECD, 2009).

There were disagreements among donors about aid practices and the nature of aid conditions. Several bilateral donors were providing aid, but they were making different demands on recipients according to their particular interests and agendas. Against the backdrop of this increased fragmentation of aid resources and growing doubts about structural adjustment programs, the World Bank and the OECD increasingly took the lead in setting the agenda of aid policy and uniting the donor community around a common framework in the 1990s. As the most influential development actor, the World Bank made use of the “window of opportunity,” which had emerged after the disintegration of the Eastern Bloc, to become the leading agency in redefining the development research and aid practices.³⁰¹ As from the early 1990s, the donor community led by the World Bank started to place poverty reduction back at the center of development aid agenda. Following Cammack,³⁰² this study considers poverty reduction strategies of the international donor community led by the World Bank as part of a wider and global strategy aiming at enhancing the discipline of capitalist accumulation on a global scale in the absence of the Soviet factor. This wider and global strategy is formed of securing the hegemony of capital over labor, promoting market dependence through global proletarianization of the poor and imposing the disciplines of capitalist competitiveness on a global scale. In this regard, Cammack’s analysis of the World Bank’s poverty reduction strategies in support of “promoting the proletarianization of the poor at the global level” and “maximizing the level of competitiveness throughout the global capitalist economy” may give the key to understanding the role that aid has been assigned in the post-Cold War years. The role of aid in

³⁰¹ Graham Harrison, *The World Bank and Africa: The Construction of Governance States* (London: Routledge, 2007), 50.

³⁰² Paul Cammack, “Attacking the Global Poor,” *New Left Review* 13/2 (2002); Paul Cammack, “What the World Bank Means by Poverty Reduction, and Why It Matters,” *New Political Economy* 9/2 (2004); Paul Cammack, “Poverty Reduction and Universal Competitiveness,” *Labor, Capital and Society* 42/1,2 (2009); Paul Cammack, “The Shape of Capitalism to Come,” *Antipode* 41/S1 (2010); Paul Cammack, “What International Organizations Do and Why They Do It,” *Spectrum* 7/1 (2015); Paul Cammack, “Capitalist Development in the Twenty-First Century,” in *Asia After the Developmental State*, eds. Toby Carroll and Darryl S. L. Jarvis (Cambridge: Cambridge University Press, 2017).

enforcing the neoliberal policy prescriptions and attendant policies of deregulation, liberalization and privatization is well-known and well-documented. What is less emphasized, and under-researched, is the role that aid plays in these two central aspects of the neoliberal project that Cammack focuses on. This study assumes that these “competitiveness-oriented poverty reduction strategies” and “process of proletarianization of the world’s poor” might be relevant in explaining the logic of international aid and the shape that it has taken in the post-Cold War years. In seeking to understand the emergence of the so-called “new aid architecture” in the post-Cold War era, this chapter is designed to explore whether and how aid has played a role in promoting proletarianization and capitalist competitiveness at the global level in the post- Cold War era. To this end, it first analyzes the relevance of aid to the wider project of the proletarianization of the remnants of labor in the post-Cold War years. It then focuses on the role of aid in transforming social and industrial relations to promote the competitiveness not only of aid recipient countries, but also of the global capitalist system. In this respect, it is to pay particular attention to the so-called global supply/value chains. All these discussions are related to a more general discussion that questions the purpose and usefulness of poverty reduction-oriented aid strategies in capitalist system.

4.2. The “New Aid Architecture”

Development aid architecture can be defined as the rules and institutions that govern aid flows to developing countries.³⁰³ It includes political and administrative

³⁰³ *Developing country* is a term that is commonly used by the leading development agencies to describe a wide range of countries with low-income and middle-income economies. Low-income, aid-recipient countries have been alternatively and interchangeably called “backward”, “poor”, “undeveloped”, and “underdeveloped”. However, since this terminology has been considered as bearing the traces of the colonial discourse, these terms are rarely used today; and the donor agencies prefer to use *developing country* when they refer to the poorer aid -receiving countries. Developing countries include countries as diverse as aid recipient countries of sub-Saharan Africa and middle-income donor countries like Mexico, Turkey, and India. Classification of developing countries is further complicated by different criteria used by different organizations. For instance, *low-income countries* are defined by the classification set up by the World Bank, while *the least developed*

institutions, channels and modalities of aid delivery, instruments of finance and forms of development cooperation between donor and recipient countries. The literature on development aid had broadly distinguished two “aid architectures”: traditional aid architecture, which emerged in the early postwar period and lasted until end of the Cold War; and the “new aid architecture” that started in the early 1990s and is still prevalent today.³⁰⁴

International aid architecture, as we know it, was mainly framed by the strategies, institutions, and practices of inter-systemic rivalry during the Cold War. The bipolar structure with opposing alliance systems gave rise to a Western system of liberal development model and an alternative Soviet development model. These two systems developed their separate initiatives and institutions to regulate trade and development cooperation. For example, Marshall Plan as an initiative and World Bank and the OECD as the institutions played central roles in coordinating Western development cooperation, while the Council of Mutual Economic Assistance (COMECON) was created to manage trade and technical cooperation among the countries in the Eastern bloc. However, mainstream literature on aid simply depicts the Soviet development cooperation as an instrument of the Soviet expansionism without paying attention to the theoretical framework and practical implementation of economic and technical cooperation in the Eastern bloc as an alternative development cooperation model. Therefore, traditional aid architecture, in fact, refers to the foreign aid rules, initiatives and institutions that have been shaped by the United States’ broad international economic goals and the narrower goal of containing communism in the inter-systemic conflict during the Cold War. As such, traditional aid architecture is limited to the rules and institutions governing Western

countries, which receive particular development attention from the donors, are defined by the United Nations Economic and Social Council.

³⁰⁴ Philippe Le Houreou, Akihiko Nishio, and Gaiv Tata, “Aid Architecture: An Overview of the Main Trends in Official Development Assistance Flows,” World Bank, May 1, 2008, accessed December 21, 2017, <http://documents.worldbank.org/curated/en/688091468134712330/Aid-architecture-an-overview-of-the-main-trends-in-official-development-assistance-flows>.

development cooperation, rather than taking into account Soviet technical and development cooperation model as an alternative.

As shown in the previous chapter, foreign aid's coercive role as a weapon against the perceived communist threat was more visible than its consensual role in the formation and the perpetuation of the US-led hegemonic order during the Cold War period. When the Cold War ended, many policy-makers and scholars in the West started to argue that the main rationale for aid disappeared because it was no longer a necessity to buy allies in the Third World to make sure that they do not move to the Eastern bloc.³⁰⁵ For instance, an *International Herald Tribune* article in 1993 questioned the relevance of aid in the post-Cold War world suggesting, "the purpose of containing the Soviet Union, which drove foreign policy and aid decisions for decades disappeared with the Soviet Union."³⁰⁶ These assertions were mostly based on the mainstream approaches to the Cold War and the foreign aid, which simply considered the former as a military struggle between the two superpowers and the latter solely as a strategic instrument in this struggle. As Riddell suggests, these statements about "the end of political aid" in the early post-Cold War years were well matched to those that were claiming "the end of history."³⁰⁷

While some believed that aid had lost its relevance with the end of the Cold War competition, the leading development actors ostensibly considered the end of the Cold War as an era of fresh opportunity, during which the focus of aid policies would be directed away from geopolitical concerns to a sincere commitment to development and poverty alleviation. Human Development Report, which was published by the UNDP in 1994, considered the end of the Cold War as "a rare opportunity" for restructuring foreign aid in a manner that gives priority to human-

³⁰⁵ See, for example, Olav Stokke, *The UN and Development: From Aid to Cooperation* (Bloomington: Indiana University Press, 2009), 323.

³⁰⁶ "Rethink Foreign Aid," *International Herald Tribune*, April 2, 1993 cited from Adrian Hewitt, "Introduction," in *Crisis or Transition in Foreign Aid*, edited by A. Hewitt (London: ODI, 1994), 1.

³⁰⁷ Roger Riddell, *Does Foreign Aid Really Work?* (Oxford: Oxford University Press, 2008), 38.

centered development and security.³⁰⁸ Similarly, the OECD stated that the end of the Cold War rivalry in the third world would enable aid efforts to be more closely tied to “not only economic performance, but human rights, progress towards democracy, control of military expenditure, and attention to environmental sustainability.”³⁰⁹ The expectations that the end of the Cold War would lead to a transfer of financial resources from military spending to social sectors was popularly termed the “peace dividend.”³¹⁰ However, even a cursory research on aid flows during the 1990s shows that the so-called “peace dividend” did not materialize. On the contrary, throughout the 1990s, there was a 40 per cent decline in the aid provided to the Sub-Saharan Africa, which experienced the most serious humanitarian and developmental challenges in the world.³¹¹

It goes without saying that the end of the Cold War brought profound changes in the development aid landscape. The most important discontinuity was the disappearance of the Soviet Union and Eastern bloc countries as aid donors, and the emergence of Eastern Europe and the countries of the former Soviet Union as aid recipients.³¹² As donors sought to build influence to expand capitalism in former communist states, the funds provided by the Western donors changed direction away from Sub-Saharan Africa and Southeast Asia to Eastern Europe and the newly independent states of the former Soviet Union. The years since the end of the Cold

³⁰⁸ UNDP, *Human Development Report 1994* (New York: Oxford University Press, 1994), 69.

³⁰⁹ OECD, *Development Cooperation, Aid in Transition* (Paris: OECD, 1993), 4-5.

³¹⁰ Gerard Van Bilzen, *The Development of Aid* (Newcastle upon Tyne: Cambridge Scholars Publishing, 2015), 493.

³¹¹ Stephen Browne, *Aid and Influence: Do Donors Help or Hinder?* (London: Earthscan, 2006), 35; Howard White, “Long-run Trends and Recent Developments in Official Assistance from Donor Countries,” United Nations University Discussion Paper 2002/106, 2002, accessed November 21, 2017, <https://www.wider.unu.edu/publication/long-run-trends-and-recent-developments-official-assistance-donor-countries>.

³¹² Peter Hjertholm and Howard White, “The Evolution of the Development Doctrine and the Role of Foreign Aid, 1950-2000,” in *Foreign Aid and Development: Lessons Learnt and Directions for the Future*, eds. Finn Tarp and Peter Hjertholm, (London: Routledge, 2000), 84.

War have shown that aid is more than simply being an instrument of the Cold War. Indeed, as will be discussed in the following, foreign aid has continued to be relevant and it has increasingly kept its importance in the post-Cold War years by taking on new roles and duties. The statements about the irrelevance of political aid in the early post-Cold War context seems to be informed by an understanding of aid that regards its role as limited to containing communism in the Cold War context. What they neglected or failed to see was aid's primary goal of forming and maintaining a multilaterally managed capitalist international economy, in addition to its narrower though extremely significant, goal of containing communism during the inter-systemic rivalry. Therefore, it would be mistaken to think that aid lost its rationale with the end of the Cold War. However, it would be equally mistaken to think that completely "new" aid architecture emerged solely because of the end of the inter-systemic rivalry.

Rather than offering proposals for new aid architecture, dominant theme of the political and academic debates on aid and development during the 1990s was poverty reduction.³¹³ Obviously, there was nothing new about poverty reduction or using aid to fight poverty. As a matter of fact, this renewed focus on poverty alleviation and the provision of the basic needs for the poor in some ways echoed the so-called "basic needs approach" advocated by the World Bank during the 1970s, which was discussed in the previous chapter. After a short flirtation with poverty alleviation during the 1970s, The World Bank's focus had shifted to promote the structural adjustment of developing country economies in the 1980s.³¹⁴ World Bank's renewed focus on poverty reduction emerged with *the World Development Report*³¹⁵ that was published in 1990 following a diversion from this focus during

³¹³ Roger Riddell, *Does Foreign Aid Really Work?* (Oxford: Oxford University Press, 2008), 39.

³¹⁴ Maggie Black, *No-Nonsense Guide to International Development* (Oxford, UK: New Internationalist Publications, 2009), 45.

³¹⁵ World Bank, *World Development Report: Poverty* (New York: Oxford University Press, 1990).

the 1980s, during which structural adjustment reforms took precedence over explicit targeting of poverty reduction in developing countries.

At the country level, this renewed concern manifested itself most obviously in the Poverty Reduction Strategy Paper (PRSP) approach, adopted by the Executive Boards of the World Bank and International Monetary Fund in 1999.³¹⁶ In addition to the PRSP approach at the country level, rediscovery of poverty in the post-Cold War aid landscape found its ultimate expression in the United Nations Millennium Development Goals. (MDGs). These were a series of development targets set up in 2000 and included such things as halving by 2015 the proportion of people living in absolute poverty (defined as people living on less than 1.25 USD a day), among other goals.

The idea behind the PRSP approach was that the recipient governments would develop their own poverty reduction strategies in consultation with civil society groups in a participatory and inclusive manner. The first innovation in PRSP process was the introduction of “country ownership,” which was showcased by the World Bank as a counterweight to imposition of conditionality attached to structural adjustment lending.³¹⁷ This was based on the thinking that if recipient countries could develop their own national development strategies by themselves, they could guide donors in responding to their needs, rather than the other way around. As much of the literature on the subject has shown, however, country ownership approach was not really a departure from the traditional “top-down” approach to development aid because all the PRSPs had to be approved by the World Bank and the IMF before funding is granted to the recipient country.³¹⁸ Besides, the recipient countries were encouraged to design their poverty reduction strategies by themselves, but only

³¹⁶ David Williams, *International Development and Global Politics: History, Theory and Practice* (Abingdon: Routledge, 2012), 122.

³¹⁷ Browne, *Aid and Influence*, 54.

³¹⁸ Marcus Taylor, “The International Financial Institutions,” in *Introduction to International Development Approaches: Actors, Issues, and Practice*, eds. Paul A. Haslam, Jessica Schafer, and Pierre Beaudet (Ontario: Oxford University Press, 2012), 170-172.

within the framework drawn by the PRSP guidelines prepared by the World Bank, which is known as *the Sourcebook*.³¹⁹ This meant that poverty reduction strategies of the recipient governments would not be funded if they diverged from the World Bank orthodoxy. In this sense, country ownership can be considered as a modified and extended version of conditionality. There is a vast literature that question the sincerity of the recipient-driven poverty reduction strategies and point out the continuity between conditionality of the structural adjustment lending and the PRSP initiatives.³²⁰

Before proceeding to examine why poverty reduction was suddenly “rediscovered” by the World Bank and its allies in the early post-Cold War years, it would be useful to take a look at the impact of this “rediscovery” on aid allocations and donor practices. While the World Bank’s *World Development Report 1990*, which chose poverty reduction as its main theme, offered market-oriented policies to the problem of global poverty, the same report also suggested that developing countries that were “serious” in their efforts to reduce poverty must be provided with “substantial volumes of aid.”³²¹ The World Bank emphasized that aid recipient countries must continuously display their “seriousness” about adopting and implementing the World Bank’s prescribed economic reforms to get access to aid resources.³²² Moreover, the World Bank tried to guide and direct the actions taken by the other bilateral donor, multilateral agencies and non-governmental

³¹⁹ World Bank, *A Sourcebook for Poverty Reduction Strategies. Volume 1, Core Techniques and Cross-cutting Issues* (Washington, D.C.: World Bank, 2002).

³²⁰ See, for example, Jonathan Pincus and Jeffrey Winters, "Reinventing the World Bank," in *Reinventing the World Bank*, ed. Jonathan Pincus and Jeffrey Winters (Ithaca, New York: Cornell University Press, 2002). Country ownership is generally described by the World Bank as placing a country in the driver’s seat of its own development policy. However, Pincus and Winters liken the situation to a taxi. They suggest that aid recipient countries are in the driver’s seat but only as taxi drivers. It means that they cannot go anywhere unless the World Bank gets in, tells them where to go and pays the money.

³²¹ World Bank, *World Development Report: Poverty* (New York: Oxford University Press, 1990), 137.

³²² *Ibid.*

organizations by suggesting that its anti-poverty approach should be “applicable to the aid community as a whole.”³²³ Aid became conditional on adoption of the poverty agenda of the World Bank and its allies, which was designed to make the poor dependent on the capitalist market without any alternative means of survival. To this end, the World Bank also called on all donor countries, multilateral agencies, and the NGOs to act coherently with its own poverty reduction approach by suggesting that if aid strategy outlined by the Bank “were adopted and followed consistently by bilateral donors, nongovernmental organizations, and multinational agencies, its effectiveness would be greatly increased.”³²⁴ In other words, aid agencies were told not to challenge the World Bank conditionality and complement its poverty reduction strategies.

So, if one reads between the lines, the World Bank’s report included warnings for both recipients and donors. Aid recipient countries were told to be more “serious” in adopting and implementing its poverty reduction agenda (country ownership). Donors, on the other hand, were told not to challenge the World Bank conditionality and avoid adopting an independent and assertive foreign aid policy. This required a more unified approach and coordinated action by the Western donors in their aid allocations to the recipient countries. The World Bank, in close collaboration with the OECD, took the lead in the coordination of donor policies to be consistent with the aid policies and initiatives that were introduced to “attack poverty,” as the new World Bank terminology put it.³²⁵

As a result, parallel with emphasis on country ownership, another dominant theme in the World Bank’s poverty reduction strategy became the issue of improving coordination among donor governments and multilateral aid agencies. After the adoption of the MDGs, the problem of lack of coordination among donors was more

³²³ *Ibid.*, 4.

³²⁴ *Ibid.*

³²⁵ World Bank, *World Development Report 2000/2001: Attacking Poverty* (New York: Oxford University Press, 2001).

often voiced by the World Bank and the OECD as serious obstacles to the achievement of the declared goals.³²⁶ In this regard, donor alignment around a common development framework (which, of course, was drawn up by the World Bank) increasingly became an agenda for the whole donor community.

Over recent years, the World Bank has increasingly emphasized closer coordination between all parties involved in development aid including the recipient governments, trying in close cooperation with the OECD to coordinate aid flows to ensure that no independent source of aid that diverges from the World Bank orthodoxy is available to the recipients. These attempts to develop a more unified donor approach to the aid culminated in 2005 with the OECD Paris Declaration on Aid Effectiveness. This was an international agreement on the part of the Western donors and developing-country governments to develop country ownership of development strategies, to harmonize donors' aid policies. The Paris Declaration called for greater coherence in aid provision based on the principles of ownership, alignment, harmonization, managing for results and mutual accountability.³²⁷ The main goal of aid effectiveness is framed as poverty reduction and the achievement of the MDGs. The Paris Declaration stressed the need to coordinate donors' efforts and prevent deviations from the agreed aid principles. Besides, it especially emphasized "country ownership" as a guiding principle in donor-recipient relations. The Paris Declaration stated that country ownership would be achieved when "partner countries exercise effective leadership over their development policies and strategies."³²⁸

So far, this section has covered some important developments in the post-Cold War aid scene. These were the emergence of renewed focus on poverty reduction

³²⁶ Vladimir Bartenev and Elena Glazunova, eds., *International Development Cooperation: Set of Lectures* (Moscow: World Bank, 2013), World Bank.
<https://www.openknowledge.worldbank.org/handle/10986/13228> License: CC BY 3.0 IGO.

³²⁷ OECD, *Paris Declaration on Aid Effectiveness* (Paris: OECD DAC, 2005).

³²⁸ *Ibid.*

(the MDGs), the introduction of new aid mechanisms at the country level (PRSPs), and new principles (the OECD Paris Declaration on Aid Effectiveness) in aid practices. The importance of these developments in terms of their impact on aid practices and donor-recipient relations cannot be overlooked. However, as will be shown, these developments do not seem to have translated into a fundamentally different perception of what aid is all about - nor have they fundamentally changed the aid mechanisms, institutions and hegemonic relations between donors and recipients. Despite the major changes, the most important one being the absence of the Soviet factor, today's aid architecture bears many resemblances to aid architecture "as we knew it."

There is a widely held perception among the leading development actors that the Paris Declaration on Aid Effectiveness set the frame for a new aid architecture.³²⁹ A closer inspection of the Paris Declaration, however, reveals that its aid effectiveness principles draw a new disciplinary framework both for aid donors and recipients, rather than trying to construct a new aid architecture. In fact, the Paris Declaration set a new frame for aid to play its role in achieving the same old objective of maintaining and expanding capitalist relations of production. The main rationale behind aid stays the same as it was in the Cold War era.

For instance, the Paris Declaration's concern with country ownership can be considered as a way of disciplining the aid recipient countries. Aid recipient governments would be held responsible for their performance in implementing poverty reduction strategies that they themselves had the "ownership" of. In this way, they would no longer be able to claim that development policies were imposed from outside. Apparently, the World Bank and the OECD donors seem to promote the principle of country ownership to create a set of devices and channels for wider participation in development and aid policy formulation. However, the World Bank's guidelines on the issue make it clear that this participation has its definite

³²⁹ OECD, *Aid Effectiveness: A Progress Report on Implementing the Paris Declaration* (Paris: OECD, 2009), 139-147.

limits by stating that consultations with civil society should not be confused with “negotiations” or “with “shared control over outcomes.”³³⁰

The Paris Declaration’s aid effectiveness principles also have a disciplinary function over the donor countries. It is easy to see that harmonization of aid practices is meant to strengthen the imposition of conditions on aid provision. Because, when donors act together, they are in a position of greater influence over recipient countries. Under the guise of efficiency and coordination, the whole of the donor community is expected to act in a uniform way as a group of like-minded donors—which prevents deviations from the poverty reduction framework drawn up by the World Bank along with other international institutions such as the OECD, the UNDP and the IMF. Even though it is portrayed as an attempt to increase aid effectiveness, the Paris Declaration can be considered as an attempt to encourage donors to adopt more coordinated and unified aid policies and impose conditionality collectively on aid recipient countries. In this sense the so-called new aid architecture with its emphasis on ownership, inclusion, and harmonization can be considered as a blend of old wines in a new bottle. While “country ownership” and donor coordination has come to occupy a prominent place in the World Bank-led poverty reduction strategies in the post-Cold War years, these principles were carried over to international aid agenda with the Paris Declaration on Aid Effectiveness. The OECD has encouraged the whole donor community to internalize the World-Bank-led poverty reduction strategy and promoted the instruments of this strategy (ownership, participation, harmonization) as components of newly emerging aid architecture.

³³⁰ World Bank, *Consultations with Civil Society Organization: General Guidelines for World Bank Staff* (Washington, D.C.: World Bank, 2000), 8 in David Chandler, *Constructing Global Civil Society: Morality and Power in International Relations* (Basingstoke: Palgrave Macmillan, 2004), 44.

4.2.1. Development Aid at the Service of Proletarianization of the Poor

As Cammack argues, rather than simply relying on market-led strategies, the World Bank and its allies have been trying to restructure social institutions and relations to generalize capitalist accumulation on a global scale since the early 1990s.³³¹ Cammack rightly draws attention to an important feature of neoliberalism, namely “global proletarianization,” which has been comparatively less emphasized. One of the defining features of neoliberal project, which has surprisingly remained under-investigated, is that its strategy to “provide capital around the world with access to healthy and efficient workers available at the lowest possible wage.”³³² Cammack illustrates this strategy with reference to the World Bank’s poverty reduction strategies in particular. Building on Cammack’s work on the World Bank-led poverty reduction strategies, this section will try to extend it to the international aid community by questioning the role that aid plays in global proletarianization in the post-Cold War years.

Cammack signals the importance of *The World Development Report 1990*, as the first in a series of the World Bank publications in the post-Cold War years that reinstated poverty reduction as the primary purpose of development aid. The report proposed a dual approach to reducing poverty:

... progress on poverty has been achieved by pursuing a strategy that has two equally important elements. The first element is to promote the productive use of the poor’s most abundant asset - labour. It calls for policies that harness market incentives, social and political institutions, infrastructure and technology to that end. The second is to provide basic social services to the poor. Primary health care, family planning, nutrition and primary education are especially important.³³³

³³¹ Paul Cammack, “What the World Bank Means by Poverty Reduction, and Why It Matters,” *New Political Economy* 9/2 (2004).

³³² Paul Cammack, *The Evolving Agenda of “Poverty Reduction”: From Structural Adjustment to Universal Competitiveness*, paper presented at ISA Annual Convention 2009, Marriot Marquis, New York, accessed March 20, 2017, <https://baierle.me/2010/06/01/the-evolving-agenda-of-poverty-reduction-from-structural-adjustment-to-universal-competitiveness/>.

³³³ World Bank, *World Development Report: Poverty*, 138.

While poverty reduction became the World Bank's main objective based on the dual strategy of labor-intensive growth and investment in human capital (health and education), the World Bank report also proposed "a program of well-targeted transfers and safety nets" for the segments of the population that were excluded from the benefits of economic growth (the sick, the old, victims of disasters, those who experience variations in income due to lack of employment opportunities and economic crises.)³³⁴ For Cammack, this ostensibly benevolent and selfless anti-poverty campaign led by the World Bank since 1990 is in fact subordinate to the dominant goal of increasing the productivity of labor and "promoting the proletarianization of the world's poor (their equipping for, incorporation into and subjection to competitive labor markets) and the creation of an institutional framework within which global capitalist accumulation can be sustained, while simultaneously seeking to legitimate the project through ... pro-poor propaganda."³³⁵ Cammack plainly and elegantly illustrates his argument by reference to the World Bank's official reports. In his assessment of the World Bank Development Reports that have been published since 1990, he fingers on two crucial elements that were emphasized in the World Bank's anti-poverty strategy, namely "promot[ing] the productive use of the poor's most abundant asset- labor" and "provid[ing] basic needs to the poor."³³⁶ He suggests that the underlying objective the World Bank's poverty reduction agenda is to convert the poor into proletarians with adequate health and education to be exploited by capital, while ensuring that means of survival other than wage labor are not available to them.³³⁷

³³⁴*Ibid.*, 51.

³³⁵Paul Cammack, "What the World Bank Means...", 190.

³³⁶World Bank, *World Development Report: Poverty*, 3.

³³⁷Paul Cammack, "Attacking the Poor," *New Left Review* 13/2 (2002): 125; Paul Cammack, "Making Poverty Work." in *Socialist Register: A World of Contradictions*, edited by Leo Panitch and Colin Leys (London: Merlin Press), 195.

In the early 1990s, the leading bilateral and multilateral development agencies soon started to follow the lead of the World Bank in their development and aid policies. The donor countries of the OECD Development Assistance Committee (OECD-DAC), joined by The World Bank, the United Nations Development Program and the IMF, adopted a policy statement on the orientation of the development cooperation in the 1990s, which emphasized that the vicious circle of global poverty could be broken only through strategies and policies which included, among other things, “enabling broader participation of all the people in the productive processes.”³³⁸ This focus on the engagement of the poor in productive labor was further emphasized in the OECD Jobs Strategy of 1994.³³⁹

The leading bilateral donors, such as the US Agency for International Development (USAID) and the UK Department for International Development (DFID), enthusiastically embraced and actively supported the World Bank’s agenda of global proletarianization.³⁴⁰ When examined in the context of the World Bank’s approach to poverty reduction during the 1990s, the UK Government’s White Papers on International Development, which were published in 1997 and 2000 respectively, closely parallel the policies advocated and initiated by the World Bank.³⁴¹ The First White Paper, *Eliminating World Poverty, A Challenge for the 21st Century*, was the first comprehensive policy statement on foreign aid policy since 1975.³⁴² This White Paper tries to steer development policy in the direction of free market orthodoxy at the global level. From this starting point, it suggests that the

³³⁸OECD, *Development Cooperation in the 1990s: Policy Declaration by DAC Ministers and Heads of Agencies* (Paris: OECD DAC, 1989).

³³⁹ OECD, *The OECD Jobs Strategy* (Paris: OECD, 1994).

³⁴⁰ Paul Cammack, “Making Poverty Work,” 205.

³⁴¹ Paul Cammack, “Making the Poor Work for Globalisation?” *New Political Economy* 6/3 (2001): 398.

³⁴² HMSO, *Eliminating World Poverty: A Challenge for the 21st Century* (London: Stationery Office, 1997).

employment-generating activities for people in the context of a free competitive market and open international trade is an indispensable condition for reducing poverty. To this end, the White Paper spells out the need for “systematic policies and programs that ... integrate the poor themselves in the revitalization of production.”³⁴³ In a very equivalent manner, the second White Paper on international development, *Eliminating World Poverty: Making Globalization Work for the Poor*, emphasizes the importance of “investing in people”, “promoting better health for the poor” and “spreading educational opportunity” in poverty-reduction and highlight their role and importance of these activities in extracting productive and efficient labor from the poor populations in the developing countries.³⁴⁴ Following the footsteps of the World Bank, the DFID subordinates the provision of the most basic needs to the poor to the goal of producing an exploitable global proletariat. For example, the health is considered as essential for families, not only because the healthy working members of the family would be more productive, but also because they would spend more time gaining skills and producing at work rather than “wasting” their time on ill family members:

Better health is essential ... For individual families, better health means less suffering and less time and expense invested in caring for ill family members, improved physical and intellectual development, enhanced school attendance and learning, and higher productivity at work.³⁴⁵

In a very equivalent manner, another leading bilateral aid agency, the USAID, also increased its attention and involvement in employment in developing countries during the 1990s. The Agency started to sponsor regional studies on “workforce development” and started to allocate more resources to projects related to skills

³⁴³ *Ibid.*, 29.

³⁴⁴ HMSO, *Eliminating World Poverty: Making Globalisation Work for the Poor* (London: Stationery Office, 2000), 10.

³⁴⁵ *Ibid.*, 34.

training and labor competitiveness.³⁴⁶ In 1996, USAID's Center for Human Capacity Development published *Compass to Workforce Development: A Toolkit for Policymakers, Donors, Governments, NGOs and Practitioners*, a guidebook on the USAID's approach to workforce development projects.³⁴⁷ The guidebook was intended for use by the USAID country missions to develop market-responsive vocational training and job creation projects in partnership with private sector. Subsequently, *Investing in Tomorrow's Workforce* project, which was launched by the agency in 1996, aimed at elevating "workforce development" in developing countries into an agency-wide strategic objective.³⁴⁸ The USAID missions in developing countries were encouraged to make workforce development a major focus of activity.

In 2002, USAID launched *Global Workforce in Transition* (GWIT), a project, which conducted "workforce assessments" in various countries to examine labor supply and to help employers get skilled workforce. The teams of experts that were set up under the GWIT project visited various developing countries and conducted studies on how to improve workforce competitiveness. Even though the USAID's GWIT project was showcased as an initiative to improve employment opportunities for the poor, the main rationale of the project was to respond to the labor needs of capital through a demand-driven workforce development approach, which can be inferred from the project documents published by the USAID:

The approach [of the *USAID Global Workforce in Transition Project*] includes policies and programs that help employers get and maintain a skilled workforce. Unlike separate programs that operate in an uncoordinated and therefore static manner, demand-driven workforce

³⁴⁶ Richard K. Johanson and Arvil V. Adams, *Skills Development in Sub-Saharan Africa* (Washington, DC: World Bank, 2004), 26.

³⁴⁷ Monika Aring et al., *Compass to Workforce Development: A Toolkit for Policymakers, Donors, Governments, NGOs and Practitioners* (Newton, MA: Education Development Center, 1996).

³⁴⁸ Scott Leland, *Investing in Tomorrow's Workforce* (Newton, MA: Center for Workforce Development at Education Development Center, 1998), 43.

development systems are flexible and able to adapt quickly to changing economic conditions.³⁴⁹

Another leading donor, Germany, also moved to a focus on productive employment for reducing poverty as from the early 1990s. The guidelines for development cooperation in the field of vocational education were presented in an official sector concept, which was published by the German Federal Ministry of Economic Cooperation and Development (BMZ) in 1992.³⁵⁰ This document emphasized that importance of the responsiveness of vocational training programs to the changing demands and needs of employers in different sectors.³⁵¹ USAID's demand-driven approach to vocational training, which gives priority to the needs of business rather than employees, could also be observed here.

The World Bank's poverty reduction strategy, which promotes proletarianization and market dependence as the major route out of poverty, was also adopted by the United Nations. Although employment and labor productivity issues were absent from the Millennium Development Goals (MDGs) when they were formulated in 2000, productive employment included as a new sub-goal in 2008 under the MDG 1 of eradicating extreme poverty and hunger: "*to achieve full and productive employment and decent work for all, including women and young people.*"³⁵² This new MDG target on employment aimed to encourage the whole

³⁴⁹ Overview of the USAID Global Workforce in Transition Project by Education Development Center quoted in Hussein Al-Wedyan et al., "Public-Private Partnerships: Lessons Learned from a Partnership: Consolidated Contractors Company and the Morganti Group Inc. (Ccc/Morganti), Al-Balqa' Applied University (Bau)/Al-Huson University College (Ahuc) and the USAID Jordan Economic Development Program," Center for Social Policy Publications, Paper 35, 2009, accessed September 29, 2017, https://scholarworks.umb.edu/csp_pubs/35/.

³⁵⁰ BMZ-Federal Ministry of Economic Cooperation and Development, *Sector Concept: Vocational Training* (Bonn: BMZ, 1992).

³⁵¹ Christine Mayer, "Transfer of Concepts and Practices of Vocational Education and Training from the Center to the Peripheries: The Case of Germany," *Journal of Education and Work* 14/2 (2001): 202.

³⁵² Theo Sparreboom and Alana Albee, "Introduction," in *Towards Decent Work in Sub-Saharan Africa: Monitoring MDG Employment Indicators*, ed. Theo Sparreboom and Alana Albee (Geneva: ILO, 2011), 1.

development community to make productive employment and labor efficiency a more prominent theme in their poverty reduction strategies.

Throughout the 2000s, especially after the inclusion of productive employment as a new sub-goal in the MDGs, the OECD-DAC has constantly encouraged donor countries to make vocational training and skills development as one of the key goal of their development aid policy. For example, building on the earlier arguments of the World Bank on the link between poverty reduction and productive employment, the OECD's Development Assistance Committee (DAC) published policy guidance for donors in 2009, which advised donors to make productive employment "a central feature of poverty reduction strategies."³⁵³ Almost 30 years after its publication by the World Bank, *the World Development Report 1990*, which had established the link between productive use of labor and poverty reduction, was literally parroted by the OECD in this policy guideline:

Productive employment ... needs to be a key objective of development cooperation and receive greater attention in policy dialogue with developing countries. Productive employment and decent work are the main routes out of poverty...The participation of women and young people in the labour market needs to increase, including by addressing gender-based discrimination, and the constraints and barriers that women and young people face as well as by strengthening measures to improve access to demand-driven vocational training.³⁵⁴

The logic of the World Bank poverty reduction policies, which serve the broader goal of building a global proletariat, was clearly reflected in this policy guidance that was prepared by the OECD-DAC for donor countries. Using the findings and implications of the World Bank country-level studies on labor market policies, the policy guidance identified policies and institutions which might act as impediments to employment creation, labor productivity and hence poverty reduction in developing countries. The implication was that donors should promote

³⁵³ OECD, *Promoting Pro-poor Growth: Employment* (Paris: OECD, 2009), 18.

³⁵⁴ OECD, *Promoting Pro-poor Growth: Employment* (Paris: OECD, 2009), 17.

and support an active labor market policy in the aid recipient countries, which ensures that the policies and laws related to employment do not limit access to the labor market and that the workers can be “hired and fired” easily:

Country-level studies have helped to identify a host of policies and institutions which act as constraints to job creation and productivity. These include ... poorly designed labour market regulations. For instance, inflexible or costly hiring and firing regulations are identified as an obstacle to employment growth in Chile, India, ... Mexico and Zambia, among others.³⁵⁵

In response to the policy and institutional barriers to job creation, country-level policy advice often recommends measures to lower the costs of doing business and introduce more flexible labour market regulations. For instance...[r]ecent reforms in Colombia brought down the costs of firing workers as a means of encouraging employers to recruit more workers during boom periods...³⁵⁶

Since the early 1990s, rapidly proliferating interest among aid donors in productive employment, as the prominent component of poverty reduction strategies, can be considered as part of a broader objective of proletarianizing the poor and equipping them with certain skills and expertise to meet the changing needs and requirements of capital at the global level. To this end, aid has been used mainly in three ways. First, it was used as a leverage to get recipient governments to adopt labor market policies promoted by the donor community led by the World Bank. These labor market policies encouraged by the donors are designed to increase the quantity and exploitability of labor in aid recipient countries. In this regard, aid is given on the condition that recipient country adopts labor policies that were responsive to local and foreign capital’s priorities, such as flexible hiring and firing, reducing employment protection, and lowering minimum wages.

Second, aid has been increasingly used to provide the basic needs - primarily in the areas of education and health - to convert the poor into sufficiently healthy

³⁵⁵ *Ibid.*, 86.

³⁵⁶ *Ibid.*, 87.

and skilled labor force for firms and industries. As already mentioned, since the early 1990s, the World Bank has always discussed poverty reduction as a question of providing income-generating opportunities for the poor. Since labor is considered as “the principle asset of the poor,” increasing the efficiency and productivity of labor and enabling them to participate in labor market is considered as the easiest and the most effective route out of poverty.³⁵⁷ According to the World Bank, this required improving the other two important assets that were owned by the poor, namely skills and health.³⁵⁸ Obviously, the provision of the basic needs to the poor in developing countries, especially in the area of health, has been problematized more in terms of labor productivity than the well being of the poor. The World Bank and donor agency documents and policies provide enough evidence to suspect that behind their emphasis on opportunity and participation, as Cammack warns, is a project that aims to provide healthy and skilled labor force to meet the needs of capital at the global level.³⁵⁹

Third, aid projects on technical and vocational training has been increasingly promoted by the OECD donors as a means of improving economic opportunities for the poor and reducing poverty since the early 1990s. In addition to allocating significant financial resources to technical and vocational training, the leading bilateral donors have also been directly engaged in conducting or supporting research in technical and vocational training to match labor skills and capital’s needs in different regions.³⁶⁰ Capital’s needs and demands constantly change as the production process is transformed through technological innovation driven by competition. Capital is always in need of workers that take distinct roles and duties

³⁵⁷ World Bank, *World Development Report: Poverty*, 80.

³⁵⁸ *Ibid.*, 32.

³⁵⁹ Cammack, *The Evolving Agenda of Poverty Reduction*.

³⁶⁰ Keith Holmes and Rupert Maclean, "Research on TVET and Skills Development by Selected Intergovernmental Organisations and Bilateral Agencies," in *Handbook of Technical and Vocational Education and Training Research*, ed. Felix Rauner and Rupert Maclean (Dordrecht: Springer, 2008), 74.

as technical basis of production is constantly transformed and revolutionized through technological advances. As Marx and Engels famously wrote in the Communist Manifesto, “the bourgeoisie cannot exist without constantly revolutionizing the instruments of production, and thereby the relations of production, and with them the whole relations of society.”³⁶¹ It means that functions and capabilities of workers and the whole organization of labor process must constantly transform along with changing requirements of capitalist exploitation. Therefore, increasingly complex nature of production process due to constant technological innovation requires adaptable and flexible workers that can acquire new up-to-date skills, capabilities and knowledge. As from the early 1990s, the World Bank have constantly emphasized the perceived need for labor to adapt to the changing requirements of the so-called new global economy by becoming more flexible.³⁶² The implication here was that labor either adjusts to the changing needs of the capital -by equipping itself with new skills to perform different tasks, by becoming multi-skilled workers moving between industries and accepting to work long hours with low payment, lacking adequate welfare regulations – or it must confront the challenge of unemployment and poverty. As far as aid is concerned, aid in the form of technical and vocational training serves the goal of equipping labor in developing countries with new skills and education to meet capital’s changing needs and demands, as the instruments and relations of production are transformed. As already discussed, the leading donor agencies’ support in technical and vocational training have focused more on increasing labor productivity and labor’s responsiveness to the changing needs and requirements of capital, rather than developing strategies to enhance conditions of work and levels of wages for the poor.

³⁶¹ Karl Marx and Friedrich Engels, “Manifesto of the Communist Party,” in *The Revolutions of 1848: Political Writings, Volume 1*, by Karl Marx (Harmondsworth: Penguin Books, 1977), 71.

³⁶² Henry Veltmeyer, “Reconstructing Latin American Labour and the World Bank,” in *Globalization and Antiglobalization: Dynamics of Change in the New World Order*, by Henry Veltmeyer (Aldershot: Ashgate Publishing, 2004), 79.

In recent years, vocational training and employment-generation came to be seen as a prominent aid instrument not only in poverty reduction but also in dealing with the humanitarian crises. The leading donors try to address even the most severe humanitarian crises in today's world through integration of the victims of those crises into labor market. For example, as will be shown below, the solutions that the mainstream aid donors and academia have offered to the recent global refugee crisis have mostly involved improving vocational skills of refugees and increasing their participation in labor market.

In the UN Secretary General's Report on the World Humanitarian Summit, which was held in İstanbul in 2016, the UN Secretary General offered a fundamental shift in donor community's approach to the issue of forced displacement: "one that goes from meeting immediate humanitarian needs to one that preserves the dignity and improves the lives and self-reliance of displaced persons."³⁶³ Enabling forcibly displaced people to support themselves by acquiring skills and capabilities to maintain their lives and eventually not being dependent on humanitarian aid is commonly referred to as "development-based approach" to humanitarian crises.³⁶⁴ The so-called "development-based approaches" claim that development assistance can be used in responding humanitarian crises and emergencies in a way that creates long-term "win-win" economic outcomes for both victims and donors.³⁶⁵ It is argued that development-oriented approaches to humanitarian crises goes beyond a focus on short-term temporary humanitarian measures and provide long-term sustainable solutions. In simplest terms, these approaches offer empowering the victims of humanitarian crises by building self-reliance, instead of being dependent on aid from

³⁶³ United Nations, "One Humanity, Shared Responsibility: Report of the Secretary-General for the World Humanitarian Summit," World Humanitarian Summit, February 2, 2016, accessed May 27, 2017, <http://sgreport.worldhumanitariansummit.org/>.

³⁶⁴ UN High Commissioner for Refugees (UNHCR), *Better Protecting Refugees in the EU and Globally: UNHCR's Proposals to Rebuild Trust through Better Management, Partnership and Solidarity*, report, December 2016, accessed April 26, 2018, <http://www.refworld.org/docid/58385d4e4.html>.

³⁶⁵ Alexander Betts et al., *Refugee Economies: Forced Displacement and Development* (Oxford: Oxford University Press, 2017), 14.

outside - an offer that sounds attractive at the first glance from a humanitarian and development point of view.

In the context of the recent global refugee crisis, for example, the leading donors have adopted “development-based approaches” which considered the refugee crisis as an “opportunity” for both refugees and host countries by promoting skills and abilities of the refugees and integrating them into labor markets. In fact, the discussions on addressing humanitarian crises by using long-term solutions rather than simply providing emergency relief are not new. We have been repeatedly reminded by the leading donors, especially the World Bank and the UN agencies, that long-term protracted humanitarian crises require development-based approaches that attack the roots causes of these crises rather than simply providing short-term emergency relief with limited humanitarian aid resources.³⁶⁶ However, empowerment and self-reliance of victims are narrowly and superficially defined in terms of their participation in labor market as productive labor. From this point of view, having the opportunity to participate in the labor market is presented as a durable solution for the victims of humanitarian crises, frequently without any attention being paid to extremely low wages and exploitative working conditions.

This study does not attempt to analyze the cause and consequences of the recent refugee crisis. Rather than focusing on refugee crisis or the issue of forced displacement in general, it seeks to show how proletarianization has been used as widespread aid instrument even in cases of humanitarian crises and emergencies in the post-Cold War years. A relevant example that illustrates this point is Betts and Collier’s suggestion that the Syrian refugee crisis could be addressed through the establishment of special economic zones near refugee camps in the countries

³⁶⁶ Most recently, in 2017, the World Bank and The United Nations launched an initiative titled “The Humanitarian-Development-Peace Initiative” to increase collaboration between humanitarian and development actors. The stated aim of the initiative is to combine short-term emergency responses with longer-term, socio-economic solutions, humanitarian crises. For detailed information on “The Humanitarian-Development-Peace Initiative” see World Bank, “The Humanitarian-Development-Peace Initiative,” World Bank Brief, March 03, 2017, accessed March 18, 2018, <http://www.worldbank.org/en/topic/fragilityconflictviolence/brief/the-humanitarian-development-peace-initiative>.

neighboring the conflict areas, where forcefully displaced Syrian refugees could be provided with job opportunities.³⁶⁷ What these authors suggest is to provide multinational companies with tax incentives to encourage them to invest in these special economic zones and make use of the Syrian refugees as cheap source of labor. Special economic zones, according to the authors, would provide the Syrian refugees with “autonomy and opportunity,” while also contributing to the development efforts of the refugee-hosting country, and thus creating a “win-win-win” situation for both refugees, refugee-hosting countries (such as Lebanon, Jordan and Turkey) and multinational companies.³⁶⁸ For instance, their policy recommendations to Jordanian government on how to make use the refugee crisis to industrialize and better integrate into global economy is illustrative of their opportunistic approach to humanitarian crises:

At present ...Jordan cannot compete with low-income countries for cheap labor, nor can it compete with advanced economies on technology and innovation ...To industrialize, then, Jordan needs a small number of major businesses and a large number of skilled laborers to relocate to manufacturing clusters. The refugee crisis offers Jordan the chance to make this transition. Refugee camps and some urban areas could be reconceived as industrial incubator zones, where displaced Syrians could gain access to education, training, and the right to work.³⁶⁹

As a matter of fact, what Bretts and Collier propose is far from original and typical of the neoliberal world view which treats even catastrophic events and disasters as opportunities for entering new markets, making new investments and exploiting cheap labor of the vulnerable people. However, what makes it worth mentioning in this study is that their suggestion has been recently translated into

³⁶⁷ Alexander Betts and Paul Collier, *Refuge: Transforming a Broken Refugee System* (London: Penguin, 2017).

³⁶⁸ *Ibid.*, 156, 179.

³⁶⁹ Alexander Betts and Paul Collier, “Help Refugees Help Themselves: Let Displaced Syrians Join the Labor Market,” *Foreign Affairs*, October 19, 2015, accessed February 03, 2018, <https://www.foreignaffairs.com/articles/levant/2015-10-20/help-refugees-help-themselves>.

action by some of the leading aid agencies. In March 2016, The World Bank, in partnership with the UK's Department for International Development (DFID), launched a pilot project that involved the establishment of special economic zones near Jordan's border with Syria.³⁷⁰ The World Bank President asserted that aim of the project was to provide the Syrian refugees with more jobs by attracting foreign investors to these special economic and industrial zones.³⁷¹ The DFID administration, on the other hand, summarizes the purpose of the project as "turning refugee crisis into a development opportunity," and considers the project as a "paradigm shift" in the aid architecture, representing a transition from simply meeting immediate basic needs to a long-term "development-oriented approach" to emergencies.³⁷² What actually this so-called development-based approach to humanitarian crisis offers is to get the forcefully displaced people out of refugee camps and put them in special economic zones as cheap labor, while encouraging the private sector to exploit the skills and productive labor of displaced people. Low-paid jobs without social rights and protection in these special economic zones are presented as an opportunity that "brings hope, dignity and a more sustainable future" for refugees.³⁷³

This so-called development-based approach to humanitarian crises is also advocated by the OECD, in the context of the recent global refugee crisis. The OECD considers forcibly displaced people as "potential assets for local growth and development" and encourages donors to invest in aid projects on vocational training

³⁷⁰ DFID, "Department for International Development Annual Report and Accounts 2016-2017," GOV.UK, July 06, 2017, accessed April 04, 2018, <https://www.gov.uk/government/publications/dfid-annual-report-and-accounts-2016-2017>

³⁷¹ World Bank, "World Bank Approves US\$100 Million in Financing to Create 100,000 Jobs for Jordanians, Syrian Refugees," World Bank Press Release, March 27, 2016, accessed January 04, 2018, <http://www.worldbank.org/en/news/press-release/2016/03/27/exceptional-financing-jordan-jobs-syrian-refugees>

³⁷² DFID, "Jordan Compact Economic Opportunities Program: Summary Sheet," DFID, July 2016, accessed January 3, 2018, http://iati.dfid.gov.uk/iati_documents/5519561.odt.

³⁷³ *Ibid.*

to improve the skills and competences of refugees.³⁷⁴ In a like manner, the European Union, as an aid donor, has played a prominent role in the efforts to proletarianize the forcibly displaced populations. In response to the Syrian refugee crisis, the European Union established a regional trust fund (called the Madad Fund) to pool financial contributions from the EU members, non-EU donor countries, United Nations agencies, and some private aid organizations.³⁷⁵ The objective of the Madad Fund is described as “provid[ing] coherent, comprehensive and joint aid response to the manifold and increasing needs arising from the Syrian crisis across the region.”³⁷⁶ Madad Fund supports projects especially in the field of employment generation and vocational training for the forcibly displaced people in Egypt, Iraq, Jordan, Lebanon, Turkey and the Western Balkans.³⁷⁷ By merging various financial instruments into one single mechanism under Madad Fund, the primary solution offered by the EU to the problems arising from the refugee crisis is to help forcefully displaced people develop new skills through training and find jobs in the host countries. In this regard, solutions to the complex and multi-dimensional issue of global forced displacement is simply reduced to employment generation strategies for drawing forcefully displaced refugees into labor markets.

The leading donors have been increasingly using aid to reduce the pressure for mass migration to the developed countries. In this regard, proletarianization of the refugees is gradually becoming an aid model for dealing with the refugee crisis. In recent years, there is an increase in the number of “mutually beneficial” aid projects,

³⁷⁴ OECD, *Addressing Forced Displacement through Development Planning and Cooperation Guidance for Donor Policy Makers and Practitioners* (Paris: OECD Publishing, 2017), 13.

³⁷⁵ *Ibid.*, 77.

³⁷⁶ “The Agreement Establishing the European Union Regional Trust Fund in Response to the Syrian Crisis (the Madad Fund),” European Commission, April 06, 2018, accessed May 04, 2018, <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/neighbourhood/countries/syria/madad/20160526-revised-madad-fund-constitutive-agreement.pdf>.

³⁷⁷ OECD, *Addressing Forced Displacement*, 77.

where aid resources are provided to the governments of the refugee-hosting developing countries on the condition that they provide the refugees in their boundaries with work permits and employment opportunities. Following the example of the establishment of special economic zones in Jordan, the World Bank, the European Union and the DFID have recently announced a plan to provide financial support for the construction of industrial parks in Ethiopia to provide job opportunities for the refugees in this country.³⁷⁸ Aid is provided to the Ethiopian government on the condition that jobs are provided to the refugees in these industrial parks.

The so-called development-based approaches to humanitarian crisis, which are primarily employment-oriented, ostensibly aim at helping displaced people to become economically self-reliant. These approaches assume that, unlike humanitarian aid, employment opportunities will necessarily provide long-term solutions to the problems of the refugees. However, abusive working conditions and exploitation of refugees are not sufficiently taken into account of analysis. The so-called “development-based approach” to the recent refugee crisis have provided us with enough evidence to suggest that refugees and asylum-seekers, who are victims of conflict and instability, are first and foremost seen as cheap and flexible productive labor by the donor community. Taken together, it might be argued that these development-oriented approaches to humanitarian aid, which ostensibly aim to create empowerment and self-reliance for the refugees, are part of an attempt to mobilize productive labor of victims and vulnerable populations at the global level.

4.2.2. Development Aid at the Service of Global Supply/Value Chains

In recent years, in addition to the attempts to increase the skills of the poor in developing countries, donor agencies have been extremely concerned with their integration and participation in the world market. Increasing emphasis of aid donors

³⁷⁸ BBC, “Refugee Crisis: Plan to Create 100,000 Jobs in Ethiopia,” BBC News, September 21, 2016, accessed February 04, 2018, <http://www.bbc.com/news/world-africa-37433085>.

on the developmental role of labor productivity has been accompanied by a concern for linking workforce in developing countries to global capitalist economy through trans-border production networks. The OECD states that “developing countries need to invest in skills and productivity not only to help the poor enter the labor market but also to pursue international competitiveness in an interconnected world in order to be able to reap the benefits of the so-called “globalization.”³⁷⁹

In the early postwar years, global trade was based on a classical division of labor - where the developed countries produced and exported finished good and imported raw materials, while the Southern economies generally exported primary goods and imported manufactures.³⁸⁰ However, the organization of global production and trade has changed significantly in the last four decades and production has become globally integrated today. As from the 1970s, multinational companies, supported by states and international organizations, started to move their production processes to low-wage developing countries to restore profit rates. The main reason for this relocation was the low labor costs. This development was part of an attempt to overcome profitability crisis and to re-establish the conditions for capital accumulation. This change in global production has an obvious quantitative dimension, which can be seen in the considerable rise in trade and foreign direct investments in recent decades. However, the change in the structure and organization of global production is even more significant. Today, the entire production process in various industries is fragmented and geographically spread within and between countries, on a global scale.

The mainstream development analyses celebrate and promote integration of a developing country into the global manufacturing system through export-oriented, labor-intensive production as a means of reducing poverty and stimulating economic growth and development. In this context, the concept of “global supply/value

³⁷⁹ OECD, *OECD Skills Outlook 2017: Skills and Global Value Chains* (Paris: OECD, 2017), 12.

³⁸⁰ Benjamin Selwyn, *The Struggle for Development* (Cambridge, UK: Polity Press, 2017), 56.

chain”³⁸¹ has emerged in development circles and spread into development aid practices. Global value chain analysis emerged in the early 1990s to analyze this geographically fragmented and functionally integrated transnational production process.³⁸² Although it has its origins in the world-systems theory, global value chain analysis gained prominence in development research and policy and it has been widely used in applied development research and practice since the late 1990s.³⁸³ Value chain refers to the interrelationship between companies that are involved, as supplier and contractors to a lead firm, in the production activities scattered across various countries, where the necessary labor skills, materials and investment conditions are provided at competitive cost and quality. Value chains are organized and coordinated by a lead firm, usually a multinational company headquartered in a developed country. These so-called lead firms exercise power over their supplier firms by setting the rules for participation in the value chain. These functionally fragmented global value chains illustrate “the ultimate division of labor, in which every individual step in a manufacturing process can be assigned to the most appropriate workers, anywhere in the world.”³⁸⁴

At the same time as emphasizing the developmental role of labor productivity, almost all international aid agencies have developed a so-called “value-chain approach to development” in recent decades. From the World Bank to the OECD to the leading bilateral donor institutions, “value chain approach to development” and

³⁸¹ In this study, “global supply chains” and “global value chains” are used interchangeably. In official and academic discussions on development and aid, the use of term “value chain” seems to be more common since the “supply chain” has more commercial connotations. Most of the leading bilateral and multilateral donors agencies (such as the World Bank, the UNDP, the USAID, the DFID) prefer to use the term “value chain”.

³⁸² Paul A. Haslam, “Multinational Corporations,” in *Introduction to International Development Approaches: Actors, Issues, and Practice*, eds. Paul A. Haslam, Jessica Schafer, and Pierre Beaudet (Ontario: Oxford University Press, 2012), 204.

³⁸³ Susan Newman, “Global Commodity Chains and Global Value Chains,” in *The Elgar Companion to Marxist Economics*, ed. Ben Fine, Alfredo Saad-Filho, and Marco Boffo (Cheltenham, UK: Edward Elgar Publishing, 2012), 155.

³⁸⁴ Paul Cammack, “What International Organizations Do,” 65.

development policy prescriptions associated with the global value chains are increasingly seen everywhere. For instance, the World Bank has recently established a team of 180 experts from different backgrounds with a specific mandate to improve the effectiveness of development projects and programs incorporating global value chains.³⁸⁵ The World Bank defines global value chains as “a powerful driver of productivity growth, job creation, and increased living standards.”³⁸⁶ In a like manner, the former chair of the Development Assistance Committee of the OECD, Eric Solheim, defines value chains as “a path to development.”³⁸⁷ Global value chain analysis has become a significant part of mainstream development aid analysis and policy. Donors have increasingly focused on value chain approach to development as a key element of their poverty reduction strategies. This trend is based on the widely held assumption that global value chains facilitate private sector development by transferring knowledge and technology and promoting economic growth in ways that reduce poverty.

The aim here is not to give a detailed analysis of the factors that contributed to the transformation of the global production process and the emergence of global supply/value chains. However, understanding the functioning of the so-called “global value chains” and “value chain approaches to development aid” is very important and useful in terms of understanding aid in the post-Cold War Era. There has been a surge of interest in “value chain approaches to development” among

³⁸⁵Anabel Gonzalez, "Making Global Value-Chains Work for Economic Development and Shared Prosperity: Opening Remarks by World Bank Group's Senior Director for Trade & Competitiveness" (speech, Global Value Chain Development Report 2016 Background Paper Conference, Beijing, China, March 17, 2016), accessed January 4, 2018, <http://www.worldbank.org/en/news/speech/2016/03/17/making-global-value-chains-work-for-economic-development-and-shared-prosperity>.

³⁸⁶ World Bank, “Global Value Chains,” World Bank, accessed January 11, 2018, <http://www.worldbank.org/en/topic/global-value-chains>

³⁸⁷ Eric Solheim, “Connecting to Value Chains: The Role of Aid for Trade in Private Sector Development,” *Great Insights*, 2013 2/5 (August 2013), accessed March 23, 2018, <http://ecdpm.org/great-insights/aid-for-trade/connecting-value-chains-role-aid-trade-private-sector-development/>.

development aid actors as evident from “value chain strategy papers” published by various international aid agencies.³⁸⁸ A general definition for global value chain approach to development can be drawn from these guides, even though they diverge in their focus and framework. The value chain approach can be defined as a development approach that focuses on encouraging the integration of developing countries into global value chains and improving the overall productivity and competitiveness of firms and workers along global value chains to reduce poverty and generate economic growth in developing countries. In recent years, international organizations and bilateral donor agencies that employ and promote value chain approach to development cooperation include the World Bank, the Asian Development Bank, various United Nations Agencies, the United States Agency for International Development (USAID), the UK Department for International Development (DFID), the Swiss Agency for Development and Cooperation (SDC) and the German Agency for International Cooperation (GIZ), among others.³⁸⁹

In the so-called value chain approaches, development and poverty reduction becomes an issue of “economic and social upgrading” through global value chain integration.³⁹⁰ Here, the concept of upgrading can be identified as “a move to higher value added activities in production, to improve technology, knowledge and skills, and to increase the benefits or profits deriving from participation in global

³⁸⁸ For a list of strategy papers published by international development agencies and bilateral donors with global value chains focus, see Appendix A in Jeffrey Neilsen "Value Chains, Neoliberalism and Development Practice: The Indonesian Experience." *Review of International Political Economy* 21/1 (2013): 67-68.

³⁸⁹ Jeffrey Neilson, “Value Chains, Neoliberalism and Development Practice: The Indonesian Experience.” *Review of International Political Economy* 21/1 (2013): 45; Susan Newman, “Global Commodity Chains and Global Value Chains,” in *The Elgar Companion to Marxist Economics*, ed. Ben Fine, Alfredo Saad-Filho, and Marco Boffo (Cheltenham, UK: Edward Elgar Publishing, 2012), 155.

³⁹⁰ Victor Kummritz, Daria Taglioni, and Deborah Winkler, “Economic Upgrading through Global Value Chain Participation: Which Policies Increase the Value-Added Gains?” Policy Research Working Paper 8007, March 01, 2017, accessed January 05, 2018, <https://openknowledge.worldbank.org/handle/10986/26348>.

production networks”³⁹¹ Global value chains are portrayed as creating “win-win” situations, not only offering profit opportunities for the multinational companies and cheap products for the consumers in developed countries, but also generating employment and reducing poverty in developing countries.³⁹² A country's position in a global value chain depends on skills and resources that its firms and labor market offer to international production. Donors that adopt a value chain approach to development try to support developing countries in their efforts to be more competitive and move up a global value chain.³⁹³ In this respect, improving the skills and know-how of the workforce is considered as a key element of competitiveness for developing countries.

Value chain approaches generally focus on making developing countries a part value chains and have no poverty focus apart from the assumption that benefits of participating in a value chain will automatically reach the poor through economic growth and employment opportunities in developing countries.³⁹⁴ In this sense, global value chain approaches in donor interventions are based on a trickle-down view of development - the idea that a rising tide lifts all the boats. The assumption is that if supplier firms and their workers in developing countries can link up with the lead firm in a global value chain, then everybody will gain from increasing

³⁹¹ Stephanie Barrientos, Gary Gereffi, and Arianna Rossi, “Economic and Social Upgrading in Global Production Networks: A New Paradigm for a Changing World,” *International Labour Review* 150/3-4 (2011): 323.

³⁹² Benjamin Selwyn, “Harsh Labour: Bedrock of Global Capitalism,” *Open Democracy*, March 01, 2015, accessed January 15, 2018, <https://www.opendemocracy.net/beyondslavery/benjamin-selwyn/harsh-labour-bedrock-of-global-capitalism>.

³⁹³ Cornelia Staritz, “Value Chains for Development? Potentials and Limitations of Global Value Chain Approaches in Donor Interventions,” Austrian Foundation for Development Research (ÖFSE) Working Paper No. 31, April 2012, accessed October 05, 2017, https://www.oefse.at/fileadmin/content/Downloads/Publikationen/Workingpaper/WP31_value_chains.pdf.

³⁹⁴ Tilman Altenburg, “Donor Approaches to Supporting Pro-Poor Value Chains,” Report Prepared for the Donor Committee for Enterprise Development, January 2007, accessed February 5, 2018, http://www.fao-ilo.org/fileadmin/user_upload/fao_ilo/pdf/DonorApproachestoPro-PoorValueChains.pdf.

profitability, competitiveness and efficiency.³⁹⁵ The linking of small firms in developing countries to multinational companies is quite often seen as poverty-reducing without any further justification or concern for how gains from involvement in global value chains are distributed to the poor and translated into better living conditions.

Almost all donor-supported value chain development projects are implemented under the assumption that integration into global value chains will help reducing poverty. However, apart from this general assumption about the link between value chain development and poverty reduction, there are no convincing data to show that value chain development projects have been effective on the ground. At this point, there is little research on how donors implement these so-called global value chain approaches in practice.³⁹⁶ Even the mainstream global value chain research, however, recognizes that donor-led value chain projects show little or no concern for poverty reduction or broader development goals. For example, a study sponsored by the United Nations Industrial Development Organization (UNIDO) analyzes different donor-led value chain projects in different countries and conclude that donors mainly focus on making participating firms more efficient with little concern for poverty-reduction.³⁹⁷ Another study, commissioned by the Institute of Development Studies (IDS), was based on a review of thirty donor-led value chain development projects in different countries. Among other findings, the study emphasizes that prime goal of these projects is private sector development, and there is not enough evidence on poverty alleviation impacts from

³⁹⁵Benjamin Selwyn, interview by The Beyond Trafficking and Slavery Network (BTS), Promoting Decent Work in Supply Chains? An Interview with Benjamin Selwyn, June 7, 2016, accessed January 4, 2017, <https://www.opendemocracy.net/beyondslavery/ilc/benjamin-selwyn/promoting-decent-work-in-supply-chains-interview-with-benjamin-selwyn>

³⁹⁶Jeffrey Neilson, "Value Chains, Neoliberalism and Development Practice: The Indonesian Experience." *Review of International Political Economy* 21/1 (2013): 48.

³⁹⁷Lasse Folke Henriksen, Lone Riisgaard, Stefano Ponte, Frank Hartwich and Patrick Kormawa, *Agro-Food Value Chain Interventions in Asia: A Review and Analysis of Case Studies* (Vienna: United Nations Development Organization (UNIDO), 2010), 8.

these projects to claim that they are effective in helping the poor.³⁹⁸ Study maintains that donors consider integrating local supplier firms into global value chains as being pro-poor in itself since it creates jobs for the poor. In this regard, the objective of poverty-reduction is pursued indirectly through promoting employment opportunities for the poor in small and medium enterprises in developing countries.

While the mainstream development aid discourse portrays global value chain as a sphere of opportunity for the poor, critics argue that these value chains are geared to reproduce global poverty, rather than addressing it. In fact, there is comparatively little literature that investigates how global value chains contribute to global poverty and inequality. One significant contribution in this regard is made by Selwyn, who labels global value chains as “global poverty chains.”³⁹⁹ Selwyn examines global textile, food and high-tech industries and finds that a common feature of all these prominent value chains in the global economy is that they are based on a constantly growing and extremely exploited labor force.⁴⁰⁰

Exploitation in global value chains is not limited to harsh working conditions and low payments. LeBaron suggests that there is evidence of slavery in various stages of global value chains from the production of raw materials to manufacturing of basic commodities.⁴⁰¹ She maintains that while the legislation in developing countries is not sufficient to protect the workers, anti-slavery legislation passed by

³⁹⁸John Humprey and Lizbeth Navas-Aleman, "Value Chains, Donor Interventions and Poverty Reduction: A Review of Donor Practice," Institute of Development Studies Research Report No 63, March 2010, accessed February 05, 2017, <https://www.ids.ac.uk/publication/value-chains-donor-interventions-and-poverty-reduction-a-review-of-donor-practice>

³⁹⁹ Selwyn, *The Struggle for Development*, 27.

⁴⁰⁰ *Ibid.*, 48-56.

⁴⁰¹Genevieve Lebaron, “It’s Time to Get Serious about Forced Labour in Supply Chains,” in *Forced Labour in the Global Economy: Beyond Trafficking and Slavery Short Course Volume 2*, ed. Genevieve Lebaron and Neil Howard (London: Open Democracy, 2015), 32-36; Genevieve Lebaron, "Slavery, Human Trafficking, and Forced Labour: Implications for International Development," ed. Jean Grugel and Daniel Hammett, in *The Palgrave Handbook of International Development* (Basingstoke: Palgrave Macmillan, 2016), 381-396.

governments in developed countries allows multinational companies to overlook and turn a blind eye to slave labor used by supplier firms in their value chains:

Take the UK's 2015 Modern Slavery Act. While the act requires certain companies to report the voluntary efforts they are taking to prevent or address slavery in supply chains, it leaves open the possibility for companies to report that they are doing nothing, or to report that forced labour issues are too far down their supply chain for them to reach.⁴⁰²

Extensive research has shown the relationship between the proliferation of global value chains and increases in labor exploitation and abuses.⁴⁰³ Expansion of global value chains also coincided with the increase of export processing zones (EPZs), which are special industrial zones offering incentives, such as tax and labor law exemptions, to attract foreign investment. EPZs now play a significant role in global value chain as “spaces of legal exception where production takes place beyond the bounds of ‘mainland’ law.”⁴⁰⁴ It is possible to find many academic studies and media reports about exploitative working conditions in global value chains, ranging from extremely low payment, long working hours, and health-damaging work to child labor, racial or gender discrimination and forced labor at the extreme end.⁴⁰⁵

Despite the extensive evidence to the contrary, international aid donors have portrayed participation in labor market through global value chains as a remedy for the poor as well as an opportunity for the victims of humanitarian crises. In this

⁴⁰² Genevieve Lebaron, “It’s Time to Get Serious”, 34.

⁴⁰³For a recent and comprehensive study on modern slavery and forced labor in global value chains, see Genevieve Le Baron et al., “Confronting Root Causes: Forced Labour in Global Supply Chains,” OpenDemocracy, January 08, 2018, accessed March 05, 2018, <https://www.opendemocracy.net/beyondslavery/genevieve-lebaron-neil-howard-cameron-thibos-penelope-kyritsis/confronting-root-causes>

⁴⁰⁴ *Ibid.*

⁴⁰⁵ Benjamin Selwyn, “Rethinking Recovery: Poverty Chains and Global Capitalism,” Sheffield Political Economy Research Institute, July 12, 2016, accessed December 07, 2017, <http://speri.dept.shef.ac.uk/2016/07/12/rethinking-recovery-poverty-chains-and-global-capitalism/>.

context, international aid donors have sold proletarianization and improved competitiveness of global value chains as a remedy for poverty in developing countries, without any attention being paid to extremely low wages and exploitative working conditions.

The leading international development institutions have adapted the global value chain approach, especially for framing development aid conditionality.⁴⁰⁶ However, the implications of the global value chain approach to development aid goes far beyond the aid recipient developing countries. Global value chains have also consequences for labor in advanced donor countries. While they increase the rate of labor exploitation and surplus extraction in developing countries, extremely low wages and poor working conditions across the global value chains also put pressure on workers in advanced capitalist countries to accept low wages and poor working conditions or to face unemployment. According to the OECD, advanced donor countries have a direct interest not only in the productivity and efficiency of their home industries, but also in the productivity and efficiency of all firms and countries that take part in a global value chain.⁴⁰⁷ While the OECD-DAC's donor countries, following the lead of the World Bank, have tried to facilitate proletarianization in developing countries, they have also paid particular attention to productivity and competitiveness in the aid recipient countries' labor markets, for imposing discipline on labor classes in their own countries. As the OECD comments:

Today's economies no longer rely exclusively on domestic resources to produce and export goods and services; instead, their exports increasingly embody the technology, labour and capital of the countries from which they import intermediate goods. As a result, the

⁴⁰⁶ David Quentin and Liam Campling, "Global Inequality Chains: Integrating Mechanisms of Value Distribution into Analyses of Global Production," *Global Networks* 18/1 (2018): 34.

⁴⁰⁷ Paul Cammack, "Capitalist Development in the Twenty-First Century: States and Global Competitiveness," in *Asia after the Developmental State: Disembedding Autonomy*, ed. Toby Carroll, D. S. L. Jarvis, and Richard Stubbs (Cambridge: Cambridge University Press, 2017), 139.

competitiveness of national economies increasingly depends on the competitiveness of their partners.⁴⁰⁸

For the OECD, then, the competitiveness of the national economies of the advanced countries depends on the competitive pressures from the less developed countries. This might be helpful in understanding why advanced donor countries have a particular interest in “helping” developing countries to improve the competitiveness and productivity of their economies. Global value chain approaches that the leading donors have adopted in years aim at transforming social relations on a global scale to provide a sufficiently skilled and disciplined proletariat and to maximize competition within and between states on a global scale. Productivity and competitiveness of developing countries’ labor force is also promoted for the discipline it imposes on the economies of the labor forces of advanced countries. As such, the focus of aid seems to have shifted from the promotion of structural adjustment of the 1980s and early 1990s to a broader concern with promoting productivity and competitiveness of labor markets in developing countries. While aid plays a crucial role in creating a skilled labor force, expanding employment, and creating a competitive labor market in developing countries, its impact is not limited to the domestic labor markets of aid recipient countries. It also plays an indirect role in intensifying the hegemony of capital over labor in developed countries by helping developing countries to create a qualified labor force that can put “competitive pressures” on developed countries. What this means is that aid’s role is not confined to aid recipient countries but extends to the exploitative relations between capital and labor in developed countries. In other words, aid plays a significant role in sustaining and deepening exploitative relations between capital and labor on a global scale.

⁴⁰⁸ OECD, *Interconnected Economies: Benefiting from Global Value Chains* (Paris: OECD, 2013), 182.

4.2.3. Aid at the Service of Maintaining a Reserve Army of Labor

Since the early 1990s, poverty-reduction strategies of international aid donors mostly involved drawing the poor into the workforce and providing them with basic health and education, as sufficiently healthy and skilled labor force that meets capital's needs. As the analysis of global value chains approaches has shown, international aid donors have been trying to reduce poverty in developing countries by trying to integrate them into capitalist markets. From this study's point of view, the sphere of production, which is presented as a route out of poverty by the leading donors, becomes the starting point for explaining poverty. The domain of production in a capitalist society is where poverty emerges in the first place. As Ankarloo reminds, "wealth and poverty, in capitalism, are not antipodes, but rather two sides of the same coin."⁴⁰⁹ Poverty exists not because capitalist market system does not work properly and hence the poor cannot have access to market opportunities. Poverty emerges when capitalist market system works and because it works in a specific way.

At this point, Marx's discussion on "reserve army of labor" becomes relevant. Presence of large pool of workers living under exploitative and insecure conditions, as is the case with global value chains, is nothing new. It has been one of the basic features of capitalist system, termed as "industrial reserve army" or "relative surplus population" by Marx.⁴¹⁰ By pointing to the relation between accumulation of capital and reserve army of labor, Marx finds the sources of poverty in the contradictions of the capitalist mode of production. In chapter 25 of Capital Volume 1, Marx describes the relation between the accumulation of capital and the working class.⁴¹¹

⁴⁰⁹ Daniel Ankarloo, "Marx on Poverty: A Theoretical Exposition," in *Economists and Poverty: From Adam Smith to Amartya Sen*, ed. Daniel Rauhut, Neelambar Hatti, and Carl-Axel Olsson (New Delhi: Vedams, 2005), 99.

⁴¹⁰ Karl Marx, *Capital Volume I: A Critique of Political Economy*, trans. Ben Fowkes (London: Penguin Books in Association with New Left Review, 1990), 781.

⁴¹¹ *Ibid.*, 762-870.

As the accumulation of capital increases, the demand for labor will rise in proportion to the growth of capital. This growing demand for labor may push the wages up. To prevent this growing demand for labor from pushing up the wages and decreasing the profit, it is necessary to reduce the amount of labor needed for any given level of output. This is done by increasing the productivity of labor through the introduction of new labor-saving machinery, which results in the displacement of considerable number of workers. By constantly revolutionizing the productivity of labor, the capitalist system “not only manufactures ever greater masses of commodity wealth, but *of necessity* creates an ever-renewed pool of superfluous workers- ‘an industrial reserve army.’”⁴¹² Reserve army of labor helps keeping wages down by undermining the wage bargaining capacity of those in employment. Besides, presence of reserve army increases capital’s capacity to maximize surplus value extraction by acting as “a constant and effective weapon” to discipline those workers who are employed; and to decompose their political organization and power.⁴¹³ Marx describes what he terms “general law of capitalist accumulation,” as follows:

...all methods for the production of surplus-value are at the same time methods of accumulation, and every extension of accumulation becomes, conversely, a means for the development of those methods. It follows therefore that in proportion as capital accumulates, the situation of the worker, be his payment high or low, must grow worse. Finally, the law which always holds the relative surplus population or industrial reserve army in equilibrium with the extent and energy of accumulation rivets the worker to capital more firmly than the wedges of Hephaestus held Prometheus to the rock. It makes an accumulation of misery a necessary condition, corresponding to the accumulation of wealth. Accumulation of wealth at one pole is, therefore, at the same time accumulation of misery, the torment of labour, slavery, ignorance,

⁴¹² David L. Harvey and Michael Reed, “Paradigms of Poverty: A Critical Assessment of Contemporary Perspectives,” *International Journal of Politics, Culture and Society* 6/2 (1992): 276.

⁴¹³ Fred Magdoff and Harry Magdoff, "Disposable Workers: Today's Reserve Army of Labor," *Monthly Review*, April 01, 2004, accessed January 06, 2018, <https://monthlyreview.org/2004/04/01/disposable-workers-todays-reserve-army-of-labor/>.

brutalization and moral degradation at the opposite pole, i.e. on the side of the class that produces its own product as capital.⁴¹⁴

It follows that if capital accumulation were to continue, the reserve army of labor would need to remain in constant or increasing ratio to the active labor. Marx identifies three forms that the surplus population may take: The *floating* part refers to the modern industrial proletariat who move in and out of work according to the fluctuations of the markets, the *latent* part refers to population that is not fully integrated into capitalist production- for example rural population in the countryside-and the *stagnant* part consists of those who are employed rarely and irregularly-this included all part-time and what would today be called informal labor.⁴¹⁵

In an effectively operating capitalist system, there is always a proportion of proletariat who are out of work and thrown into surplus population; and there is always a further layer of pauperized populations that live at the edge of the reserve army -such as vagabonds, criminals, prostitutes and those that are unable to work for various reasons.⁴¹⁶ Marx argues that capitalism produces and requires a relative surplus population, and along with the surplus population “pauperism forms a condition of capitalist production, and of the capitalist development and wealth.”⁴¹⁷ In sum, while reserve army of labor becomes source of reservoir for more workers in times of need and a source of discipline for the employed workers, pauperized populations become a source of discipline for the reserve army. In Marx’s terms, while the battles are won by recruiting armies, industrial war of capitalists can be

⁴¹⁴ Karl Marx, *Capital Volume I: A Critique of Political Economy*, trans. Ben Fowkes (London: Penguin Books in Association with New Left Review, 1990), 799.

⁴¹⁵John Bellamy Foster, Robert W. McChesney, and R. Jamil Jonna, "The Global Reserve Army of Labor and the New Imperialism," *Monthly Review*, November 01, 2011, accessed February 05, 2018, <https://monthlyreview.org/2011/11/01/the-global-reserve-army-of-labor-and-the-new-imperialism/>.

⁴¹⁶ Cammack, “Making Poverty Work,” 196.

⁴¹⁷ Marx, “*Capital Volume I*,” 797.

“won less by recruiting than discharging the army of workers.”⁴¹⁸ Marx’s general law of accumulation highlights that capitalism, through constant generation of a reserve army of labor, is inclined to polarize between relative wealth at the top and relative poverty at the bottom, while at the same time using this reserve army as a weapon against the employed workers to increase the rate of exploitation. The existence of the reserve army of labor and pauperism at the margins of this industrial reserve army, then, is not an accident or unfortunate consequence but rather an essential element for capitalist accumulation. In a neat summary, Cammack points out Marx’s view of the relationship between capitalism and poverty as follows:

... an ever-expanding proletariat is part and parcel of capitalist accumulation; supposedly ‘free’ workers themselves produce and reinforce the mechanisms by which capitalism exerts discipline over them; this process reaches maturity when rising labour productivity becomes the driving force behind accumulation; mature capitalism requires and generates a ‘relative surplus population’ without which its discipline cannot work; the presence of an ‘industrial reserve army’ within this surplus population keeps wages low, and tending towards subsistence level; and a proportion of the surplus population is always in absolute poverty. In short, to abolish poverty would be to abolish capitalism itself.⁴¹⁹

Capitalism requires that majority of the population should have no other means of survival than offering their productive labor as their only marketable asset. It is the process of proletarianization that has made the poor dependent on the capitalist market without any alternative means of survival. However, the process of proletarianization does not only create market-dependent wage-laborers but also tends to bring about reserve army of labor along with employed labor. While a sufficiently healthy and educated workforce is vital for capital accumulation, the constitution of industrial reserve army is equally as important to capitalist system because it places downward pressure on wages and helps maintain the discipline of

⁴¹⁸ Karl Marx, *Wage-Labor and Capital*, translated by Frederick Engels in 1891 (Gloucester, U.K.: Dodo Press, 2009), 33.

⁴¹⁹Cammack, “Making Poverty Work,” 194-195.

the market by dividing the working class. As Grover and Stewart reminds, however, the industrial reserve army is only effective in depressing wages if it has or at least is believed to have a close relationship to the labor market.⁴²⁰ In other words, they must always be actively looking for jobs and ready to be employed when needed.

The greater number of people from the reserve army is competing for employment, the more efficient it will be in keeping downward pressure on wage levels. Therefore, capitalists need to be concerned about reproducing the industrial reserve army as much as they are concerned about having a qualified and productive workforce at their disposal. As shown in the previous sections, a significant function of the aid has been providing a qualified proletariat to capital. Donors have tried to facilitate the efficient extraction of the poor's labor by allocating more resources to the basics needs in the area of health and education. At this point, another important function of aid has been the maintenance and reproduction of surplus populations. The reserve army of labor is not a marginal phenomenon but located at the core of capitalist accumulation. Therefore, in addition to providing exploitable proletariat to capital, aid also serves as a social safety mechanism to take care of the reserve army until they are needed by capital.

4.3. Conclusion

As already pointed out, the main theoretical framework in this study is based on the understanding that development aid is first and foremost related to the expansion and deepening of the capitalist relations of production. Development aid, from its beginning in the early postwar period, has been used as a means for ensuring the hegemony of capital over labor, and the subjection of the aid recipient countries to the imperatives of capitalist accumulation. Therefore, this study assumes that the recent and ongoing developments in aid architecture in the post-Cold War era must be understood in the context of the neoliberal project, which aimed to reassert

⁴²⁰ Chris Grover and John Stewart, *The Work Connection: The Role of Social Security in British Economic Regulation* (Basingstoke, Hampshire: Palgrave, 2002), 21.

capital's dominance and restore profitability in the wake of the crisis of accumulation of the 1970s. Although there have been many changes on the aid landscape, the main rationale behind international development aid has continued as it was in the Cold War - the subjection of capital and labor to the imperatives of capitalist accumulation. The only real discontinuity in the aid architecture has been the disappearance of an alternative development and cooperation model with end of the inter-systemic rivalry. Moreover, another important development, which is to be discussed in detail in the following chapter, was the emergence (or re-emergence) of new donors, such as China. Despite these changes, the Bretton Woods institutions (especially the World Bank) and the OECD-DAC donors have so far continued to be the "aid architects" that have shaped the direction of the changes in aid practices.

Following the World Bank's lead, several prominent bilateral donors and international organizations (especially the OECD) have gathered under the banner of "labor productivity" to achieve their ostensible goal of reducing poverty in the early 1990s. Improving the productive capacities of the poor according to the needs and demands of capital was at the core of this so-called pro-poor aid strategy. Aid agencies have not only been concerned with increasing the skills and capabilities of the poor, but they have been equally concerned with delivering them to the hands of capital, as evident from their efforts to complement their technical cooperation projects with global value chain approaches. As shown, donors' poverty reduction strategies have been focused more on matching labor with capital's changing needs and requirements, rather than improving the wages and working conditions of labor.

CHAPTER 5

CHINA AS A (RE)EMERGING DONOR AND ITS IMPACT ON INTRA-SYSTEMIC COMPETITION

5.1. Introduction

Emergence of new donors and aid modalities in the international development cooperation landscape in this century has sparked many debates on alternative development ideologies, theories, and practices, raising both hope and concern in the international donor community. Many mainstream attempts have been made to analyze how emerging donors transform, or even challenge, the Western-dominated traditional aid architecture. These analyses have been accompanied by geopolitical analyses on the so-called “emerging” or “rising” powers, such as the BRICS (Brazil, Russia, India, China and South Africa).

One of the most dramatic changes in international development aid landscape in recent years has been the rise of China as a significant aid donor, especially in Africa and Latin America.⁴²¹ As a matter of fact, much of the discussion about the emerging donors is a discussion about one emerging donor, that of China. Although almost all the “emerging donors” are generally approached with suspicion in the West, China is described, in Dreher’s terms, as “the chief villain” among them.⁴²² Therefore, this chapter pays particular attention to China as the emerging donor. The emergence of China as a prominent donor is critically assessed with a particular focus on its relevance to the intra-systemic conflict in the post-Cold War years.

⁴²¹ David Williams, *International Development and Global Politics: History, Theory and Practice* (Abingdon: Routledge, 2012), 169.

⁴²² Axel Dreher and Andreas Fuchs, “Rogue Aid? The Determinants of China's Aid Allocation,” Courant Research Centre Discussion Paper No. 93, September 6, 2011, accessed July 9, 2018, <https://ssrn.com/abstract=1926471>.

China's growing aid program in recent years has been approached with skepticism by the mainstream development and aid community since it is considered as posing risks and challenges to the principles and ideals of the OECD-DAC members, such as the promotion of sustainable development, good governance, the rule of law, so on and so forth.⁴²³ For others, China's re-emergence as a major aid donor is seen in a more positive light because it offers aid recipient countries alternative development models and approaches in a Western-dominated aid landscape. However, while analysts mostly focused on whether "aid with Chinese characteristics" was a good or bad alternative to Western aid, few voices in this debate questioned the novelty of China's aid practices or its potential as an alternative development cooperation model. There is surprisingly little research on how China's aid differs from or resembles that of the traditional Western donors. This chapter intends to figure out to what extent China's contemporary development and aid model differs from the Western neoliberal donors that it can serve as a true alternative. It is designed to explore whether and how China challenges the mainstream norms and principles of aid, particularly those of the OECD Development Assistance Committee.

5.2. Development of China's Aid

Although it is referred to as "emerging donor," China has been providing foreign aid since the early 1950s, longer than many of the traditional Western donors.⁴²⁴ China's foreign aid practices were shaped by its experience as a recipient from the Soviet Union in the early postwar period, from the 1950s until the Sino-

⁴²³ Dennis D. Trinidad, "The Foreign Aid Philosophy of a Rising Asian Power: A Southeast Asian View," in *A Study of China's Foreign Aid: An Asian Perspective*, ed. Yasutami Shimomura and Hideo Ohashi (Houndmills, Basingstoke, Hampshire: Palgrave Macmillan, 2013), 20.

⁴²⁴ Lauren Johnston and Marina Rudyak, "China's "Innovative and Pragmatic" Foreign Aid: Shaped by and Now Shaping Globalization," in *China's New Sources of Economic Growth (Volume 2): Human Capital, Innovation and Technological Change*, ed. Ligang Song, Cai Fang, and Lauren Johnston (Acton: Australian National University Press, 2017), 433.

Soviet split in the early 1960s. The Sino-Soviet Treaty of Friendship, Alliance, and Mutual Assistance was signed in 1950, and marked the formal establishment of the Sino-Soviet alliance.⁴²⁵ After the signing of the treaty, the Soviet Union began to provide technical assistance to China by drawing up plans, implementing projects, donating equipment, training experts, giving loans, and helping with infrastructure and research.⁴²⁶ Thousands of Soviet advisors, experts and technicians were sent China to provide assistance in China's socialist construction and industrialization.⁴²⁷

While receiving Soviet aid, China set up its foreign aid program in the early 1950s when it started to provide assistance for the reconstruction of postwar North Korea.⁴²⁸ Initially, foreign aid was given to the North Korea in the form of military equipment and daily commodities during the Korean War. After the ceasefire agreement that was signed in July 1953, China continued to provide resources and assistance to the North Korea to support its reconstruction efforts. Similarly, during the same period, China also provided aid to Vietnam in its fight against France during the First Indo-China War; and helped North Vietnam improve its infrastructure, mainly in the areas of transportation and telecommunications after the war was over. In addition to North Korea and North Vietnam, China provided foreign aid to some other communist countries. For instance, in the early 1950s, China dispatched workers to Mongolia to aid in the construction of factories, schools, hospitals and thermal power stations.⁴²⁹ In 1954, an agreement was signed

⁴²⁵ Niu Jun, "The Birth of the People's Republic of China and the Road to the Korean War," in *The Cambridge History of the Cold War*, ed. Melvyn P. Leffler and Odd Arne Westad (Cambridge: Cambridge University Press, 2010), 234.

⁴²⁶ Hong Zhou, *Foreign Aid in China* (Berlin: Springer-Verlag, 2015), 76.

⁴²⁷ Ruud Van Dijk et al., eds., *Encyclopedia of the Cold War. A-J, Index* (London: Routledge, 2008), 146.

⁴²⁸ Johnston and Rudyak, "China's Innovative and Pragmatic Foreign Aid," 434.

⁴²⁹ Ward Warmerdam, "China and Globalization: International Socialization and Chinese Development Cooperation," in *Chinese Politics and International Relations: Innovation and Invention*, edited by Astrid Nordin, Nicola Horsburgh, and Shaun Breslin (Abingdon: Routledge, 2014), 50.

between the two countries that included provisions whereby China would donate goods to Mongolia. In the same year, another agreement of economic and technical cooperation was signed with Albania in which China committed to give concessional loans to Albania.⁴³⁰ China's initial aid efforts during the 1950s was part of an effort to assist the revolutionary and communist movements, such as aid to the North Korea and Vietnam; and its stated purpose in providing aid was to strengthen the communist bloc solidarity.⁴³¹ It could be argued that, in its early days, China's foreign aid program was primarily motivated by a desire to advance the struggle against imperialism, while helping to consolidate communist unity.

As China's most important donor, the Soviet Union played a crucial role not only in shaping China's development as an aid recipient, but also its foreign aid policy as a donor. Many of foreign aid practices of China as a donor, especially in the 1950s and 1960s, were based on the Soviet aid model.⁴³² Sino-Soviet alliance and their unity against the West, however, masked the underlying tensions between the two countries. During the second half of the 1950s, the strains in the Sino-Soviet alliance gradually began to surface. The changes in Soviet policy introduced by Khrushchev, especially his attempt to reach an accommodation with the West and his doctrine of peaceful co-existence, were to be the crucial developments in the unraveling of the Sino-Soviet alliance.⁴³³ Differences over international policy and reactions to the international developments also played a crucial role in ending the

⁴³⁰ Shino Watanabe, "Implementation System: Tools and Institutions," in *A Study of China's Foreign Aid: An Asian Perspective*, ed. Yasutami Shimomura and Hideo Ohashi (Houndmills, Basingstoke, Hampshire: Palgrave Macmillan, 2013), 61.

⁴³¹ John F. Copper, *China's Foreign Aid and Investment Diplomacy, Volume I: Nature, Scope and Origins*. (Houndmills, Basingstoke, Hemisphre: Palgrave Macmillan, 2016), 10.

⁴³² For a detailed analysis on how China's experience of receiving Soviet aid shaped its own foreign aid policy as a donor in the 1950s and 1960s, see, Shino Watanabe, "Donors' Impact on China: How Have Major Donors Affected China's Economic Development and Foreign Aid Policy?" in *Rise of Asian Donors: Japan's Impact on the Evolution of Emerging Donors*, ed. Jin Sato and Yasutami Shimomura (Abingdon: Routledge, 2013).

⁴³³ Richard Saull, *The Cold War and After: Capitalism, Revolution and Superpower Politics* (London: Pluto Press, 2007), 99.

alliance. The Soviet leadership was concerned about the actions of an increasingly autonomous China and the consequences of China's actions in terms of Soviet–US relations. The Second Taiwan Straits Crisis in 1958 and the military clashes between Chinese and Indian troops in 1959 were interpreted as a challenge to the Soviet Union's peaceful co-existence doctrine as well as to the implicit division of power and responsibility in the Sino-Soviet alliance.⁴³⁴ One of the prominent concerns of the Soviet leadership was the possibility that China's autonomous and aggressive foreign policy could draw Soviet Union into a nuclear war with the United States.⁴³⁵ The Chinese leadership, on the other hand, accused the Soviet Union of revisionism and abandoning the idea of world revolution. Soviet Union's reservations over the use of force to resolve the Taiwan problem, its refusal to support China during its conflict with India and its reluctance to support China's nuclear program increased the tension between the two countries further.⁴³⁶ At the end of the 1950s and the start of the 1960s, the growing political and ideological differences embedded in Sino-Soviet alliance evolved into open estrangement and public split.⁴³⁷

The aim here is not to give a detailed analysis of the cause and consequences of the Sino-Soviet split, but rather to focus on its impact on China's foreign aid policy. What started as an ideological conflict on revolutionary doctrine, soon turned to a diplomatic crisis in the relations between the two countries. Political disagreements were combined with increasing friction between the Chinese and Soviet leaderships; and the Soviet Union ended its economic and technical aid to China in July 1960 without warning in advance. The Soviet advisers and technical personnel were withdrawn from China; while 12 agreements on aid and over 200

⁴³⁴ *Ibid.*, 100.

⁴³⁵ *Ibid.*, 101.

⁴³⁶ *Ibid.*

⁴³⁷ Shu Guang Zhang, "The Sino-Soviet Alliance and the Cold War in Asia, 1954–1962," in *The Cambridge History of the Cold War*, ed. Melvyn P. Leffler and Odd Arne Westad (Cambridge: Cambridge University Press, 2010), 367.

cooperation projects on science and technology were ended.⁴³⁸ From then on, China's aid became as much anti-Soviet as it had been anti-Western, in a context where China and the Soviet Union started to engage in "aid battles" in the Third World.⁴³⁹

China responded by increasing its aid commitments to the other countries to show that the termination of the Soviet aid did not have a negative impact on its economy.⁴⁴⁰ As the Sino-Soviet split deepened in the following years, its foreign aid increasingly became a mechanism for competing with the Soviet Union for influence in the Third World.⁴⁴¹ During the 1960s, when China's Third World activism was at its peak, the scope and quantity of Chinese aid expanded significantly.⁴⁴² Even though China's support to the socialist countries - especially the North Korea, Vietnam and Albania - continued in the 1960s, aid was extended from socialist countries to include non-socialist developing countries too, especially in Africa.⁴⁴³ One of the motives behind the expansion of China's aid to non-communist states was to break the policy of blockade and isolation carried out by the US-led Western countries after the Korean War and to improve New China's international status.⁴⁴⁴ Besides, aid was also considered as a valuable tool in winning as many countries as possible away from Taiwan under its "one China policy," which considered Taiwan

⁴³⁸ Ibid., 370 -71.

⁴³⁹ Copper, "China's Foreign Aid, Volume I," 11.

⁴⁴⁰ Ibid.

⁴⁴¹ Marcus Power, Giles Mohan, and May Tan-Mullins, *Chinas Resource Diplomacy in Africa: Powering Development?* (Basingstoke: Palgrave Macmillan, 2012), 39.

⁴⁴² Wolfgang Bartke, *China's Economic Aid* (London: Hurst and Co. Publishers, 1975), 10.

⁴⁴³ In fact, China had already started to provide aid to the non-socialist countries following the first Asian-African Conference, held in Bandung in 1955.

⁴⁴⁴ Sun Hongbo, "China's Aid to Latin America and the Caribbean Region," in *China's Foreign Aid: 60 Years in Retrospect*, ed. Hong Zhou (Singapore: Springer, 2017), 283.

to be a part of the People's Republic of China.⁴⁴⁵ But, more importantly, China tried to set up a coalition among the newly independent countries of Asia, Africa, and Latin America to oppose both superpowers simultaneously. As China tried to construct an international united front against the Western imperialism and what the Chinese leadership termed as “the Soviet revisionism,” aid became one of the main forms of contact with the newly independent countries and revolutionary movements in the Third World. Although China, with its own political and economic problems associated with the “Great Leap Forward,” could ill afford to give foreign aid, it began extending credits, building infrastructure, and sending experts to an increasing number of countries.⁴⁴⁶ The 1960s were also the period when China began to institutionalize its foreign aid policy. Between 1963 and 1964, the then Chinese premier Zhou Enlai visited ten African countries and announced “Eight Principles for Economic Aid and Technical Assistance to Other Countries” in January 1964, during his Africa tour.⁴⁴⁷ The official document stated that China's foreign aid would be based on equality, mutual benefit, respect for sovereignty, promotion of self-reliance and independent economic development, and the principle that the Chinese aid workers should have the same standard of living as their counterparts in the recipient countries. The announcement of the eight principles could be considered as a manifestation of China's desire to lead the underdeveloped world, and to place itself as the champion of the Third World in its efforts to oppose both

⁴⁴⁵John F. Copper, *China's Foreign Aid and Investment Diplomacy, Volume I: Nature, Scope and Origins*. (Houndmills, Basingstoke, Hemisphire: Palgrave Macmillan, 2016), 37.

⁴⁴⁶Wayne C. McWilliams and Harry Piotrowski, *The World since 1945: A History of International Relations* (Boulder, Colorado: Lynne Rienner Publishers, 1997), 193.

⁴⁴⁷The eight principles include: (1) equality and mutual benefit; (2) mutual respect for sovereignty with no conditions attached; (3) providing through interest-free or low interest loans; (4) promoting self-reliance and independent development; (5) less investment but quicker results; (6) using best-quality equipment and materials of Chinese manufacture; (7) emphasis on technology transfer through technical assistance; and (8) Chinese experts will live at the standard of local experts. For more detail on the eight principles of Chinese foreign aid, see Dennis D. Trinidad, “The Foreign Aid Philosophy of a Rising Asian Power: A Southeast Asian View,” in *A Study of Chinas Foreign Aid: An Asian Perspective*, ed. Yasutami Shimomura and Hideo Ohashi (Houndmills, Basingstoke, Hampshire: Palgrave Macmillan, 2013), 27-28; Copper, “*China's Foreign Aid Volume I*,” 18-19.

Cold War superpowers. After the announcement of the eight principles, from 1964 to 1970, China signed new agreements on development and technical cooperation with many African countries, including Kenya, Tanzania, Congo, the Central African Republic, Uganda, Mauritania, Zambia, and Sudan.⁴⁴⁸ During this period China's assistance was mostly in the form of technical assistance; and the loans and grants provided were smaller than those provided by the Western donors but their terms and conditions were more generous.⁴⁴⁹ China also implemented major infrastructure projects in which it could demonstrate its technological skills and generosity. The most visible one of these projects, the Tanzania-Zambia railway, was also a product of China's aid offensive in the 1960s.

The Soviet influence on China's foreign aid did not end when the Soviet Union ended its development cooperation activities in China. One can easily notice that China's "Eight Principles for Economic Aid and Technical Assistance to Other Countries" were inspired and influenced by the official principles that guided Soviet development cooperation, which had emphasized respect for sovereignty, equality, non-conditionality, and economic independence.⁴⁵⁰ Language and practices deployed by China in its development cooperation shared a lot in common with the Soviet development cooperation. For example, in a like manner to the Soviet officials, Chinese officials tried to use the term "development cooperation" instead of aid. China, however, presented these "eight principles" as if they were original to create the image of China as a unique donor. The Chinese leadership claimed that these eight principles were designed to compete the Soviet Union as well as the

⁴⁴⁸Shino Watanabe, "Donors' Impact on China: How Have Major Donors Affected China's Economic Development and Foreign Aid Policy?" in *Rise of Asian Donors: Japan's Impact on the Evolution of Emerging Donors*, ed. Jin Sato and Yasutami Shimomura (Abingdon: Routledge, 2013), 156.

⁴⁴⁹Emma Mawdsley, *From Recipients to Donors: Emerging Powers and the Changing Development Landscape* (London: Zed Books, 2012), 55-56.

⁴⁵⁰ For a comprehensive analysis of the principles that guide the Soviet development cooperation, see Cissy E. G. Wallace, "Soviet Economic and Technical Cooperation with Developing Countries: The Turkish Case" PhD diss., London School of Economics, 1990, accessed October 20, 2016, <http://etheses.lse.ac.uk/1177/>.

Western imperialism in the Third World.⁴⁵¹ Ironically, Soviet development cooperation rhetoric and practice, which had shaped China's foreign aid policy and discourse, was used by China in its coordinated campaign to push Third World countries away from cooperating with the Soviet Union. As the tension with the Soviet Union increased, China refused to give aid to pro-Soviet countries in the Third World, replicating the behavior of the Western donors, who considered aid as a reward for their allies.⁴⁵² In this regard, China's foreign aid rhetoric and practice during the 1960s further confirmed the breakdown of the Sino-Soviet relationship.

In line with China's claim to assume political leadership in the Third World, the amount of aid sharply increased in early 1970s. China's high-profile aid activities in Africa - such as building ports, railways, and stadiums - played a crucial role when China, competing against Taiwan, became a UN member in 1971, with more than a third of the supporting votes coming from African countries.⁴⁵³ China's aid program was greater than that of the Soviet Union in 1972. Moreover, around the same period, China gave aid to more African countries than did the United States.⁴⁵⁴ This huge foreign aid program started to place a heavy burden on China's budget. Since the foreign aid had grown too large to sustain, the Chinese leadership had to reconsider its foreign aid policy. As the 1970s progressed, China became more selective about aid requests from the Third World countries. At the fifth five-year plan, covering the period 1976-1980, the Chinese leadership set an upper limit for foreign aid amounts, declaring that annual foreign aid expenditures would not exceed four percent of the

⁴⁵¹ Yun Sun, "Africa in China's Foreign Policy," Brookings Institution, April 14, 2014, accessed August 5, 2018, https://www.brookings.edu/wp-content/uploads/2016/06/Africa-in-China-web_CMG7.pdf

⁴⁵² Steven Langdon, Archibald R. M. Ritter, and Yiagadeesen Samy, *African Economic Development* (Abingdon: Routledge, 2018), 823.

⁴⁵³ Takaaki Kobayashi and Yasutami Shimomura, "Aid Volume in a Historical Perspective," in *A Study of China's Foreign Aid: An Asian Perspective*, ed. Yasutami Shimomura and Hideo Ohashi (Houndmills, Basingstoke, Hampshire: Palgrave Macmillan, 2013), 53.

⁴⁵⁴ Deborah Brautigam, *The Dragons Gift: The Real Story of China in Africa* (Oxford: Oxford Univ. Press, 2011), 42.

total budget.⁴⁵⁵ Another equally crucial factor in the reduction of the Chinese aid levels in this period was the Sino-American rapprochement. As China turned away from ideological and geopolitical confrontation with the United States through diplomatic rapprochement, it also gradually moved away from aiding revolutions and national liberation movements in the Third World countries.⁴⁵⁶

Since its establishment in 1949, The People's Republic of China had constantly challenged the legitimacy of the international order. After its adoption of the policies of "reform and opening up" in the late 1970s, however, China gradually integrated into the existing international capitalist system dominated by the United States. In the early 1980s, Deng Xiaoping and Chinese officials repeatedly stated that they no longer assessed international circumstances through revolutionary framework, since the theme of the contemporary world was shifting from "war and revolution" to "peace and development."⁴⁵⁷

In parallel with these developments, China's foreign aid relations with the Third World countries was restructured from support for independence and revolutionary movements to a more pragmatic, market-oriented relationship, emphasizing mutual economic and commercial benefits. China's economic transformation was at once reflected to its foreign aid practices in the 1980s. Commercial considerations became more influential in aid allocations, while new concerns with mutual advantages and profits further blurred the boundaries between aid and other types of economic activities.⁴⁵⁸ Although the idea of "mutual benefit"

⁴⁵⁵ Shino Watanabe, "Donors' Impact on China: How Have Major Donors Affected China's Economic Development and Foreign Aid Policy?" in *Rise of Asian Donors: Japan's Impact on the Evolution of Emerging Donors*, ed. Jin Sato and Yasutami Shimomura (Abingdon: Routledge, 2013), 170.

⁴⁵⁶ Chen Jian, "China and the Cold War after Mao," ed. Melvyn P. Leffler and Odd Arne Westad, in *The Cambridge History of the Cold War: Volume 3* (Cambridge: Cambridge University Press, 2010), 185-186.

⁴⁵⁷ Yizhou Wang and Xiuying Tan, *Sixty Years of China Foreign Affairs*, trans. Lang Ping and Jiang Fangfei (Reading, United Kingdom: Paths International Ltd, China Social Sciences Press, 2016), 50.

⁴⁵⁸ Deborah Brautigam, "China's Foreign Aid in Africa: What Do We Know?" in *China into Africa: Trade, Aid, and Influence*, ed. Robert Rotberg (Washington D.C.: Brookings Institution Press, 2008), 203.

through foreign aid was nothing new, it began to be increasingly emphasized after the adoption of the policies of “reform and opening up.” The reason was that China was now focused on its economic restructuring process and it had to allocate its limited resources to its own market-oriented reforms. Due to its increasing demand for capital and foreign exchange for economic restructuring, China made corresponding adjustments in its foreign aid policy. In contrast to the generous aid of 1960s and the early 1970s, China’s new aid approach, as from the late 1970s, was “giving moderately and receiving a lot.”⁴⁵⁹

China introduced new guidelines for its foreign aid policy, as it moved away from the communist model of economic development and towards integration into the international capitalist economy. Accordingly, China’s foreign aid policy would be oriented towards benefitting China’s “reform and opening up” agenda. This was clearly reflected in “the Four Principles of Economic and Technological Cooperation,” which were announced by the Chinese premier Zhao Ziyang during his trip to Africa in 1983.⁴⁶⁰ These four principles of “mutual benefit, practical results, diverse forms, and common development” were to guide China’s new aid policy.⁴⁶¹ As already noted, in the initial stages of providing assistance to other developing countries, China’s foreign aid policy goals were promoting an anti-Western, anti-imperialist agenda and increasing communist bloc solidarity. In 1964, China had identified the promotion of self-reliance as a goal of aid in the famous “eight principles of aid,” which were mentioned above. Central to “four principles” that were declared in 1983, however, was an emphasis on a development cooperation that would build capacity and foster growth in China as well as in recipient countries. Compared to the eight principles that were announced in 1964, there was a clear

⁴⁵⁹Emma Mawdsley, *From Recipients to Donors: Emerging Powers and the Changing Development Landscape* (London: Zed Books, 2012), 56-57.

⁴⁶⁰ Hong Zhou, “China’s Foreign Aid Policy and Mechanisms,” in *China’s Foreign Aid: 60 Years in Retrospect*, ed. Hong Zhou (Singapore: Springer, 2017), 18.

⁴⁶¹ Hou Xiong, “China’s Foreign Aid and Multilateral Development Organizations,” in *China’s Foreign Aid: 60 Years in Retrospect*, ed. Hong Zhou (Singapore: Springer, 2017), 56.

shift from “one-way aid” to mutual economic benefits, namely an emphasis away from minimizing dependency and transforming the capitalist world economy towards cooperation through investment and trade. In other words, the four principles represented was a shift of focus from cooperation for self-reliant development to cooperation for economic growth and mutual commercial benefits.

This changing approach was also reflected in the forms that the China’s foreign aid began to take. China started to pursue profits through foreign aid by offering more concessional loans than grants.⁴⁶² Classical aid practices - such as grant and technical cooperation - were gradually abandoned, while a substantial proportion of aid was linked to promoting exports and market access.⁴⁶³ This renewed emphasis on the use of aid, as leverage for mutually beneficial commercial relations, was also evident in the aid practices. A study conducted by Dreher and Fuchs found that, in contrast to the earlier periods, a recipient country’s share of Chinese aid showed a positive correlation with its importance as an export destination for China during the 1979-1987 period.⁴⁶⁴

Chinese companies came to play more significant roles in China’s foreign aid. Brautigam provides a good illustration of how Chinese state-owned companies that undertook aid projects in African countries started to use aid as a “springboard” for trade and investment in this period:

Chinese state-owned corporations with previous experience in Africa under foreign aid were eager to translate that experience into profit.

⁴⁶² Shino Watanabe, “Donors’ Impact on China: How Have Major Donors Affected China’s Economic Development and Foreign Aid Policy?” in *Rise of Asian Donors: Japan’s Impact on the Evolution of Emerging Donors*, ed. Jin Sato and Yasutami Shimomura (Abingdon: Routledge, 2013), 171.

⁴⁶³ Meibo Huang and Peiqiang Ren, “China’s Foreign Aid and Its Role in the International Aid Architecture,” in *International Development Policy: Aid, Emerging Economies and Global Policies*, ed. Gilles Carbonnier (London: Palgrave Macmillan, 2012), 77.

⁴⁶⁴ Axel Dreher and Andreas Fuchs, “Rogue Aid? The Determinants of China’s Aid Allocation,” Courant Research Centre Discussion Paper No. 93, September 6, 2011, accessed July 9, 2018, <https://ssrn.com/abstract=1926471>. See, also, Andreas Fuchs and Marina Rudyak, “The Motives of China’s Foreign Aid,” November 2017, accessed July 29, 2018, http://www.andreasfuchs.net/uploads/1/9/8/9/19897453/fuchs_rudyak_chinas_aid_motives.pdf.

Chinese contractors had a number of advantages over ... well-established, U.S.-based international engineering contractors in Africa. Their labor was inexpensive, and they were willing to undertake projects for “friendly prices” to generate future contracts. In many African countries, Chinese construction teams handed over a completed office building or health center financed under Chinese foreign aid, and then they remained in the country, establishing branches of their home office and setting up shop, either independently or in a joint venture with a local partner...In such ways, China’s aid in the immediate post-reform period reflected an emphasis on markets, efficiency, and profits. China’s shift toward market-oriented economic cooperation gave the Chinese greater control over projects that were now seen as opportunities for joint profit, not simply one-way transfers.⁴⁶⁵

China’s development cooperation practices that evolved over the 1980s clearly showed the increased prominence of trade and investment. China started to combine aid and investment by using new mechanisms in its aid provision, such as lease management and joint venture.⁴⁶⁶ Chinese foreign aid underwent further reforms in the 1990s, together with the perceived success of the economic reforms and the increased significance of private sector in the Chinese economy. China began to diversify the sources and the means of its aid funds, emphasizing competition, efficiency, and “market-oriented” principles in the use of the resources allocated to foreign aid.⁴⁶⁷ These reforms were largely inspired by the new aid modalities that were introduced in the 1980s, based on China’s experience as a recipient of Japan’s aid.⁴⁶⁸ Japan, as the major donor in China during the 1980s, had a crucial impact on China’s implementation of economic reforms in the early phases of its socio-

⁴⁶⁵Deborah Brautigam, “China’s Foreign Aid in Africa: What Do We Know?” in *China into Africa: Trade, Aid, and Influence*, ed. Robert Rotberg (Washington D.C.: Brookings Institution Press, 2008), 206.

⁴⁶⁶Ward Warmerdam, “Having, Giving, Taking: Understanding China’s Development Cooperation in Africa” PhD diss., Erasmus University, 2015, November 9, 2015, accessed September 7, 2018, <https://repub.eur.nl/pub/79054/>.

⁴⁶⁷ Brautigam, *Dragon’s Gift*, 79.

⁴⁶⁸ For details on how Japan, as the most influential donor in China in the 1980s, shaped China’s foreign aid policy and philosophy, see Jin Sato and Yasutami Shimomura, eds., *Rise of Asian Donors: Japan’s Impact on the Evolution of Emerging Donors* (Abingdon: Routledge, 2013).

economic reorientation away from the communist model towards integration into the international capitalist economy. This influence was also extended to China's policy making in other relevant fields, including its foreign aid policy. Shimomura and Ping show that Chinese officials and academicians were especially impressed by one aspect of Japan's foreign aid, namely the idea of "trinity development cooperation," which was based on the synthesis of aid, trade, and investment.⁴⁶⁹

Appropriating its experience with the Japan's foreign aid model, Chinese foreign aid began to focus on promoting Chinese exports and help Chinese companies move into new markets.⁴⁷⁰ As part of the structural adjustment programs in the 1980s and the 1990s, many aid recipient countries began to privatize many of their state-owned factories and plantations. Structural adjustment policies imposed on the recipient countries by the Western donors provided new opportunities for Chinese state-owned companies to take over some of these factories and plantations, which had been built earlier in the 1960s and 1970s with Chinese aid. In this period, China's state-owned companies began to buy or lease some of the old Chinese aid projects, especially in Africa. Brautigam notes that half of the major agricultural investments, made by the Chinese companies in Africa between 1987 and 2003, were former Chinese aid projects.⁴⁷¹ China's aid projects in agricultural sector in some African countries are illustrative examples in this context. China had funded the construction of a state-owned sugar factory in Mali in the 1960s and the management of the factory was left to the Malian government, which was unable to manage the factory due to the lack of funds and labor productivity. In the late 1980s, China's state-owned agro-business company, China State Farm Agro-Business Corporation, was directed to lease this former Chinese

⁴⁶⁹Yasutami Shimomura and Wang Ping, "The Evolution of 'Aid, Investment, Trade Synthesis' in China and Japan," in *Rise of Asian Donors: Japans Impact on the Evolution of Emerging Donors*, ed. Jin Sato and Yasutami Shimomura (Abingdon: Routledge, 2013), 186-190.

⁴⁷⁰Brautigam, *Dragon's Gift*, 52.

⁴⁷¹Deborah Brautigam, *Will Africa Feed China?: Deborah Brautigam* (Oxford: Oxford University Press, 2016), 97.

aid project to save it from bankruptcy, and finally the Chinese and Malian governments agreed to transform the enterprise into a China-Mali joint venture with 40 percent Malian ownership in 1996.⁴⁷² Similar examples can be given from the other Chinese aid recipients in Africa. In the same year, for example, an irrigated rice promotion center in Guinea, which had been built as part of China's aid program and handed over to the Guinean government in 1982, was transformed into a joint venture with the Chinese side holding 80 percent of its shares.⁴⁷³ As most of its former aid projects evolved into joint ventures, China's foreign aid became more closely linked to its policy of encouraging its state-owned companies to invest overseas during the 1990s.

In line with its efforts to combine aid and economic benefit, Chinese aid projects injected new market mechanisms into the foreign aid projects. Another important mechanism through which China could diversify its foreign aid sources was concessional loans. China's Export-Import Bank (Eximbank) was established as a government institution administering China's concessional aid loans in 1994. This new aid mechanism was designed to serve China's policy of internationalizing Chinese companies since aid loans were tied to using Chinese goods and services as well as using Chinese companies as sub-contractors in aid projects.⁴⁷⁴ Because concessional loans were provided on the condition that goods and services for financed aid projects were purchased from Chinese companies, they would be spent on buying materials and services from China, as well as on employing Chinese labor. In other words, Chinese foreign aid policy was restructured to tackle the

⁴⁷² Xiaoyun Li et al., "Difference or Indifference: China's Development Assistance Unpacked," *IDS Bulletin* 45/4 (2014): 32.

⁴⁷³ Deborah Brautigam, "Chinese Engagement in African Agriculture: Fiction and Fact," in *Handbook of Land and Water Grabs in Africa: Foreign Direct Investment and Food and Water Security*, ed. Tony Allan, Martin Keulertz, Suvi Sojamo, and Jeroen Warner (Abingdon: Routledge, 2013), 58.

⁴⁷⁴ Shino Watanabe, "Donors' Impact on China: How Have Major Donors Affected China's Economic Development and Foreign Aid Policy?" in *Rise of Asian Donors: Japan's Impact on the Evolution of Emerging Donors*, ed. Jin Sato and Yasutami Shimomura (Abingdon: Routledge, 2013), 172-173.

problem of China's industrial overcapacity by promoting the export of Chinese goods, technology, and labor to developing countries through aid loans. From the mid-1990s onwards, business-oriented foreign aid gradually became the dominant theme in China's foreign aid, gradually pushing grant-based intergovernmental cooperation out of focus.⁴⁷⁵

In 1995, the Chinese government introduced development guidance on its new aid strategy, known as the Grand Economic Strategy.⁴⁷⁶ Aimed at further integrating trade and investment policies with foreign aid practices, this new strategy distanced Chinese government institutions from the implementation of the aid projects by mobilizing private sector engagement in aid provision. Because of rapid expansion of its industrial production after the economic reforms, China changed from being a net oil exporter to an oil importer in 1993 and became the third largest oil consumer after the United States and Japan by 1996.⁴⁷⁷ The Chinese leadership recognized that it would need to secure access to natural resources, raw materials, and markets abroad to maintain the pace of economic growth. This recognition led to further changes in China's foreign aid policy. The concept of "economic security" came to the fore in China's foreign policy in the 1990s, and the idea that the country should combine aid and investment to secure energy resources, which were crucial for economic growth, became an official part of its foreign policy.⁴⁷⁸ New foreign aid modality that aimed at securing access to natural resources was the so-called "resources for infrastructure" (or "commodities for infrastructure") deals. It was a type of concessional finance in which the recipient country's natural resources are used as security. In this form of lending, the Chinese

⁴⁷⁵Zhangxi Cheng and Ian Taylor, *China's Aid to Africa: Does Friendship Really Matter?* (London: Routledge, 2017), 83.

⁴⁷⁶ Ibid.

⁴⁷⁷ Andreas Fuchs and Marina Rudyak, "The Motives of China's Foreign Aid."

⁴⁷⁸Juichi Inada, "Evaluating China's 'Quaternity' Aid: The Case of Angola," in *A Study of China's Foreign Aid: An Asian Perspective*, ed. Yasutami Shimomura and Hideo Ohashi (Houndmills, Basingstoke, Hampshire: Palgrave Macmillan, 2013), 106.

Eximbank would provide concessional loans, which were tied to the goods and services of Chinese companies, for large infrastructure projects in the recipient countries in exchange for access to natural resources of that country. The provision of resource-backed infrastructure loans to resource rich countries to obtain rights to their resources is commonly referred to as the “Angola Model,” since the Chinese Eximbank’s first major “resources for infrastructure” deal was conducted with the government of Angola in 2004.⁴⁷⁹ In case of Angola, the Chinese Eximbank loan to finance key public infrastructure projects was secured by oil and were repaid with the proceeds of Angola’s oil sales to China.⁴⁸⁰ Similar types of “oil-for-infrastructure” deals can also be found in other oil-producing African countries, such as Sudan and Nigeria.⁴⁸¹ As a matter of fact, providing infrastructure in exchange for oil and other natural resources has become the most common modality in China’s foreign aid, especially in Africa.

At the beginning of the new century, China’s foreign aid increased rapidly, with an annual growth rate of nearly 30 percent between 2004 and 2009.⁴⁸² This increase in the aid funds was accompanied by institutionalized aid relations, with the establishment of international and regional forums, such as the Forum on China-Africa Cooperation (FOCAC) in 2000, the China-Caribbean Economic and Trade Cooperation in 2005, and the China-Pacific Island Countries Economic Development and Cooperation Forum in 2006.⁴⁸³

⁴⁷⁹ Martyn Davies, “How China Is Influencing Africa’s Development: Background Paper for the Perspectives on Global Development 2010: Shifting Wealth.,” OECD Development Centre, April 2010, accessed July 20, 2018, <https://www.oecd.org/development/pgd/45068325.pdf>.

⁴⁸⁰ Power, Mohan, and Tan-Mullins, *Chinas Resource Diplomacy in Africa*, 142.

⁴⁸¹ Juichi Inada, “Evaluating China’s ‘Quaternity’ Aid: The Case of Angola,” in *A Study of Chinas Foreign Aid: An Asian Perspective*, ed. Yasutami Shimomura and Hideo Ohashi (Houndmills, Basingstoke, Hampshire: Palgrave Macmillan, 2013), 110.

⁴⁸²The State Council of the PRC, “White Paper: China’s Foreign Aid (2011),” Information Office of the State Council of the People’s Republic of China, April 2011, accessed July 01, 2018, http://english.gov.cn/archive/white_paper/2014/09/09/content_281474986284620.htm.

⁴⁸³ Ibid.

In general, Chinese foreign aid during the post-Cold War years is characterized by a twin process of increasing aid volumes as well as institutionalized relations with the recipients.⁴⁸⁴ Moreover, China also began to pay greater attention to aid projects on human resources development in recipient countries. The number of the aid projects on vocational training and skills development in recipient countries increased and China began to offer training programs as part of the Human Resource Development Cooperation (HRDC) programs that were introduced by the Chinese government in the late 1990s.⁴⁸⁵ From this point onwards, building human resources capacity in recipient countries, especially the ones in Africa, became one of the key goals of China's foreign aid. At the First Ministerial Conference of Forum on China-Africa Cooperation (FOCAC) in 2000, China announced the establishment of the African Human Resource Development Fund and set up a coordination mechanism of inter-ministries in external human resources development cooperation.⁴⁸⁶ China has organized the Forum on China-Africa Cooperation every third year since 2000, and gradually increased financial contribution to the African Human Resource Development Fund for training personnel from African countries in different fields. Projects and programs promised through the fund focused on the basic health and education, as the key areas of human resource development. The increased emphasis on public health, education and skills development highlighted the growing prominence of investing in human capital in China's foreign aid.

⁴⁸⁴Paul Opoku-Mensah, "China and the International Aid System: Transformation or Cooptation?" in *The Rise of China and the Capitalist World Order*, ed. Li Xing (Farnham, Surrey: Ashgate, 2010), 77.

⁴⁸⁵ Zhangxi Cheng and Ian Taylor, *China's Aid to Africa: Does Friendship Really Matter?* (London: Routledge, 2017), 88.

⁴⁸⁶ Li Anshan and Fumeka Yazini April, "Soft Power Dynamics of Human Resource Development Cooperation and Exchanges," in *Forum on China-Africa Cooperation: The Politics of Human Resource Development*, ed. Li Anshan and Fumeka Yazini April (Pretoria, South Africa: Africa Institute of South Africa, 2013), 1-2. See, also, Huang Meibo and Qi Xie, "Forum on China-Africa Cooperation: Development and Prospects," *African East-Asian Affairs*, 2012, accessed June 01, 2018, <http://aeaa.journals.ac.za/pub/article/view/65/16>.

The focus on building human resources capacity in the recipient countries was further highlighted by the then Chinese President Hu Jintao when he announced five new measures that China would take to help the recipient countries accelerate their development at the United Nations Summit in 2005.⁴⁸⁷ According to the announcement, besides continuing to support the recipient countries through concessional loans and debt relief, two of these five measures emphasized the concern for developing the recipient countries' human resource capacities by improving vocational training and public health services. In 2007, former vice president of China, Wu Yi, stated that the cooperation in human resources development was a fundamental part of China's foreign aid.⁴⁸⁸

These new measures in the Chinese foreign aid policy were aimed at satisfying the basic needs of the poor (such as health and nutrition) in the recipient countries and improving their skills and qualifications through technical and vocational training. This emphasis on human resource development through the provision of basic education and health services bears a striking resemblance to the poverty reduction strategies of the Western donor community led by the World Bank since the early 1990s. As shown in the previous chapter, the underlying objective of the World Bank's poverty reduction agenda in the post-Cold War years has been to convert the poor into proletarians with adequate health and education to be exploited by capital, while ensuring that means of survival other than wage labor

⁴⁸⁷ Hong Zhou, "China's Foreign Aid Policy and Mechanisms," in *China's Foreign Aid: 60 Years in Retrospect*, ed. Hong Zhou (Singapore: Springer, 2017), 38. Zhou notes that these new measures (also known as the "five measures") included: First, China would offer tariff-free treatment for some commodities to 39 of the least developed countries. Second, China would expand the scale of its foreign aid to the heavily indebted poor countries and the least developed countries. Third, China would provide other developing countries with preferential loans to help the developing countries build their infrastructure, promote enterprises in both countries and to conduct joint venture cooperation. Fourth, China would increase its foreign aid to the developing countries, including the provision of specific medicine for the prevention of malaria, and helping these countries build and improve medical facilities and train medical staff. Fifth, China would train talented people in various disciplines for the developing countries to assist the relevant countries in accelerating the cultivation of talent.

⁴⁸⁸ Letter Sent by the Chinese Vice President Wu Yi to the *National Working Conference on Foreign Aid Training*, quoted in Hong Zhou, "China's Foreign Aid Policy and Mechanisms," in *China's Foreign Aid: 60 Years in Retrospect*, ed. Hong Zhou (Singapore: Springer, 2017), 39.

are not available to them. In this respect, China's rapidly increasing aid projects on human resources development seem to complement the World Bank-led poverty reduction strategies in the post-Cold War years, which, as pointed out before, aim to provide capital with access to sufficiently healthy and qualified labor force all around the world.

5.3. Aid with Chinese Characteristics: Competitive and/or Complementary?

China's foreign aid has mainly been provided through bilateral channels. However, China has also increased its interaction and cooperation both within multilateral development institutions such as the World Bank and the UNDP, and bilateral aid agencies such as the UK's DFID.⁴⁸⁹ As already noted, China has selectively adopted some of the aid modalities and practices of the other donors. However, especially since the early 2000s, China has not only been adapting to the existing aid architecture and being influenced by the other established donors but it has also been exerting its influence on international aid architecture, having an impact on the practices of the traditional donors. In the first place, China is forcing traditional bilateral and multilateral donors to be less high-handed with aid-recipient countries since these countries consider Chinese aid as an alternative to the dictates of the Western donors.⁴⁹⁰ For example, a recent study found that the World Bank has reduced its conditionality "in response to the increasing competition from China so as to maintain the level of its development activities in Africa."⁴⁹¹ According to the study, the empirical findings from 54 African countries suggest that when an

⁴⁸⁹ Arjan De Haan and Ward Warmerdam, "New Donors and Old Practices: The Role of China in the Multilateral System," in *Multilateral Development Cooperation in a Changing Global Order*, ed. Hany Besada and Shannon Kindornay (New York: Palgrave Macmillan, 2013), 230.

⁴⁹⁰ Shalmali Guttal, "Client and Competitor: China and International Financial Institutions," in *China's New Role in Africa and the South: A Search for a New Perspective*, ed. Dorothy-Grace Guerrero and Firoze Manji (Nairobi: Fahamu, 2008), 24.

⁴⁹¹ Diego Hernandez, "Are 'New' Donors Challenging World Bank Conditionality?" *World Development* 96 (2017): 545.

African country is also assisted by China, they receive fewer conditions from the World Bank.⁴⁹²

Indeed, China's re-emergence as an influential aid donor in the early 2000s has caused a reconsideration of the rules and norms of the international aid architecture, most notably on the conditionality of aid, on modalities of aid and on the relationship of aid to trade and investment. For example, China's emphasis on infrastructure projects in recipient countries, which the World Bank and the most traditional donors had stopped funding decades ago, has pushed the Bank and the other Western donors to again focus on physical infrastructure projects in recent years.⁴⁹³ Moreover, China has actively tried to move the World Bank beyond some of its established practices," initiating a "two-way socialization" in the China-World Bank interaction.⁴⁹⁴ One instance of this two-way interaction is a memorandum of understanding signed with the Bank in April 2007. In this memorandum, China's Export-Import Bank was included as co-donor in African projects rather than one among multiple participants on World Bank-sponsored multi-donor lending packages.⁴⁹⁵ This meant that the Bank agreed to work with China as a co-donor as opposed to its established rule of having bilateral donors following the lead of the Bank. This new type of engagement shows that China refuses to subordinate itself to fully the Bank even though it cooperates with the Bank and complements its poverty reduction strategies.

While actively exerting its influence on the institutions of the current aid architecture, China has also been trying to increase its influence as a donor by taking

⁴⁹² Ibid., 530.

⁴⁹³ Josh Kurlantzick, "Beijing's Safari: China's Move into Africa and Its Implications for Aid, Development, and Governance," Carnegie Endowment for International Peace, November 2006, accessed August 02, 2018, <https://carnegieendowment.org/2006/11/01/beijing-s-safari-china-s-move-into-africa-and-its-implications-for-aid-development-and-governance-pub-18833>.

⁴⁹⁴ Gregory Chin, "Two-way Socialization: China, the World Bank, and Hegemonic Weakening," *The Brown Journal of World Affairs* 19/1 (2012): 211.

⁴⁹⁵ Gregory Chin, "Two-way Socialization: China, the World Bank, and Hegemonic Weakening," *The Brown Journal of World Affairs* 19/1 (2012): 219.

part in the creation of alternative institutions of international development finance. These multilateral institutions, which are mainly led and dominated by China, include the BRICS Development Bank, the Asian Infrastructure Investment Bank (AIIB) and the New Silk Road Foundation. Although it is uncertain at this point whether these China-dominated multilateral institutions they have the potential to pose a threat to the Bretton Wood institutions by spreading new norms and principles for development aid. However, their emergence itself is a sign of growing influence of China in the international aid landscape. From the perspective of the aid-recipients, these new institutions of development finance provide them with more “room for maneuver” in their relations with the Western donors as an alternative to accepting the never-ending policy conditions attached to aid.⁴⁹⁶

Another instance of China’s influence on the practices of established donors is the United States’ pilot aid projects, which adopt the Chinese aid model by combining financial resources of USAID and US Eximbank.⁴⁹⁷ In an attempt to compete with China's rapidly growing infrastructure and development assistance activities, the United States has been updating its development aid finance mechanisms. One recent example of this is the Better Utilization of Investments Leading to Development (BUILD) Act passed by The Trump Administration in October 2018. Bipartisan BUILD Act created a new foreign aid agency - the United States International Development Finance Corporation, which will finance infrastructure projects in Africa, Asia and Latin America. The Act’s policy statement clearly states that the Act was designed as a means of competing with China’s Belt and Road Initiative, which has a goal of providing over one trillion USD in infrastructure aid and investments to over 100 countries.⁴⁹⁸ The act, which increased

⁴⁹⁶Li Xing, "Conceptualising the Dialectics of China’s Presence in Africa," in *Emerging Powers in Africa A New Wave in the Relationship?*, ed. Justin Van Der Merwe, Ian Taylor, and Alexandra Arkhangelskaya (Cham: Springer International Publishing, 2018), 90-91.

⁴⁹⁷ Warmerdam, “China and Globalization,” 59.

⁴⁹⁸ The US House of Representatives, "House of Representatives Report 115-814 / Better Utilization of Investments Leading to Development Act of 2018," [Congress.gov.](https://www.congress.gov/), July 11, 2018,

the aid commitments of the United States, was in fact a huge reversal for the Trump Administration, which had hardly criticized foreign aid from the very beginning, and even promised to eliminate foreign aid during the election campaign.⁴⁹⁹ Republican Representative Ted Yoho, one of the authors of the BUILD act, stated that long-time foreign aid skeptics like himself and President Trump had backed the Build Act as a direct response to China's growing economic and political influence in developing economies.⁵⁰⁰

Despite these mutual influences, similarities and complementarities between the aid practices of China and the Western donors, both sides present themselves as total opposite of the other. In the OECD-DAC member states, China's international cooperation is commonly considered as an instrument of promoting China's economic interests at the cost of damaging the development prospects of recipient countries, captured in the concept of "rogue aid."⁵⁰¹ Western aid community express concerns about China's non-conditional aid provision to the so-called "rogue regimes" because it undermines the gains made by the traditional donors towards good governance in the recipient countries and challenges the purpose of aid conditionality of the Western donors, which, they claim, aim to improve policies among the recipient countries.⁵⁰² On the other hand, China often emphasizes the imperialist nature of development aid provided by the traditional donors and

accessed November 02, 2018, <https://www.congress.gov/congressional-report/115th-congress/house-report/814/1>.

⁴⁹⁹ Glenn Thrush, "Trump Embraces Foreign Aid to Counter China's Global Influence," *The New York Times*, October 14, 2018, accessed November 02, 2018, <https://www.nytimes.com/2018/10/14/world/asia/donald-trump-foreign-aid-bill.html>

⁵⁰⁰ *Ibid.*

⁵⁰¹ Power, Mohan, and Tan-Mullins, *Chinas Resource Diplomacy in Africa*, 130.

⁵⁰² Moises Naim, "Rogue Aid," *Foreign Policy*, October 15, 2009, accessed June 02, 2017, <https://foreignpolicy.com/2009/10/15/rogue-aid/>.

considers it as a threat to the sovereignty of the recipient states.⁵⁰³ China has adopted a “South-South cooperation”⁵⁰⁴ discourse since the early 2000s to differentiate itself from the traditional North-South cooperation model, which is represented by the OECD-DAC. The term has been used by policy makers and academician to imply non-hierarchical cooperation among the countries of the global south, based on the exchange of resources, technology and experience. Since the early 2000s, China has set up several multilateral platforms for the South-South cooperation, the most prominent one being the Forum on China-Africa Cooperation (FOCAC).⁵⁰⁵ At the G-77 Summit in 2000, China recommended developing countries to improve South-South cooperation to keep pace with the latest scientific and technological developments and thereby effectively deal with the challenges of the global economy.⁵⁰⁶ In 2015, China established “South-South Cooperation Assistance Fund” to specifically support developing countries in accelerating progress towards the achievement of the Sustainable Development Goals that were adopted by the

⁵⁰³ Mario Esteban and Aitor Pérez, “Chinese Financing of Latin American Development Competition or Complementarity with Traditional Donors?” in *Reconfiguration of the Global South: Africa, Latin America and the Asian Century*, ed. Eckart Woertz (Abingdon: Routledge, 2017), 190.

⁵⁰⁴The origins of the South-South Cooperation go back to the Bandung Conference where newly independent Asian and African nations came together in 1955 to discuss the potential for cooperation among developing countries. The objective of improving cooperation among developing countries resulted in the establishment of the United Nations Conference on Trade and Development (UNCTAD) in 1964. At the first UNCTAD conference, Latin American, African and Asian countries created the Group of 77. In 1978 a conference of the Global South was held in Argentina, to adopt the Buenos Aires Plan of Action for Promoting and Implementing Technical Cooperation among Developing Countries (BAPA). In December 1980, the United Nations General Assembly established a High-level Committee on the Review of Technical Cooperation among Developing Countries (TCDC), which meets every two years and was renamed the High-level Committee on South-South Cooperation in 2004. See, UNOSSC, “South-South Cooperation: The Making of a History,” The United Nations Office for South-South Cooperation, accessed December 02, 2018, <https://www.unsouthsouth.org/about/about-unossc/>.

⁵⁰⁵The Action Plan adopted at the latest FOCAC Summit, which was held in Beijing in September 2018, holds a commitment by China to increase its aid to African countries to “deepen South-South Cooperation and promote common development. See, FOCAC, “Forum on China-Africa Cooperation Beijing Action Plan (2019-2021),” Forum on China-Africa Cooperation, September 12, 2018, accessed October 10, 2018, https://www.focac.org/eng/zywx_1/zywj/t1594297.htm.

⁵⁰⁶Garth Shelton, “China, Africa and Asia Advancing South-South Co-operation,” 2005, accessed July 2, 2018, <https://core.ac.uk/download/pdf/35175886.pdf>.

United Nations. The white papers, which are issued by the China's Information Office of the State Council, are the principle official documents on China's foreign aid.⁵⁰⁷ In 2011, China released its first white paper on foreign aid, which provided an overview of China's foreign aid from 1950 to 2009. The White Paper classifies China's aid framework based on the so-called "South-South cooperation."⁵⁰⁸ The white paper defined "South-South cooperation" as "mutual help between developing countries," which is not equal to official development assistance from the North to the South.⁵⁰⁹ The basic features of China's "South-South cooperation" framework are counted as equality, mutual-benefit, common development, non-conditionality, and non-interference in recipient countries' internal affairs.⁵¹⁰ The paper also described China's foreign aid as a "model with its own characteristics,"⁵¹¹ indicating that these features are considered to constitute a "model" different from the aid models established by the Western donors.

Although the DAC members and China emphasize the difference in their development cooperation, a detailed comparison of China and traditional donors show that their aid practices are more similar than they might appear at first glance. In an equivalent manner to the Western donors, China equates development with economic growth and considers it as complementary to private sector-led development efforts.⁵¹² Moreover, following in the footsteps of Western donors, China has also used foreign aid strategically to support the needs of its rapidly

⁵⁰⁷ Lahtinen, Anja. *Chinas Diplomacy and Economic Activities in Africa: Relations on the Move*. (Cham: Palgrave Macmillan, 2018), 38.

⁵⁰⁸ The State Council of the PRC, "White Paper: China's Foreign Aid (2011)," Information Office of the State Council of the People's Republic of China, April 2011, accessed July 1, 2018, http://english.gov.cn/archive/white_paper/2014/09/09/content_281474986284620.htm.

⁵⁰⁹ *Ibid.*

⁵¹⁰ *Ibid.*

⁵¹¹ *Ibid.*

⁵¹² Power, Mohan, and Tan-Mullins, *Chinas Resource Diplomacy in Africa*, 140.

developing capitalism since its adoption of the policies of “reform and opening up” in the late 1970s. Although China deploys “South-South cooperation” rhetoric and positions itself as reference for developing countries, China’s aid practices have been subjected to criticism for replicating the pattern of the North-South relations and the Western colonial practices – an issue that is discussed more extensively in the following.⁵¹³

China as a donor has increasingly emphasized the importance of strengthening the South-South cooperation in recent years and urged developing countries to focus on South-South cooperation to find solutions to the developmental challenges. However, China has pursued its economic reforms and opening-up policy since the late 1970s, not with a focus on South–South cooperation as it recommends aid recipient countries to do, but rather focusing on the trade and investment relations with the industrialized countries of the North, receiving foreign aid from traditional donors and joining the capitalist international institutions (such as the World Bank) that it had rejected during the revolutionary period. In other words, in its development efforts, China has not followed the South-South Cooperation model that it has been ardently promoting for the other developing countries.

In a like manner, inconsistencies between aid rhetoric and practice can be observed among Western donors. Most of the Chinese aid practice, which are harshly criticized by traditional donors, have been widely used by themselves and have not been completely eradicated. For example, concessional finance tied to the acquisition of Chinese products and services has always been criticized by the OECD-DAC as a practice that helps China itself rather than the recipient countries. However, as Esteban and Perez show, over 30 percent of aid provided by the United States and the European Union institutions is still tied and the use of tied aid is widespread among the other OECD-DAC members.⁵¹⁴ Moreover, it does not take

⁵¹³ Williams, *International Development*,” 171.

⁵¹⁴ Mario Esteban and Aitor Pérez, "Chinese Financing of Latin American Development Competition or Complementarity with Traditional Donors?" in *Reconfiguration of the Global South: Africa, Latin America and the Asian Century*, ed. Eckart Woertz (Abingdon: Routledge, 2017), 191-92.

an elaborate research to find that Western donors has been providing aid to the countries with extensive records of human rights violations, even though they have been criticizing China's unconditional aid to corrupt and authoritarian regimes in developing countries.

While their aid rhetoric and mechanisms might be different, Chinese and Western aid display practical similarities. At this point, it would be useful to take a closer look at the differences and similarities between the contemporary aid policies of China and the OECD - DAC donors to figure out whether and how "aid with Chinese characteristics" offer an alternative to the existing aid relations and practices. The following sections will focus on whether China can fashion a new development cooperation model that can radically challenge the development aid architecture that has been prominent since the early postwar period.

5.3.1. Perceptions of China's Foreign Aid in the West: Rogue Donor & Toxic Aid

Although China has been providing foreign aid for several decades, "China as an emerging donor" has attracted increasing attention from academia, media, national and international policy makers and development agencies since the early 2000s. China's development cooperation policy - based on the strategy of merging of aid, trade and investment - has been accused of using aid in pursuit of securing energy and raw materials, developing markets, overloading poor countries with debt. Some criticize China for its support for corrupt and authoritarian regimes, which undermines good governance initiatives promoted by the West. Naim, for example, labels Chinese aid together with aid from the other emerging donor as "toxic" and suggests that if China and the other emerging donors "continue to succeed in pushing their alternative development model, they will succeed in underwriting a world that is more corrupt, chaotic, and authoritarian."⁵¹⁵ Some others criticize China for

⁵¹⁵Moises Naim, "Rogue Aid," Foreign Policy, October 15, 2009, accessed June 02, 2017, <https://foreignpolicy.com/2009/10/15/rogue-aid/>.

overloading aid recipient countries with unsustainable debt through large-scale infrastructure projects. For example, Phillips calls China a “rogue creditor” for creating an unsustainable debt burden for many poor countries.⁵¹⁶ Similarly, Parker and Chefitz accuse China of using aid loans to gain political leverage with economically vulnerable recipient countries through a process, which they term “debt-book diplomacy.”⁵¹⁷ The authors claim that that “debt-book diplomacy” is an instrument of China’s “predatory economic practices” that were mentioned in 2018 National Defense Strategy of the United States:

In its 2018 National Defense Strategy, the U.S. warned that China is leveraging “predatory economics” as a means to achieve both regional and global strategic ends. One such type of predatory economics is ...“debt-book diplomacy,” the coercive leveraging of debt to acquire strategic assets or political influence over debtor nations.⁵¹⁸

Some go as far as accusing China of “raping” natural resources in Africa through their aid and investment practices on the ground.⁵¹⁹ Some even liken China to the famous movie character “Godfather,” a mafia boss running illegal businesses in various sectors:

The only adjective that properly describes China’s attitude towards lending is *seductive*. Borrow from the Chinese and you are drawn into the bosom of its – highly profitable – family. Beijing is the Godfather,

⁵¹⁶ Michael M. Phillips, "G-7 to Warn China Over Costly Loans to Poor Countries," The Wall Street Journal, September 15, 2006, accessed November 02, 2018, <https://www.wsj.com/articles/SB115826807563263495>.

⁵¹⁷ Sam Parker and Gabrielle Chefitz, "Debtbook Diplomacy," Belfer Center for Science and International Affairs, Harvard Kennedy School, May 24, 2018, accessed July 2, 2018, <https://www.belfercenter.org/publication/debtbook-diplomacy>

⁵¹⁸ *Ibid.*

⁵¹⁹ Stephen Marks, “Introduction,” in *African Perspectives on China in Africa*, ed. Firoze Manji and Stephen Marks (Cape Town: Fahamu, 2007), 6.

engaged in everything from textiles to infrastructure to uranium and oil.⁵²⁰

These concerns about the significance, sincerity, and underlying motivation of the Chinese foreign aid are part of the wider concerns about China as a new global hegemon or as a competitor to the US-led international capitalist system. Therefore, discussions on “Chinese aid model” and “China as an emerging donor” are generally contextualized within the broader debates and concerns on the “rise of China.” Nowhere do these fears and concerns about Chinese aid practices manifest themselves more than in Western policy makers’ discourses on China’s aid and commercial engagements on the African continent. In 2011, former British Prime Minister David Cameron stated that “the West [was] increasingly alarmed by Beijing’s leading role in the new scramble for Africa.”⁵²¹ In 2012, the then US Secretary of State Hillary Clinton sang the same tune when she accused China of pursuing colonial exploitation and warned African countries to beware of this “new colonialism played by China.”⁵²² More recently, the US vice president Mike Pence warned the island states of the South Pacific not to accept foreign debt that could compromise their sovereignty, implying Chinese aid loans provided to the countries in the region.⁵²³ Same concerns are also widespread within the academic literature. For instance, Navarro accuses China of colonizing and economically enslaving the

⁵²⁰ Serge Michel and Michel Beuret, *China Safari: On the Trail of Beijing's Expansion in Africa* (New York: Nation Books, 2009), 108.

⁵²¹ Jason Groves, “Cameron Warns Africans over the ‘Chinese Invasion’ as They Pour Billions into Continent,” Daily Mail Online, July 19, 2011, accessed September 15, 2018, <https://www.dailymail.co.uk/news/article-2016677/Cameron-warns-Africans-Chinese-invasion-pour-billions-continent.html>

⁵²² Andrew Quinn, “Clinton Warns against ‘new Colonialism’ in Africa,” Reuters, June 11, 2011, accessed July 04, 2017, <https://www.reuters.com/article/us-clinton-africa/clinton-warns-against-new-colonialism-in-africa-idUSTRE75A0RI20110611>.

⁵²³ Mike Pence, “Remarks by Vice President Pence at the 2018 APEC CEO Summit,” The White House, November 16, 2018, accessed November 27, 2018, <https://www.whitehouse.gov/briefings-statements/remarks-vice-president-pence-2018-apec-ceo-summit-port-moresby-papua-new-guinea/>.

majority of Africa's population while aiding oppressive governments.⁵²⁴ Rotberg labels Chinese aid and investment in Africa as “opportunistic” and “exploitative” with no concern for African needs and values.⁵²⁵

In terms of IR theory, these concerns about China's rise might be associated with realism and its variants. Foreign aid occupies a relatively minor place in the analyses and debates on the “rise of China” and “declining American hegemony.” In the mainstream IR literature, China's foreign aid is usually discussed in the context of the debates on the perceived “China threat.” China's growing foreign aid is considered as a significant instrument and revealing element of the “China's rise.” In fact, as Kiely suggests, much of the mainstream IR debate on the “rise of China” is actually about how the United States and its allies might and should respond to China's challenge.⁵²⁶ Realist-informed accounts suggest that China, as a rising power, seeks to increase its economic power to strengthen its military capability and will consequently challenge the existing international order. As far as foreign aid is concerned, the conventional IR perspective simplistically considers it as one of the weapons in China's arsenal for challenging the United States and its allies, discouraging a more comprehensive systemic analysis of aid. These mainstream debates and analysis are informed by an ahistorical statist ontology that fails to contextualize the “rise of China” in the neoliberal capitalist international order. Accordingly, China's contemporary global aid offensive is also decontextualized from the international aid architecture and international capitalist order in general. Realist-informed interpretations single out China as an “evil” donor that uses aid strategically to exploit recipient countries, while remaining silent on abusive and exploitative aid practices of the Western donors.

⁵²⁴Peter Navarro, *The Coming China Wars: Where They Will Be Fought and How They Can Be Won* (Upper Saddle River, NJ: FT Press, 2007), 100.

⁵²⁵Robert Rotberg, “China's Quest for Resources, Opportunities, and Influence in Africa” in *China into Africa: Trade, Aid, and Influence*, ed. Robert Rotberg (Washington D.C.: Brookings Institution Press, 2008), 18.

⁵²⁶Ray Kiely, *The Rise and Fall of Emerging Powers: Globalisation, US Power and the Global North-South Divide* (Cham, Switzerland: Palgrave Macmillan., 2016), 19.

Liberal accounts generally accept the broader claims of the neo-realists about China's rise. As for China's foreign aid, they highlight that China's integration into the current aid architecture is possible. China's provision of aid in cooperation with the traditional bilateral and multilateral donors (such as the World Bank and the UNDP) has been considered by liberal accounts as an opportunity for socialization, a process through which China has gradually internalized and adopted the principles and practices of traditional aid architecture. They highlight that China shares many neoliberal approaches with Western donor countries. For example, Ikenberry accepts that China is on the rise and global power shift might take place. Nevertheless, he suggests that even if China's rise takes power and authority away from the West, it does not necessarily mean the end of liberal international order because liberal international order is "hard to overturn and easy to join."⁵²⁷ Similarly, Nye argues that China's rise will not inevitably result in great power conflict, emphasizing the interdependence between the United States' economy and China's export-led development model.⁵²⁸ According to Nye, China's "charm offensive" through foreign aid and the other means has its limits given the domestic problems that China must overcome, such as inequality, corruption and lack of liberal values.⁵²⁹ From his point of view, China's foreign aid can only be an effective instrument of "soft power" as long as China shares a commitment to the US-led liberal international order.

With regard to aid, the mainstream IR, implicitly and sometimes explicitly, puts the blame for the failure of global aid efforts entirely on China and the other emerging donors as exploitative and opportunistic countries. For realist-informed approaches, China is a "rogue donor" that sabotages the global aid architecture. For those with more liberal inclinations, there is no need to worry about China's foreign

⁵²⁷ G. John Ikenberry, "The Rise of China and the Future of the West," *Foreign Affairs* 87/1 (2008): 24.

⁵²⁸ Joseph S. Nye, "American and Chinese Power after the Financial Crisis," *The Washington Quarterly* 33/4 (2010): 146-149.

⁵²⁹ *Ibid.*, 150.

aid offensive as long as China is not allowed to engage in the recipient countries fully outside of the international development and aid architecture. From the mainstream IR perspective, then, the problem is not with the international development cooperation or the way international aid architecture functions, but rather with China's use and abuse of development aid. While the perceived threat posed by China and its aid practices are interpreted in different ways and degrees by realist and liberal accounts, they suffer from the same deficiency. They both problematize China's abusive foreign aid practices not in terms of their detrimental effects on aid recipient countries, but rather in terms of the threat or challenge they pose to the Western donor countries. Consequently, the issue is reduced, in a simplistic manner, to a dichotomized debate on whether China's foreign aid is actually provided with "well-meaning" or "evil" intentions.

While these mainstream approaches single out China and the other emerging donors for using aid opportunistically, the operations of Western donors with the same purposes are absent in their analyses. Phrases such as "toxic aid," "rogue creditor," "predatory donor," and "new scramble for Africa" are widely used to characterize China's aid practices in recipient countries. In contrast, Western aid practices are described with phrases such as "aid for trade," "total official support for development," "sustainable development cooperation." In these accounts, Western development actors and donors are typically portrayed as having learned their lessons from the excesses and mistakes of Western colonialism in the past and reformed their development cooperation policies. Moreover, as Mawdsley observes, mainstream accounts of China's "new scramble for Africa" imply or state that Western colonialism, although it was exploitative and morally wrong, was better than contemporary Chinese colonialism in Africa because it had at least "a developmental dimension" and "well-intentioned elements."⁵³⁰ In this way, these accounts seek to separate Western donors' aid practices with similar purposes from

⁵³⁰Emma Mawdsley, "Fu Manchu versus Dr. Livingstone in the Dark Continent? Representing China, Africa and the West in British Broadsheet Newspapers," *Political Geography* 27/5 (2008): 519.

those of China by simply suggesting that China is not a sincere or a well-meaning donor. Besides, contemporary forms of colonial practices of the Western countries and the role that Western aid architecture plays in the ongoing neo-colonial relations with aid-recipient poor countries are completely left out of analysis. This hypocrisy is well described by Sautman in his comparison of the West's self-representation in Africa and the West's depiction of China in Africa:

The main problem with the China-in-Africa discourse is not empirical inaccuracies about Chinese activities in Africa, but the decontextualization of criticisms for ideological reasons. Some analyses positively cast Western actions in Africa compared to China's activities; others lack comparative perspective in discussing negative aspects of China's presence, so that discourse consumers see a few trees, but not the forest. Such analysis reflects Western elite perception of national interests or moral superiority as these impinge on "strategic competition" with China. Many analysts scarcely question Western rhetoric of "aiding African development" and "promoting African democracy," yet are quick to seize on examples of exploitation or oppression by Chinese interests.⁵³¹

As such, mainstream IR literature leave us with little more than a binary between "altruistic" Western aid and "amoral" Chinese aid. While Western perspectives primarily focus on China, they neglect the dynamics and contradictions of neoliberal globalization, which drives not only China but also the other emerging and established donors to use foreign aid for securing raw materials or finding new markets to export over-accumulated surplus capital.⁵³²

Another commonplace and equally problematic position celebrates the "rise of China" and sees Chinese aid as being part of a wider process that challenges Western aid architecture, and encourages alternative models of development.⁵³³ In

⁵³¹Barry Sautman and Yan Hairong, "The Forest for the Trees: Trade, Investment and the China-in-Africa Discourse," *Pacific Affairs* 81/1 (2008): 27-28.

⁵³²Alison J. Ayers, "Beyond Myths, Lies and Stereotypes: The Political Economy of a 'New Scramble for Africa'," *New Political Economy* 18/2 (2013): 228.

⁵³³ Ray Kiely, *The BRICs, US Decline and Global Transformations* (Basingstoke: Palgrave Macmillan, 2015), 170.

this case, the Chinese development model is idealized, rather than being demonized, as an alternative. China's international development and aid approach, as a more progressive alternative to the traditional Western-led international development, gained considerable interest in the 2000s and was captured in the terms such as the "China Model" or the "Beijing Consensus."⁵³⁴ According to this reading, China offers an autonomous development model, one that emphasizes equality, self-determination and non-interference. Initially coined by Joshua Cooper Ramo in 2004, the Beijing Consensus is often contrasted with the Washington Consensus as an alternative to Western donors' conditional approaches to economic relations and development aid.⁵³⁵ According to Ramo, China's new development approach is characterized by innovation, autonomy, equity, and growth.⁵³⁶

This celebratory view of the so-called Chinese development model has also crept into historical materialist accounts. Many on the left also consider China as offering an alternative development path that provides other developing countries with the opportunity to reduce their dependence on US-led international capitalist system and pursue their own independent development strategies.⁵³⁷ For example, Arrighi argues that China has the potential to pursue a more peaceful and egalitarian path to development compared to advanced industrialized countries in the West.⁵³⁸

As Kennedy argues, talk of a China model or Beijing Consensus "not only gets the empirical facts wrong about China, it also disregards the similarities and

⁵³⁴ Ian Taylor, *Global Governance and Transnationalizing Capitalist Hegemony, The Myth of the 'Emerging Powers'* (Abingdon: Routledge, 2018), 204.

⁵³⁵ Joshua Cooper Ramo, *The Beijing Consensus* (London: Foreign Policy Centre, 2004), 3-4.

⁵³⁶ *Ibid.*, 27-28.

⁵³⁷ Martin Hart-Landsberg, "The Realities of China Today," *Solidarity*, November/December 2008, accessed September 02, 2018, <https://solidarity-us.org/atc/137/p1940/>.

⁵³⁸ Giovanni Arrighi, *Adam Smith in Beijing: Lineages of the 21st Century* (London: Verso, 2008), 10.

differences China's experience shares with other countries."⁵³⁹ At this point, it could be useful to take a closer look at the most prominent tenets of the so-called Beijing Consensus that are claimed to differentiate it from the so-called Washington Consensus as an alternative – namely, innovation, autonomy/sustainability and non-interference.

First of all, technological innovation has obviously played a crucial role in China's substantial economic growth. Funds that were allocated to research and development has increased in recent years, which was made evident in the rise of number of patents, copyrights, and trademarks in China.⁵⁴⁰ However, many studies show that China has not produced much technology innovation and Chinese industries have been heavily dependent on the technology that the foreign companies bring.⁵⁴¹ Although China has been the world's leading exporter of information technologies since 2004, majority of the value added in China's information technology exports have originated from abroad, and over 85% of high-tech exports are produced in joint ventures or owned by multinational companies headquartered in advanced capitalist countries.⁵⁴² From the global value chain perspective, China still competes mainly on low-cost manufacturing based on cheap labor and labor-intensive sectors, that is, at the lower end of the value chain. The most successful Chinese companies have integrated themselves into global production networks as assemblers and manufacturers, not as innovation leaders.

Secondly, the so-called Beijing Consensus implies that China has achieved an autonomous and independent form of development, which can set up a model for

⁵³⁹ Scott Kennedy, "The Myth of the Beijing Consensus," *Journal of Contemporary China* 19/65 (2010): 461.

⁵⁴⁰ *Ibid.*, 469.

⁵⁴¹ See, Linda Jakobson, ed., *Innovation with Chinese Characteristics: High-tech Research in China* (Basingstoke: Palgrave Macmillan, 2007).

⁵⁴² Arthur Kroeber, "China's Push to Innovate in Information Technology," in *Innovation with Chinese Characteristics: High-tech Research in China*, ed. Linda Jakobson (Basingstoke: Palgrave Macmillan, 2007), 37-38.

the other developing countries. On the contrary, China seems to have lost its autonomy in providing economic growth in ways not too different from the other developing countries, since it is highly dependent on the investment of multinational companies in order to maintain its high economic growth.⁵⁴³ Moreover, its development strategy is also highly dependent on export growth to provide employment and prevent domestic social unrest. Since the so-called “China Model” is export-driven, it is highly vulnerable to fluctuations and crises in the global capitalist economy. Whenever there is a crisis of demand in the United States and Europe, the Chinese export-led growth strategy easily comes under strain.⁵⁴⁴ As Hardy shows, China’s production and development strategies are based on a fundamental contradiction. On the one hand, the Chinese government tries to increase domestic demand by increasing wages to become less dependent on exports to the US and Europe; on the other, it has to keep wages low to maintain labor-cost competitiveness, on which large parts of Chinese exports are based.⁵⁴⁵ While foreign investment made China an important export platform, this export-oriented growth strategy has not contributed to China’s autonomous development potential. Since Chinese production and development have become highly integrated into the exploitative global capitalist economy, it is not plausible to talk about an independent and self-reliant development model in the case of China.

Thirdly, we have been told that the Beijing Consensus focuses on development aid based on local demands and does not require reforms or conditions on the

⁵⁴³ Alvin Y. So and Yin-Wah Chu, “Interrogating the China Model of Development,” in *The Essential Guide to Critical Development Studies*, ed. Henry Veltmeyer and Paul Bowles (Abingdon: Routledge, 2018), 406-407.

⁵⁴⁴ Andreas Bieler and Adam David Morton, *Global Capitalism, Global War, Global Crisis* (Cambridge: Cambridge University Press, 2018), 185.

⁵⁴⁵ Jane Hardy, “China’s Place in the Global Divisions of Labour: An Uneven and Combined Development Perspective,” *Globalizations* 14/2 (2016): 195.

grounds of non-interference in domestic affairs.⁵⁴⁶ China's emphasis on non-interference in domestic affairs of the recipient countries has contributed to a widely held impression that Chinese aid and commercial loans are provided without attaching policy conditions.⁵⁴⁷ However, contrary to the rhetorical claims, China demands recipient countries benefitting from the Chinese aid to accept the "one-China" policy of not having diplomatic ties with Taiwan before tangible development cooperation can ensue.⁵⁴⁸ For example, China pressured the Vietnam Government to exclude Taiwan from the Asia-Pacific Economic Cooperation Summit, which was hosted by Vietnam in 2006, and temporarily halted aid to Vietnam when it refused to submit to China's pressure to isolate Taiwan.⁵⁴⁹ As another example, when China provided concessional loans to Belarus in 2007, it asked the government of Belarus to adhere to a One-China policy, to resist all kinds of efforts by Taiwan to rejoin the United Nations, and not to have any official interaction with Taiwan.⁵⁵⁰ Besides, during the Cold War period, China had also refused to give aid to those countries that were receiving aid from the Soviet Union. Upon closer examination, conditionality in China's aid becomes more visible at project level. As already indicated, any recipient of Chinese aid must agree to use Chinese labor and equipment, and also abide by the regulations set by the Chinese

⁵⁴⁶ Gabrielle W. Cusson and Ludmila A. Culpi, "The BRICS' New Development Bank: A China-led Challenge to Western Hegemony?" in *Reconfiguration of the Global South: Africa, Latin America and the Asian Century*, ed. Eckart Woertz (Abingdon: Routledge, 2017), 122.

⁵⁴⁷ See, for example, Ziya Öniş, "Revisiting the Developmental State: 'The 'Beijing Consensus' and Prospects for Democratic Development in China and Beyond,'" Sheffield Political Economy Research Institute, October 17, 2017, accessed October 10, 2018, <http://speri.dept.shef.ac.uk/2017/10/17/revisiting-the-developmental-state-4-the-beijing-consensus-and-prospects-for-democratic-development-in-china-and-beyond/>

⁵⁴⁸ John F. Copper, *China's Foreign Aid and Investment Diplomacy, Volume III: Strategy Beyond Asia and Challenges to the United States and the International Order*. (Houndmills, Basingstoke, Hemisphere: Palgrave Macmillan, 2016), 37.

⁵⁴⁹ Le Hong Hiep, *Living Next to the Giant: The Political Economy of Vietnams Relations with China under Doi Moi* (Singapore: ISEAS Publishing, 2017), 93.

⁵⁵⁰ Mikael Mattlin and Matti Nojonen, "Conditionality and Path Dependence in Chinese Lending," *Journal of Contemporary China* 24/94 (2015): 708.

contractors that implement aid projects. Moreover, like Western donors, China uses its concessional loans as a means to demand something from the recipient country in an unrelated context. For example, in 2009 China cut aid funds that it provided to the government of Indonesia for construction of power plants when an Indonesian airline company cancelled its plans to purchase aircrafts from a Chinese manufacturer.⁵⁵¹

As these examples show, like Western aid, China's aid has not been free from political conditionality. Aid that developing countries received from the World Bank or the other Western donors have almost always come with visible strings attached to aid funds. Especially since the 1980s, Western donors have imposed neoliberal reforms such as trade liberalization, deregulation of the market, promotion of private property rights, currency devaluation and competitive interest rates. China, on the other hand, does not attach neoliberal policy prescriptions to its aid funds. Besides, compared to Western donors, political and economic conditionality attached to Chinese aid has been less overt and less identifiable. However, this is not to suggest that China does not benefit from the environment in aid-recipient countries that has been created by neoliberal policies and reforms imposed by the Western donors. It has taken advantage of the opening up of the markets of the recipient countries as a consequence of the neoliberal policies that the leading international aid agencies have forced aid-recipient countries to adopt.⁵⁵² Especially in its efforts to combine aid and investment, China has greatly benefitted from neoliberal restructuring process in the aid recipient poor countries. While positioning itself as a non-interfering donor, China has been riding on the wave of neoliberal conditionality imposed on poor aid-recipient countries by the Western donors at the global level.

⁵⁵¹ *Ibid.*, 714.

⁵⁵² Dorothy-Grace Guerrero and Firoze Manji "Introduction: China's new role in Africa and the South," in *China's New Role in Africa and the South: A Search for a New Perspective*, ed. Dorothy-Grace Guerrero and Firoze Manji (Nairobi: Fahamu, 2008), 3.

It is the global neoliberal context that has enabled China to engage in land grabs,⁵⁵³ joint ventures and “resource for infrastructure” deals in the aid-recipient countries through the combined use of aid, trade and investment.

5.3.2. “Aid with Chinese Characteristics” at the Service of the Neoliberal Historical Bloc

All these are not to deny that China has a distinct development experience and different foreign aid practices. For example, Chinese foreign aid is institutionally fragmented compared to the OECD-DAC member donors.⁵⁵⁴ As a donor, China does not have a specialized government agency, such as the United Kingdom’s DFID or the United States’ USAID, which coordinates and implements its foreign aid program. Moreover, China’s own development experience also differentiates it from the others. China’s post-1978 economic reforms have not consistently followed the policy prescriptions of the so-called Washington Consensus while integrating into the international capitalist order. China’s transition to capitalism was not a big-bang reform or shock therapy, which was the common method of operation in the transition from socialism in many other countries.⁵⁵⁵ Obviously, China’s own development experience and its foreign aid policy are distinctive. But the critical

⁵⁵³Dikeledi A. Mokoena, “The Politics of Foreign Aid,” in *The Palgrave Handbook of African Colonial and Postcolonial History*, ed. Samuel Ojo Oloruntopa and Toyin Falola (New York: Palgrave Macmillan, 2018), 757.

⁵⁵⁴The implementation of China’s foreign aid policy is primarily governed by four bodies: The State Council, the Ministry of Finance, Ministry of Commerce and Ministry of Foreign Affairs, together with a multitude of actors involved in aid projects, including local and provincial governments and Chinese country embassies. While the Ministry of Finance prepares the aid budgets, it is the Ministry of Commerce that manages and disburses the aid funds. In addition, state-owned banks, particularly the Export-Import Bank of China (Eximbank) and the China Development, also play a significant role in foreign aid. For details on the institutions of China’s foreign aid, see, Jing Gu, Yunnan Chen, and Wang Haibin, “China on the Move: The ‘New Silk Road’ to International Development Cooperation?” in *The BRICS in International Development*, ed. Jing Gu, Alex Shankland, and Anuradha M. Chenoy (London: Palgrave Macmillan, 2016), 120-121.

⁵⁵⁵ Shaun Breslin, “The ‘China Model’ and the Global Crisis: From Friedrich List to a Chinese Mode of Governance?” *International Affairs* 87/6 (2011): 1338-1339.

question here is: Does this distinction justify existence of a developmental alternative that can replace the existing development and aid architecture?

Mainstream literature has celebrated the consequences of China's post-1978 market reform policies as a success story or an economic miracle.⁵⁵⁶ China's rapid and sustained economic growth during the last three decades, its competitiveness in export markets and its ability to attract foreign investment are considered as the key features of this "success story." Critical perspectives, however, have been quick to point to the detrimental consequences of this "economic miracle."

For instance, Bieler and Lee attracts attention to the "dark underside" of this "success story" in the form of long working hours, low salaries, lack of welfare benefits, and working conditions characterized by super-exploitation.⁵⁵⁷ Following a similar line of argument, Hart-Landsberg and Burkett argue that "economic miracle" attributed to China's post-1978 market reforms have led to an increasingly exploitative growth process, one that benefits minority at a heavy cost for the Chinese labor, and leads to an explosion of inequality.⁵⁵⁸ The authors show that changes in China's production processes are shaped by broader capitalist dynamics, in particular by the establishment and intensification of corporate-controlled transnational production networks. They argue that China's export-led development model, which is dependent on participation in these transnational production networks, works against the interests of workers not only in China but also throughout East and Southeast Asia:

...as China's growth has become dependent on the country's participation in crosscutting and competing transnational production networks, the Chinese state has come under ever greater pressure to keep wages down and productivity up in order to sustain or improve

⁵⁵⁶ Martin Hart-Landsberg, "The Chinese Reform Experience: A Critical Assessment," *Review of Radical Political Economics* 43/1 (2011): 56.

⁵⁵⁷ Andreas Bieler and Chun-Yi Lee, "Chinese Labour in the Global Economy: An Introduction," *Globalizations* 14/2 (2016): 179.

⁵⁵⁸ Martin Hart-Landsberg and Paul Burkett, "China and the Dynamics of Transnational Accumulation: Causes and Consequences of Global Restructuring," *Historical Materialism* 14/3 (2006): 22-28.

the country's position within these networks. And, because of its key position, Chinese conditions have become the benchmark by which transnational corporations evaluate the investment environment in other countries. As a result, workers throughout East Asia have become pitted against each other in a contest to match the level of labor exploitation achieved in China.⁵⁵⁹

However, China's impact on wages and working conditions is not limited to the countries in East and Southeast Asia. As So and Chu reminds, China sets the norm for wages and working conditions in global production chains all around the world.⁵⁶⁰ Multinational corporations, which move their production facilities to China to reduce their labor costs, use the threat of this mobility as a means to pull down wages and working standards in other countries. As a consequence, hard-won and still inadequate rights of the workers in developed countries are undermined, while the already poor working conditions of labor in the Global South are further exacerbated. In this regard, the "China model," which is championed as offering an alternative path to neoliberal form of development, increases and intensifies capitalist exploitation in many other parts of the world

From a labor perspective, then, there is no model to be celebrated as an alternative to neoliberal capitalism. Far from it, China's high-speed economic growth was achieved at the expense of its labor. When the post-1978 reforms were launched, millions of people were thrown out of the state factories and pushed off from their lands into an exploitative private sector.⁵⁶¹ China's market reforms have been accompanied by process of proletarianization marked by privatization and imposition of a flexible labor market.⁵⁶² Almost four decades of capitalist reform

⁵⁵⁹ Ibid., 22.

⁵⁶⁰ Alvin Y. So and Yin-Wah Chu, "Interrogating the China Model of Development," in *The Essential Guide to Critical Development Studies*, ed. Henry Veltmeyer and Paul Bowles (Abingdon: Routledge, 2018), 411-412.

⁵⁶¹ Global Labor Strategies, "Why China Matters: Labor Rights in the Era of Globalization," April 2008, accessed July 04, 2018, <https://spotidoc.com/doc/245324/why-china-matters--labor-rights-in-the-era-of-globalization>.

⁵⁶² David Harvey, *A Brief History of Neoliberalism* (Oxford: Oxford University Press, 2007), 144.

has been accompanied by worsening conditions for labor. To keep labor costs competitive and encourage transnational corporations to relocate their labor-intensive production facilities, the Chinese leadership has adopted various laws and policies designed to keep labor costs down, suppress labor's bargaining power and pacify labor unrest.⁵⁶³

As Harvey notes, "in so far as neoliberalism requires a large, easily exploited, and relatively powerless labor force, then China certainly qualifies as a neoliberal economy."⁵⁶⁴ The integration of China –together with the former Soviet Union - in to the global capitalist economy in the post-Cold war years vastly increased the global workforce.⁵⁶⁵ Tens of millions of Chinese workers were thrown out of the state factories into the hands of exploitative multinational corporations. Exploitation of Chinese labor at home has also been accompanied by the Chinese leadership's efforts to support the wider project of the proletarianization of the remnants of labor in the other developing countries. China's growing aid program has been significant part of this effort in the post-Cold War years. As already noted, China officially declared that "human resource development" was a fundamental part of its aid program in recent years. China's aid projects on human resources development in aid-recipient countries significantly contributes to the World Bank's strategy to provide capital with access to healthy and qualified labor available at the lowest possible wage all around the world. In this sense, although both China and the Western donors depict each other as opposites, there are significant

⁵⁶³ The 1992 Trade Union Law, the 1994 Labor Law, and the 1995 Arbitration Law were enacted to regulate the emerging capitalist labor relations in China. During the 2000s, due to the intensification of labor–capital conflicts and the proliferation of strikes, the Chinese government passed three new laws on labor relations in 2007: the Labour Contract Law, the Employment Promotion Law, and the Labour Dispute Mediation and Arbitration Law. For details, see, Elaine Sio-ieng Hui, *Hegemonic Transformation: The State, Laws, and Labour Relations in Post-Socialist China* (New York: Palgrave Macmillan US, 2018).

⁵⁶⁴ David Harvey, *A Brief History of Neoliberalism*, 144.

⁵⁶⁵ Andreas Bieler and Chun-Yi Lee, "Chinese Labour in the Global Economy: An Introduction," *Globalizations* 14/2 (2016): 181.

complementarities between China and the Western donors. While China benefits from the neoliberal world order, Western companies also benefit from the China's aid projects on human resource development and physical infrastructure, especially in regions with insufficient infrastructure such as Africa. This fact is well reflected in the comments of a representative of a US-based Chamber of Commerce:

I basically don't see the Chinese presence in Angola as being...any more competitive...than a South African firm or an Indian firm or a Portuguese or whatever. The fact is...that a lot of the stuff that they are involved in, particularly the infrastructure projects, it is going to be of benefit to all of us, so you have to look at the larger picture that way.⁵⁶⁶

Although China's aid activities are promoted as setting a model for South-South cooperation and strengthening solidarity among developing countries, evidence show that much of China's foreign aid activity, especially infrastructure aid, also serve the goals established and pursued by Western donor countries. For instance, China has constructed special economic zones to attract foreign investments in several African countries, such as Kenya, Mauritius, Zambia, Nigeria and, Ethiopia.⁵⁶⁷ By providing the necessary infrastructure through aid projects - such as providing electricity, building roads and ports - China provides the convenient environment for foreign investment and links these special economic zones to regional markets. In other words, aid projects that China implements also benefit Western multinational companies by providing the necessary infrastructure and convenient environment for investment in aid-recipient countries in Africa, Asia and Latin America. In this sense, China's emphasis on physical infrastructure, especially in African countries with poor infrastructure, fills a crucial gap left by the Western donors. Rather than promoting cooperation, solidarity and self-sufficiency

⁵⁶⁶ An anonymous interviewee quoted in Power, Mohan, and Tan-Mullins, *Chinas Resource Diplomacy in Africa*, 141.

⁵⁶⁷Deborah Brautigam, Thomas Farole, and Tang Xiaoyang, "China's Investment in African Special Economic Zones: Prospects, Challenges, and Opportunities," World Bank Open Knowledge Repository, March 2010, accessed June 10, 2018, <https://openknowledge.worldbank.org/handle/10986/10202>.

among Southern countries, China helps countries of the South to fully integrate into global capitalist economy through its huge aid projects on infrastructure. Moreover, as already noted, China's aid practices in the context of South-South cooperation often involve resources-for-infrastructure deals whereby Chinese companies get access to natural resources in return for infrastructure aid. This aid modality enables China to get access to raw materials with low value added in aid-recipient countries, which it can process at home and export as manufactured goods with higher value added. In this regard, China's approach to South-South cooperation tends to reproduce the traditional unequal North-South relations by prioritizing commercial and trade objectives at the expense of self-reliant development and solidarity objectives.

China's aid practices, especially in the form of huge infrastructure projects, serve the objectives and interests of the neoliberal historical bloc by incorporating different regions of the world into global capitalist system. The fact that Chinese and Western foreign aid practices complement each other in the joint exploitation of the underdeveloped world, however, does not imply that aid has no role in the conflicts and rivalries within the neoliberal historical bloc. Integral to neoliberalism as a global restructuring process has been significant changes in the spatial reorganization of global capitalism. Shift of manufacturing to East Asia through the process has established China as a new center of capitalist accumulation. Rapid industrialization and economic growth in China, have led to increased demand for energy resources and markets. Consequently, China has come into competition with Western states and corporations in "their traditional hunting grounds" in Africa and Latin American countries.⁵⁶⁸ Foreign aid has played an important role in this competition for securing export markets and raw material supplies, which takes place not only between core capitalist countries but also between them and the so-called emerging powers. In this context, China's infrastructure aid projects abroad serve the purpose of competing the US through enlarging its trade networks and

⁵⁶⁸Christophe Jaffrelot, "Introduction," in *Emerging States: The Wellspring of a New World Order*, ed. Christophe Jaffrelot, trans. Cynthia Schoch (London: Hurst and Co, 2008), 6.

investment relationships to secure its commodity export and energy import. One recent example of this is China's Belt and Road Initiative, which involves billions of Chinese-led infrastructure aid programs and investments abroad to construct a China-centered trade network. While clearly intended to absorb the overcapacity and overproduction of Chinese economy, this initiative is also intended to compete with the US regional and global economic and security alliances in the Eurasian and Asia-Pacific regions, such as the US-initiated Trans-Pacific Partnership.⁵⁶⁹ In this respect, the Belt And Road Initiative is a manifestation of how China's foreign aid plays a role in its frictions within the neoliberal historical bloc, while at the same time serving its objectives by speeding the integration of the underdeveloped regions into the capitalist system through infrastructure projects.

5.4. Conclusion

China's initial aid efforts were part of an attempt to challenge the legitimacy of the international order by assisting the revolutionary and communist movements. Development cooperation mechanisms and modalities of China as a donor, especially in the 1950s and the early 1960s, were based on the Soviet development cooperation model. As the Sino-Soviet split deepened in the following years, its foreign aid increasingly became a mechanism for competing with the Soviet Union for influence in the Third World. However, China continued to use Soviet development cooperation practices and discourse, even during its engagement in "aid battles" with the Soviet Union in the Third World. After the policies of "reform and opening up" in the late 1970s, China gradually integrated into the international capitalist system. Consequently, China's foreign aid relations were restructured from support for revolutionary movements to a more pragmatic, market-oriented relations based on commercial benefits. During this period, China adopted the aid practices of the Western donors and Japan.

⁵⁶⁹ Andreas Bieler and Adam David Morton, *Global Capitalism, Global War, Global Crisis* (Cambridge: Cambridge University Press, 2018), 186.

Our analysis of the evolution of China as a donor, since the early postwar period, has demonstrated that the Chinese foreign aid has not necessarily been unique. Our comparison in this chapter has demonstrated that complementarities and similarities between the Chinese and Western donors are stronger than differences. There is complementarity between Chinese and Western aid in the sense that Chinese capital benefits from neoliberal reforms imposed by the Western aid agencies on the aid-recipient poor countries, while Western capital benefits from China's infrastructure aid in the underdeveloped world, which contributes to the incorporation of these regions into global capitalist system. On the one hand, China's foreign aid complements Western aid in the exploitation and proletarianization of the world's poor at the global level. On the other hand, Chinese aid also plays a role in China's rivalry with the Western countries in the context of the global financial crisis. However, "aid with Chinese characteristics" is not part of a counter-hegemonic project. While serving the interests of neoliberal historical bloc, China's aid also plays a role in the tensions and competitions between China and the Western countries within the neoliberal historical bloc. All of these take place as part of an intra-systemic rivalry, not as part of the emergence of an alternative hegemonic project.

CHAPTER 6

THE VOLUME AND DISTRIBUTION OF OFFICIAL DEVELOPMENT ASSISTANCE

6.1. Introduction

It has already been shown in the second chapter of this study that aid figures have been inflated and misreported by donor countries in various ways. Moreover, it was noted that even if we assumed that all aid data were correctly calculated, they still would not provide us with a correct picture of the impact of aid flows; since aid volumes are measured by the quantity of aid flows as reported by the donors, not by their developmental impact or quality. The aim here is not to repeat these criticisms but rather to complement our qualitative analysis with quantitative data on official aid flows provided by the OECD-DAC donors and China. As has been emphasized throughout the study, all these aid figures, whether published by the Chinese administration or the OECD-DAC members, have deficiencies and limitations. Yet, a quantitative analysis is still useful to grasp the volume of aid flows in the world, and to reconsider some of our qualitative assumptions on aid.

The OECD-DAC annually provides the most detailed and comprehensive information on international aid flows. Therefore, keeping in mind the shortcomings and limitations of its aid measurement methods, this chapter mainly focuses on the official development assistance (ODA) figures provided by the OECD-DAC. China, on the other hand, is not a member of the OECD Development Assistance Committee (DAC) and does not measure its foreign aid according to the internationally recognized aid reporting system of the OECD-DAC. Although there have been some attempts to estimate China's foreign aid by using the OECD-DAC definitions and aid measurement guidelines, they are confronted by two

challenges.⁵⁷⁰ First of all, most of China's aid instruments lack OECD-DAC counterparts. For example, unlike the OECD-DAC donors, China's aid includes military aid and loans for joint ventures.⁵⁷¹ Thus, it is difficult to make an exact comparison between China and the OECD-DAC members in terms of aid flows. Second, these attempts to estimate China's total foreign aid are based on incomplete data sources, individual case studies and media reports. Because of these limitations, this study does not pay particular attention to these attempts. The best that can be done under these circumstances is to focus on what China officially counts and reports as aid.

6.2. A General Overview of the OECD DAC's Aid Figures

The amount of official development assistance provided by the OECD-DAC members have generally followed an upward trend since 1960s. As Table 1 demonstrates, net total development assistance provided by the OECD-DAC donors in 2017 was nearly four times more than total net amount that had been provided in 1960. As can be seen in Figure 2, however, while the official development assistance has been increasing in real terms, the percentage of gross national income that the OECD-DAC members allocate to aid has not increased as quickly. That is to say that economic growth in donor countries has not translated into increase in the share of donors' national income that is spent on aid.

⁵⁷⁰For an attempt to estimate China's official development assistance as defined by the OECD DAC, see Naohiro Kitano and Yukinori Harada, "Estimating China's Foreign Aid 2001-2013," JICA Working Paper, June 2014, accessed May 15, 2018, https://www.jica.go.jp/jica-ri/publication/workingpaper/jrft3q0000025no-att/JICA-RI_WP_No.78_2014.pdf. For an attempt to estimate China's foreign aid through collecting project-level information from the media, scholarly research and government reports, see Austin Strange et al. "China's Development Finance to Africa: A Media-Based Approach to Data Collection," Center For Global Development Working Paper No: 323, April 29, 2013, accessed January 15, 2019, <https://www.cgdev.org/publication/chinas-development-finance-africa-media-based-approach-data-collection>.

⁵⁷¹ Sven Grimm et al., "Transparency of Chinese Aid: An Analysis of the Published Information on Chinese External Financial Flows," International Aid Transparency Initiative, August 2011, accessed January 14, 2018, https://iatistandard.org/media/documents/archive/2011/08/Transparency-of-Chinese-Aid_final.pdf.

Table 1. Total ODA by the OECD-DAC members

Aid type	ODA: Total Net		
Recipient	All Recipients, Total		
Donor	DAC Countries, Total		
Amount type	Current Prices	Constant Prices	Percentage
Unit	US Dollar, Millions	US Dollar, Millions, 2016	ODA % GNI
Year			
1963	5581,18	38949,01	0,51
1964	5331,33	36593,45	0,48
1965	5687,14	38530,27	0,48
1966	5524,48	36135,39	0,44
1967	5841,65	38148,57	0,41
1968	6062,89	38908,37	0,41
1969	6628,16	40807,42	0,37
1970	6708,45	39222,87	0,33
1971	7272,77	39923,41	0,32
1972	8836,9	43741,42	0,34
1973	8697,47	37872,06	0,27
1974	11170,07	43907,62	0,32
1975	13300,23	46217,17	0,34
1976	13291,8	44652,34	0,31
1977	14969,33	46291,37	0,31
1978	19163,42	51724,19	0,33
1979	21842,69	52067,83	0,33
1980	26239,04	57841,36	0,35
1981	24596,84	55553,64	0,32
1982	27012,21	62363,58	0,36
1983	26801,64	61998,9	0,34
1984	28170,13	66573,08	0,34
1985	28839,94	67701,77	0,33
1986	35907,74	69258,6	0,34
1987	40676,06	68002,67	0,33
1988	47077,72	73327,85	0,34
1989	45753,76	71165,95	0,31
1990	54364,35	76665,23	0,32
1991	58481,87	79464,21	0,32
1992	62428,51	80463,52	0,32

Source: Data extracted from the OECD-DAC's "aid disbursements to countries and regions" [DAC2a] database, <https://stats.oecd.org>

Table 1. Total ODA by the OECD-DAC members (continued)

1993	56284,65	74185,35	0,29
1994	58974,58	74300,26	0,29
1995	58896,96	66602,14	0,26
1996	55750,39	66464,57	0,24
1997	48655,64	62061,93	0,22
1998	52311,82	68175,45	0,23
1999	53586,2	68795,13	0,22
2000	54021,12	71907,38	0,22
2001	52766,5	73810,05	0,21
2002	58654,23	79165,61	0,23
2003	69603,45	82974,02	0,24
2004	80200,03	88038,95	0,25
2005	108396,7	116127,73	0,32
2006	105565,26	109556,92	0,30
2007	105020,86	100674,57	0,27
2008	122891,26	112516,03	0,30
2009	120675,5	114318,82	0,31
2010	128484,38	120598,39	0,31
2011	135110,61	119594,75	0,31
2012	127029,14	115138,19	0,28
2013	134819,33	121504,44	0,30
2014	137538,87	123457,73	0,30
2015	131482,8	130909,29	0,30
2016	144919,63	144919,63	0,32
2017	147160,2	144707,19	0,31

Source: Data extracted from the OECD-DAC's "aid disbursements to countries and regions" [DAC2a] database, <https://stats.oecd.org>

Table 2. ODA by largest multilateral donors since 1960

Aid type	ODA: Total Net				
Recipient	All Recipients, Total				
Donor	EU Institutions	African Development Bank, Total	Asian Development Bank, Total	United Nations, Total	World Bank Group, Total
Unit	US Dollar, Millions, 2016				
Year					
1960	34,86	..	..	830,87	-208,29
1961	164,56	..	..	1129,02	-305,89
1962	503,48	..	..	1173,72	-232,71

Table 2. ODA by largest multilateral donors since 1960 (continued)

1969	906,41	..	0,43	2254,51	1539,74
1970	1167,63	..	8,6	2729,83	951,83
1971	1376,21	..	28,77	2852,73	1579,03
1972	1305,58	..	53,21	2788,32	1468,33
1973	1736,06	..	113,99	2734,69	2697,64
1974	2509,72	..	107,04	3063,82	3542,19
1975	2575,5	13,38	262,71	4062,87	3755,92
1976	1980,91	35,53	223,65	3389,79	4425,38
1977	2012,21	80,88	272,73	3702,28	3601,06
1978	2413,57	105,67	432,7	3616,61	2911,9
1979	3021,3	130,79	276,1	4542,12	3291,22
1980	2427,89	210,37	327,24	5062,18	3621,96
1981	3749,85	204,04	328,19	5784,87	4521,55
1982	3038,39	281,69	407,67	5821,06	5577,73
1983	3141,45	364,34	514,07	5954,15	5502,2
1984	3673,18	262,45	716,29	6164,64	5972,24
1985	3854,14	491,58	919,39	6998,88	6160,64
1986	3172,41	522,75	801,13	5691,85	6408,16
1987	3019,32	623,59	900,68	5446,72	5894,42
1988	4212,96	545,35	1098,49	5283,8	5545,4
1989	4518,76	765,65	1428,3	5458,17	5077,08
1990	4029,32	850,14	1552,55	5414,89	5515,23
1991	5237,48	852,29	1438,12	6145,79	5874,19
1992	5833,47	873,97	1187,78	6305,83	6214,08
1993	5797,18	899,99	1256,97	6702,1	5891,28
1994	6693,13	742,65	1497,46	5881,85	7067,17
1995	6313,99	644,13	1309,87	5131,71	5572,28
1996	6446,76	705,02	1313,32	3276,57	6822,73
1997	6865,75	751,76	1287,91	3502,99	6700,37
1998	6697,42	750,23	1305,15	3286,82	6283,95
1999	6679,57	588,91	1202,44	3479,65	5789,16
2000	7580,52	399,8	1233,41	3790,38	5210,82
2001	9240,76	683,77	1135,29	4271,26	6911,16
2002	7832,87	964,44	1222,84	4241,64	8318,77
2003	8415,87	676,85	984,47	3741,28	6565,7

Source: Data extracted from the OECD-DAC's "aid disbursements to countries and regions" [DAC2a] database, <https://stats.oecd.org/>

Table 2. ODA by largest multilateral donors since 1960 (continued)

2005	9644,81	1090,87	920,14	3579,98	7292,31
2006	10223,49	2262,43	1058,45	3389,21	6529,86
2007	10397,11	1365,41	1133,11	3426,29	8018,05
2008	10978,18	1650,03	1513,96	3791,84	5774,25
2009	11588,62	2604,7	1840,7	3938,13	8758,99
2010	11361,35	1717,46	960,34	3931,97	7338,79
2011	14619,13	2011,03	763,73	4003,89	6240,18
2012	15696,58	2223,96	649,16	4412,66	6273,17
2013	13640,61	2094,04	905,25	4874,03	7365,07
2014	14012,38	1832,76	1326,09	4459,06	9211,47
2015	13734,16	2172,85	1439,64	5401,36	10011,21
2016	17106,36	2189,65	1374,19	5211,43	8105,22
2017	15924,98	2504,79	1088,09	5272,72	9354,86

Source: Data extracted from the OECD-DAC's "aid disbursements to countries and regions" [DAC2a] database, <https://stats.oecd.org/>

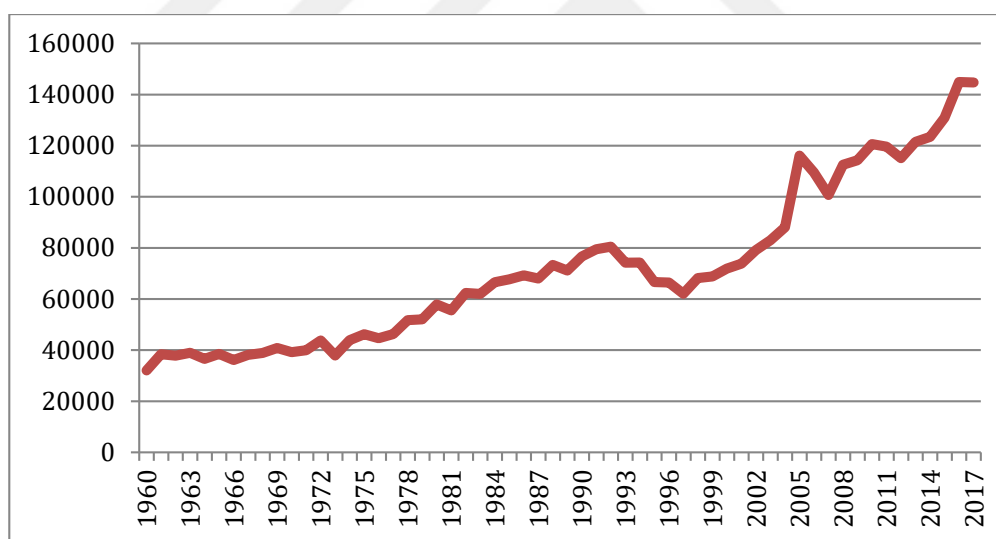


Figure 1. Total net ODA has grown in real terms since 1960s

Source: Adapted from the OECD-DAC's "aid disbursements to countries and regions" [DAC2a], <https://stats.oecd.org/>

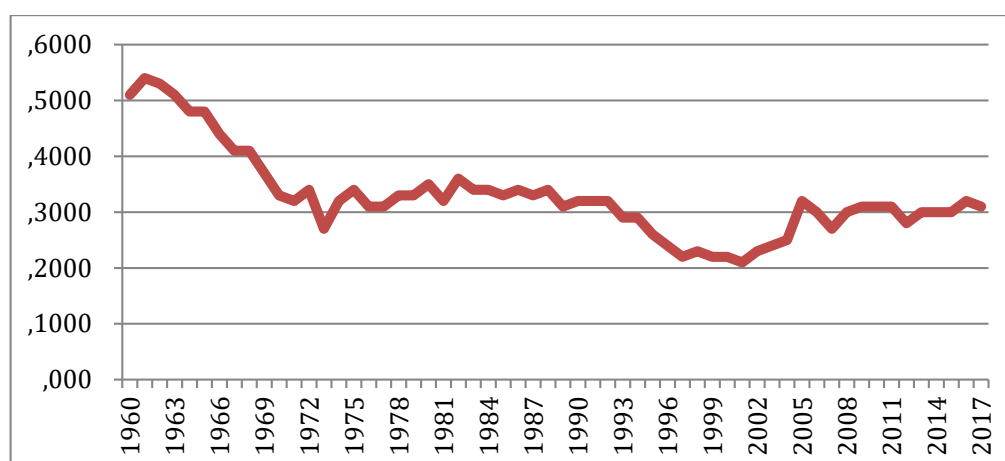


Figure 2. The share of total ODA as a percentage of OECD-DAC donors' GNI has decreased

Source: Adapted from the OECD-DAC's "aid disbursements to countries and regions" [DAC2a], <https://stats.oecd.org>

Table 3. ODA by largest bilateral donors since 1960

Aid type	ODA: Total Net				
Recipient	All Recipients, Total				
Donor	France	Germany	Japan	United Kingdom	United States
Amount type	Constant Prices				
Unit	US Dollar, Millions, 2016				
Year					
1964	5688,43	3693,23	1105,98	3816,73	19619,11
1965	4522,31	3741,14	2231,63	3439,1	20625,34
1966	3343,52	3130,42	2204,76	3593,47	19996
1967	4856,5	3588	3078,49	3336,24	17823,65
1968	3969,24	4483,2	2954,95	3454,56	17500,75
1969	4389,9	4401,98	3454,93	3738,9	17379,96
1970	4476,71	3924,88	3396,36	3436,6	15418,09
1971	4627,21	4283,41	3499,67	4017,48	14481,9
1972	4729,5	4103,11	3500,7	3948,56	17656,83
1973	4285,09	4394,77	4529,69	3566,74	11241,87
1974	4560,85	5159,96	4489,09	3902,79	14259,41
1975	4524,51	5483,24	4341,64	3759,85	14782,26
1976	4359,58	5102,1	3856,73	3912,51	14684,23

Source: Data extracted from the OECD-DAC's "aid disbursements to countries and regions" [DAC2a] database, <https://stats.oecd.org/>

Table 3. ODA by largest bilateral donors since 1960 (continued)

1977	4215,3	4891,14	4219,31	4460,41	14847,71
1978	4405,31	5552,66	4920,18	4783,23	16781,25
1979	5038,63	7066,45	6053,22	5561,26	12820,5
1980	5368,29	7029,28	7409,91	3626,68	17921,05
1981	6348	7476,2	6606,12	4415,62	13277,07
1982	7042,23	7592,84	6969,94	3867,43	17733,84
1983	7095,63	7798,48	8238,22	3777,5	16808,57
1984	7920,26	7462,92	9301,82	3633,51	17498,12
1985	7994,06	7989,28	8130,29	3817,91	18302,5
1986	7565,77	7434,82	8371,92	3632,8	18249,66
1987	8317,18	6927,13	9371,14	3328,71	16958,41
1988	8260,47	7184,88	10272,16	4084,65	18229,09
1989	9154,8	7860,56	10647,72	4034,01	13283,43
1990	9397,61	8359,96	11051,58	3507,63	19011,67
1991	9783,54	9356,67	12082,61	4020,98	18186,06
1992	10077,55	9043,85	11411,26	3941,35	18511,75
1993	10150,68	8423,77	10064,68	4075,45	15611,06
1994	10549,28	7935,48	10863,94	4324,57	14989,78
1995	9350,49	7581,84	11006,64	4101,38	10895,42
1996	8344,91	7994,15	8331,96	3980,59	13621,33
1997	7987,15	7079,68	9140,49	4033,01	9824,51
1998	7279	6803,76	11248,11	4435,99	12413,33
1999	7444,86	6993,06	11336,26	3995,79	12726,18
2000	6170,34	7406,57	12083,09	5497,66	13544,62
2001	6367,16	7465,28	10038,38	5811,37	15204,27
2002	7746,28	7469,31	9896,09	5890,79	17412,25
2003	8385,04	7843,63	8907,03	6714,05	20963,36
2004	8764,36	7836,01	8440,54	7367,78	24634,68
2005	10169,98	10417,24	12778,82	9860,06	33834,78
2006	10420,77	10642,76	11564,2	10934,7	27652,73
2007	8686,37	11302,46	8148,92	7748,56	24938,26
2008	8886,69	12101,21	9018,82	9732,79	29678,66
2009	10623,7	10642,21	8074,27	10894,95	32122,72
2010	11325,31	11938,36	9033,23	12551,11	32643,29
2011	10755,29	12210,27	8365,4	12561,02	33395,64
2012	10643,53	11944,21	8074,13	12565,89	32459,2
2013	9639,34	12469,49	10713,21	16053	32583,43

Source: Data extracted from the OECD-DAC's "aid disbursements to countries and regions" [DAC2a] database, <https://stats.oecd.org/>

The-OECD-DAC donors have been constantly bragging about the significant rise in the volume of official development assistance in recent years, despite the increasing impact of global financial and economic crisis since 2008. At first glance, though, aid figures really look impressive. Total foreign aid spending increased by 20% in real terms from 2010 to 2017.⁵⁷² The OECD-DAC's total development assistance reached 134.8 billion USD in 2013 to hit the highest aid level that had been ever recorded.⁵⁷³ Although these huge increases in the aid volumes in recent years seem impressive, even the most ardent proponents of aid should be cautious about celebrating the current foreign aid frenzy. Because, when these record-high aggregate aid figures are examined in more detail, the picture changes quite a lot.

The OECD-DAC data on foreign aid ironically shows the poorest countries receive smaller amount of foreign aid as the overall aid that is reported by the OECD-DAC donor countries has been increasing substantially. While foreign aid reached record high in 2013, bilateral aid to sub-Saharan Africa decreased 4% in real terms compared to 2012.⁵⁷⁴ Moreover, between 2011 and 2016, official development assistance from DAC countries to the LDCs fell by 17% in real terms.⁵⁷⁵ During the same period, bilateral ODA to Sub-Saharan Africa fell by 13%, bilateral ODA to small island developing states has dropped almost 30%, and bilateral ODA to fragile and conflict-affected countries fell by 13% in real terms.⁵⁷⁶ In 2016, official development assistance flows from the DAC members reached a

⁵⁷² OECD, *Development Co-operation Report 2018: Joining Forces to Leave No One Behind* (Paris: OECD Publishing, 2018), 269.

⁵⁷³ OECD, *Development Co-operation Report 2014: Mobilising Resources for Sustainable Development* (Paris: OECD Publishing, 2014), 20.

⁵⁷⁴ OECD, "Aid to Developing Countries Rebounds in 2013 to Reach an All-time High," OECD Newsroom, April 8, 2014, accessed December 25, 2016, <http://www.oecd.org/newsroom/aid-to-developing-countries-rebounds-in-2013-to-reach-an-all-time-high.htm>.

⁵⁷⁵ OECD, *Development Co-operation Report 2018*, 276.

⁵⁷⁶ *Ibid.*, 277-78.

new peak at USD 142.6 billion. When adjusting for inflation and exchange rates, however, aid to the LDCs fell again by 3.9% in real terms in 2016.⁵⁷⁷

While celebrating the “record-high” aid figures with much fanfare, the OECD-DAC donors were less vocal about the decline of the aid resources flowing to the poorest countries in the world. At the OECD-DAC’s High Level Meeting in 2014, the OECD-DAC member countries agreed to reverse the declining trend of aid to the Least Developed Countries without questioning why the countries most in need received a smaller share of these record-high aid figures.⁵⁷⁸ In 2015, the OECD Secretary-General Angel Gurría noted that aid figures had reached a historic high “at a time when donor countries were still emerging from the toughest economic crisis of our lifetime.”⁵⁷⁹ However, he failed to provide a satisfactory explanation for the falling share of aid given to the poorest and neediest countries at a time, when the impact of the financial crisis of 2008 felt most severely by these countries.

While the least developed countries’ share of total aid has decreased, distribution of aid among the least developed countries has also been disproportionate. The OECD figures show that aid flows to recipient countries with similar characteristics are unequally distributed. For example, Mozambique received nearly four times more aid than Madagascar in 2010, despite the fact that both countries are very similar in terms of the size of their population, GDP per capita and poverty levels.⁵⁸⁰ In fact, while the OECD aid figures clearly demonstrate that donors do not target the poorest countries, recent research has also shown that aid

⁵⁷⁷ OECD, *Development Co-operation Report 2017: Data for Development* (Paris: OECD Publishing, 2017), 137.

⁵⁷⁸ OECD, “OECD DAC High Level Meeting Final Communiqué 2014,” accessed April 14, 2018, <https://www.oecd.org/dac/OECD%20DAC%20HLM%20Communique.pdf>.

⁵⁷⁹ Angel Gurría quoted in OECD, “Development Aid Stable in 2014 but Flows to Poorest Countries Still Falling” OECD, April 8, 2015, accessed January 15, 2018, <http://www.oecd.org/dac/stats/development-aid-stable-in-2014-but-flows-to-poorest-countries-still-falling.htm>.

⁵⁸⁰ OECD, “Identification and Monitoring of Potentially Under-aided Countries,” October 10, 2013, accessed August 15, 2018, [http://www.oecd.org/dac/aid-architecture/Identification and Monitoring of Potentially Under-Aided Countries.pdf](http://www.oecd.org/dac/aid-architecture/Identification%20and%20Monitoring%20of%20Potentially%20Under-Aided%20Countries.pdf).

does not necessarily flow to poorer and more needy populations within aid-recipient countries, either. For instance, on the contrary to the expected, Briggs finds that aid flows to the richer parts of aid-recipient countries in Africa, where aid projects are more easily implemented and more visible.⁵⁸¹ Similarly, in a quantitative analysis of factors determining the regional allocation of aid projects financed by the World Bank and the African Development Bank in 27 aid-recipient countries, Öhler and Nunnenkamp has found that aid does not necessarily target relatively poorer and needier regions within these recipient countries.⁵⁸²

Table 4. OECD-DAC members' total ODA to the Least Developed Countries (LDCs)

Aid type	ODA: Total Net	
Donor	DAC Countries, Total	
Recipient	LDCs, Total	
Amount type	Current Prices	Constant Prices
Unit	US Dollar, Millions	US Dollar, Millions, 2016
Year		
1972	1055,32	5295,99
1973	1454,62	6236,55
1974	1934,22	7521,04
1975	2290,32	7782,42
1976	1850,08	6055,43
1977	2157,4	6497,53
1978	3123,87	8122,75
1979	4020,54	9290,33
1980	4716,23	9971,99
1981	4466,07	10030,65

Source: Data extracted from the OECD-DAC's "aid disbursements to countries and regions" [DAC2a] database, <https://stats.oecd.org/>

⁵⁸¹ Ryan C. Briggs, "Poor Targeting: A Gridded Spatial Analysis of the Degree to Which Aid Reaches the Poor in Africa," *World Development* 103 (2018), 133-148.

⁵⁸²Hannes Öhler and Peter Nunnenkamp, "Needs-Based Targeting or Favoritism? The Regional Allocation of Multilateral Aid within Recipient Countries," *Kyklos* 67, no. 3 (2014): 420-446.

Table 4. OECD-DAC members' total ODA to the Least Developed Countries (LDCs) (continued)

1982	4743,87	11095,41
1983	4391,63	10451,18
1984	4627,39	11432,63
1985	5442,43	13168,51
1986	6739,36	13167,4
1987	7704,64	12890,7
1988	8857,91	13741,34
1989	8390,64	13219,64
1990	9774,14	13590,92
1991	9131,65	12399,65
1992	9486,92	12270,57
1993	8881,9	12000,38
1994	9693,56	12648,84
1995	9219,67	10777,64
1996	8030,83	9492,39
1997	7553,09	9821,31
1998	7537,28	9921,37
1999	7285,55	9620,35
2000	7870,62	10928,1
2001	7703,99	10998,71
2002	10335,43	14220,74
2003	16472,83	19812,64
2004	15959,75	17447,4
2005	15940,26	17216,37
2006	17364,51	18218,55
2007	19718,65	19077,1
2008	23472,3	22008,56
2009	24345,49	23726,66
2010	28247,31	26974,25
2011	30717,39	27932,77
2012	27372,7	25162,6
2013	29953,17	27604,73
2014	26411,95	24192,71
2015	25037,05	25000,43
2016	24583,12	24583,12
2017	27439,36	27092,85

Source: Data extracted from the OECD-DAC's "aid disbursements to countries and regions" [DAC2a] database, <https://stats.oecd.org/>

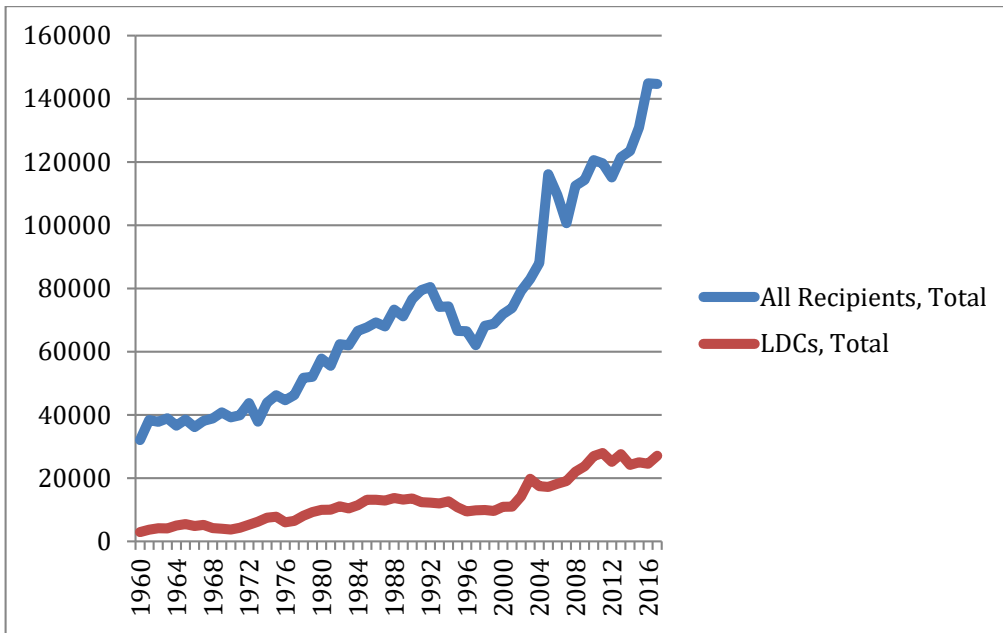


Figure 3. Growth in ODA to LDCs has lagged behind overall ODA growth

Source: Adapted from the OECD-DAC’s “aid disbursements to countries and regions” [DAC2a], <https://stats.oecd.org/>

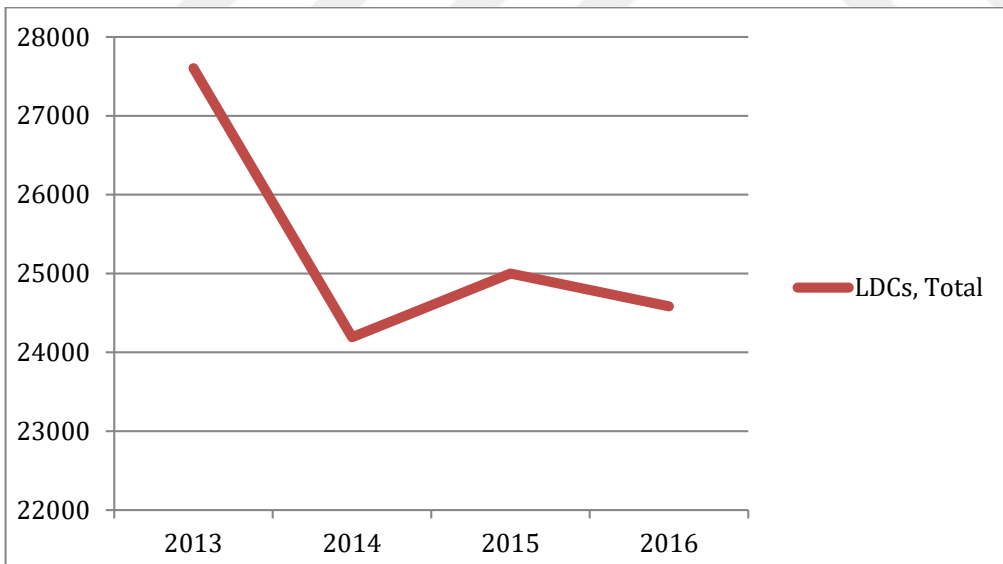


Figure 4. ODA flows to the LDCs has declined in recent years

Source: Adapted from the OECD-DAC’s “aid disbursements to countries and regions” [DAC2a], <https://stats.oecd.org/>

If foreign aid does not go to the poorest countries or the neediest regions in aid recipient countries, where does it go? A closer examination reveals that this record-high aid spending, which has been going on for several years, can be attributed to increase in spending in the donor countries themselves, rather than the increase in aid flows going to the recipient countries.

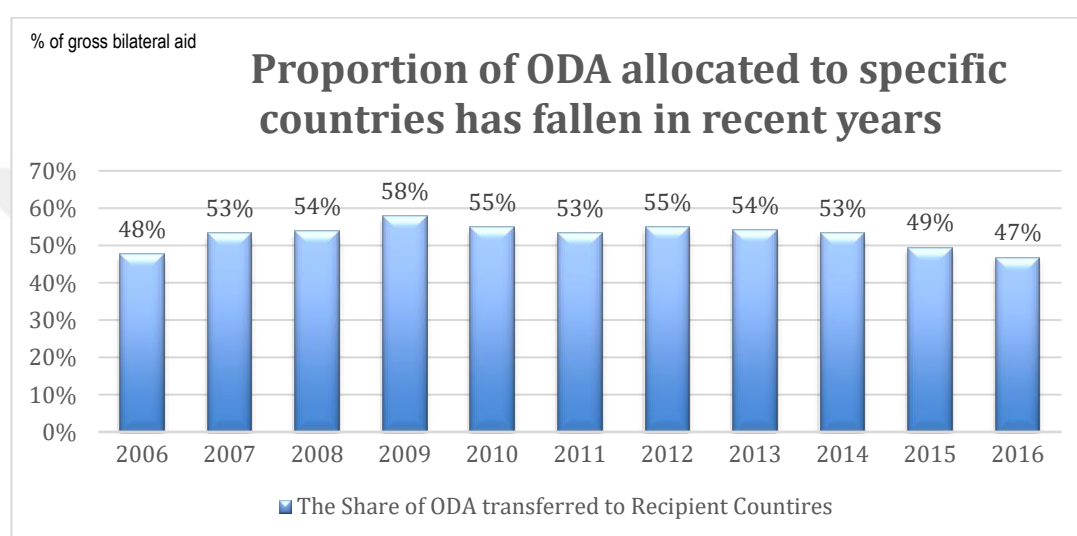


Figure. 5 Proportion of ODA transferred to recipient countries

Source: OECD Development Cooperation Report 2018.

Figure 5 shows that significant increases in volume of aid in the last ten years are related to increase in aid money spent in donor countries themselves rather than an increase in aid flows to recipient countries. As already noted, the OECD-DAC aid measurement rules allows to count a range of activities as official development assistance, even though there is no transfer of aid resources to recipient countries. The rise in in-donor spending in recent years is primarily related to in-donor refugee costs. As discussed in detail in the second chapter of this study, in-donor refugee costs are counted as official development aid although they are spent in donor countries and never reach aid-recipient countries. As Figure 6 show, aid has been

artificially inflated as major aid donors have reported more in-donor refugee costs in recent years.⁵⁸³

Table 5. In-donor country refugee costs reported as ODA by the OECD-DAC countries

Sector	In-donor Refugee Costs	
Flow	Official Development Assistance	
Channel	All Channels	
Aid Type	All Types, Total	
Flow type	Gross Disbursements	
Recipient	Developing Countries, Total	
Donor	DAC Countries, Total	
Amount type	Current Prices	Constant Prices
Unit	US Dollar, Millions	US Dollar, Millions, 2016
Year		
2002	449,428	640,320
2003	580,568	694,771
2004	1.822,401	2.072,203
2005	1.817,874	2.028,278
2006	1.623,595	1.749,021
2007	1.721,194	1.704,601
2008	2.507,087	2.329,161
2009	3.146,339	3.024,692
2010	3.551,966	3.355,925
2011	4.543,788	3.958,099
2012	4.475,670	4.050,656
2013	4.895,111	4.281,936
2014	6.661,784	5.849,054
2015	12.285,480	12.268,702
2016	16.154,925	16.154,925
2017	14.106,608	13.722,516

Source: Data extracted from the OECD Creditor Reporting System (CRS) aid activity database, <https://stats.oecd.org/Index.aspx?DataSetCode=CRS1>

⁵⁸³ These inflated aid figures also include the expenditures for equipping security forces in transit countries to keep the refugees away from its borders, and building migrant detention centers, where the migrants are held under inhumane conditions. For details, see the second chapter of this study.

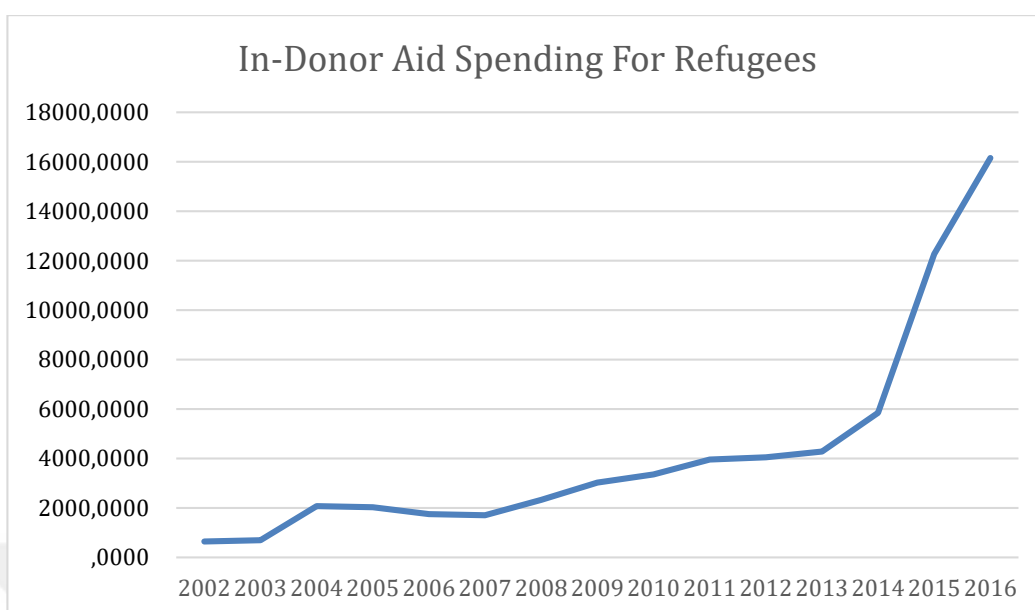


Figure 6. In-donor refugee costs that are reported as ODA by the OECD-DAC members have been increasing in recent years

Source: Adapted from the OECD Creditor Reporting System (CRS) aid activity database, <https://stats.oecd.org/Index.aspx?DataSetCode=CRS1>

Secondly, aid figures are inflated by increasing amount of aid money given as loans that have to be paid back with interest. In the aftermath of the global financial crisis of 2008, there is a tendency among donors to shift their aid resources from grants to loans. The OECD figures show that the volume of aid loans increased by 25% in real terms from 2010 to 2017.⁵⁸⁴ As Figure 7 clearly illustrates, aid loans have shown a clear upward trend in real terms in the aftermath of the 2008 global financial crisis

In addition to being one of the explanatory factors in the inflation of aid volume in recent years, the rise of the aid loans might also explain why aid is moving away from the least developed countries towards the middle income countries. As more aid is provided as loans, donors prefer to direct their aid resources to safer middle-income countries instead of the least developed countries, which are more

⁵⁸⁴ OECD, *Development Co-operation Report 2018: Joining Forces to Leave No One Behind* (Paris: OECD Publishing, 2018), 270, 282.

likely to default on loan repayments. For example, while the least developed countries received 24.7% of bilateral official development assistance in 2014, upper middle-income countries received a higher share (35.6%) for the same year.⁵⁸⁵ Furthermore, upper middle-income countries received the highest share of total official development assistance in 2015 (% 32).⁵⁸⁶

In 2015, UN member states adopted the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals, which replaced the Millennium Development Goals. By adopting the Sustainable Development Goals (SDGs), the UN member states have committed to “leave no one behind” and “reach the furthest behind first” in their implementation of the Sustainable Development Goals.⁵⁸⁷ In practice, this meant that the specific developmental needs of countries and populations most in need would be given priority to help them reach the SDGs. As for donor community, this meant ensuring that aid goes primarily to those countries furthest behind, such as the least developed countries, small island developing states, countries in situations of conflict and post-conflict countries. However, data on destination of aid flows demonstrates that donors have been acting contrary to their pledge to “reach the furthest behind first.” The decreasing volume of aid going to these countries conflicts with donor community’s stated focus on the poorest countries and “leaving no one behind.” Table 6 and Figure 7, which are based on OECD database, demonstrate that aid loans provided by the OECD-DAC donors in the aftermath of global financial crisis benefit upper and lower middle-income countries over the least developed countries.

⁵⁸⁵ OECD, *Development Co-operation Report 2016: The Sustainable Development Goals as Business Opportunities*, (Paris: OECD Publishing, 2016), 188.

⁵⁸⁶ *Ibid.*

⁵⁸⁷ United Nations, “Transforming Our World: The 2030 Agenda for Sustainable Development,” United Nations Sustainable Development Knowledge Platform, October 21, 2015, accessed September 14, 2018, <https://sustainabledevelopment.un.org/post2015/transformingourworld>.

Table 6. Distribution of ODA loans among recipient countries according to income groups

Donor	DAC Countries, Total					
Aid type	ODA Loans: Total Net					
Recipient	LDCs, Total		LMICs, Total		UMICs, Total	
Amount type	Current Prices	Constant Prices	Current Prices	Constant Prices	Current Prices	Constant Prices
Unit	US Dollar, Millions	US Dollar, Millions, 2016	US Dollar, Millions	US Dollar, Millions, 2016	US Dollar, Millions	US Dollar, Millions, 2016
Year						
2008	-1406,39	-1313,87	-681,96	-677,85	-90,14	-221,18
2009	-121,48	-86,3	1548,65	1217,71	374,55	295,64
2010	66,77	44,85	2041,85	1646,65	-380,94	-286,85
2011	-1832,53	-1552,79	1384,49	1031,32	1002,66	863,68
2012	729,68	618,72	1049,9	791,58	90,32	220,59
2013	-781,93	-745,37	927,24	770,58	-170	-237,95
2014	469,92	474,58	2172,74	1927,98	1187,28	913,48
2015	1224,97	1310,61	2402,73	2510,94	1009,13	916,57
2016	1204,47	1204,47	2363,53	2363,53	974,3	974,3
2017	2215,44	2258,75	2600,13	2594,14	321,21	235,54

Source: Date extracted from the OECD-DAC's "aid disbursements to countries and regions" [DAC2a] database, <https://stats.oecd.org/>

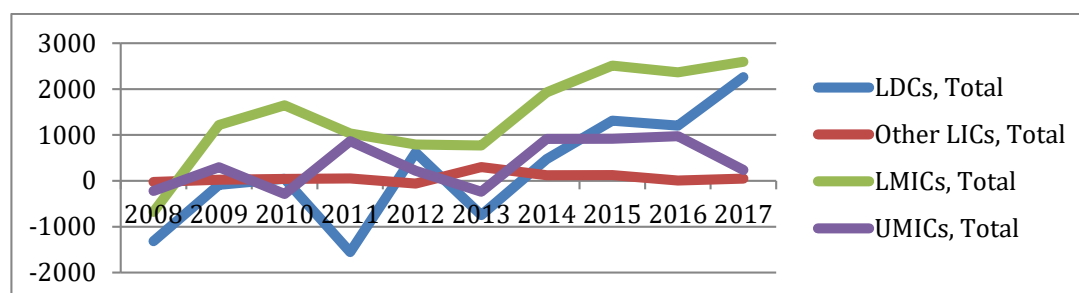


Figure 7. Aid loans provided by the OECD-DAC donors benefit upper and lower middle-income countries over low-income countries and the least developed countries.

Source: Adapted from the OECD-DAC's "aid disbursements to countries and regions" [DAC2a] database, <https://stats.oecd.org/>

6.2.1. Donors Aiding Themselves

While aid figures demonstrate that the OECD-DAC donors are increasingly generous, a closer examination of these figures reveals that the top beneficiary of their aid has been domestic companies. The practice of tying foreign aid to purchases of goods and services from firms based in donor countries has been widespread among the OECD-DAC donors.⁵⁸⁸ “Tied aid”, which is also known as “boomerang aid”, refers to awarding of contracts to private companies in donor countries for aid projects in aid-recipient countries.⁵⁸⁹ It means that aid money is reported to flow to recipient countries only on the books, and in fact never leaves donor countries.

Although making aid conditional on the purchase goods and services from the donor country has been officially discouraged by the OECD-DAC, tied aid practices still persist both formally and informally.⁵⁹⁰ The OECD-DAC donors have been committing to untie their aid starting with a recommendation from the OECD-DAC in 2001. However, a closer examination of who gets aid project contracts reveals that a large part of aid contracts are still awarded to companies based in donor countries, which are the biggest beneficiaries of foreign aid contracts.

As Table 7 indicates, untied aid from the OECD-DAC members reached % 79.8 of total official development assistance in 2016, remaining above 74% since 2011. Although donor countries report high levels of untied aid in principle, the OECD data distribution of contract awards confirms that donors continue to use tied aid in practice. For example, as Table 8 reveals, the volume of aid contracts awarded to companies based in the donor country was %72 in 2015, although %75.5 of the OECD-DAC donors’ total aid was reported as untied for the same year. In 2016,

⁵⁸⁸ Maurizio Carbone, “Much Ado about Nothing? The European Union and the Global Politics of Untying Aid,” *Contemporary Politics* 20/1 (2014): 105.

⁵⁸⁹ Claire Provost, “Aid Still Benefits Companies from Donor Countries,” *The Guardian*, September 07, 2011, accessed June 15, 2018, <https://www.theguardian.com/global-development/2011/sep/07/aid-benefits-donor-countries-companies>.

⁵⁹⁰ Bodo Ellmers, “How to Spend It: Smart Procurement for More Effective Aid,” Eurodad, September 2011, accessed June 10, 2018, <https://eurodad.org/files/pdf/4639-how-to-spend-it-smart-procurement-for-more-effective-aid-.pdf>.

whereas %51 of the value of bilateral aid contracts awarded to companies in donors' own countries, only %7 was awarded to firms based in Least Developed Countries (LDCs) or Heavily Indebted Poor Countries (HIPCs).⁵⁹¹

Table 7. Share of the OECD-DAC members' total bilateral ODA reported as untied

OECD-DAC Members' Total ODA Reported as Untied						
	Share untied (%)					
	2011	2012	2013	2014	2015	2016
Australia	100	100	99	89	100	100
Austria	44	37	44	48	36	52
Belgium	97	97	98	97	97	96
Canada	91	97	93	93	99	96
Czech Republic	0	45	40	32	44	46
Denmark	97	96	96	95	100	99
EU Institutions	65	66	67	66	62	72
Finland	90	95	78	90	93	95
France	96	95	91	92	96	96
Germany	73	79	80	84	84	86
Greece	33	6	3	22	15	90
Hungary	..	..	..	..	..	..
Iceland	0	100	100	100	100	100
Ireland	100	100	100	98	100	100
Italy	66	82	88	94	95	95
Japan	75	71	80	78	75	77
Korea	46	49	55	53	49	56
Luxembourg	99	94	97	97	99	99
Netherlands	95	98	97	98	93	99
New Zealand	83	84	88	82	85	85
Norway	100	100	100	100	100	100
Poland	..	..	33	31	34	34
Portugal	27	25	30	34	49	59
Slovak Republic	..	..	15	1	48	64
Slovenia	0	0	0	0	12	53
Spain	88	83	85	84	81	82
Sweden	67	93	94	86	87	96
Switzerland	93	93	95	94	95	94
United Kingdom	100	100	100	100	100	100
United States	60	56	65	62	56	65
Total	74.2	75.0	78.1	77.6	75.5	79.8

Source: OECD 2018 Report on the DAC Untying Recommendation

⁵⁹¹ OECD, "2018 Report on the DAC Untying Recommendation," June 13, 2018, accessed June 15, 2018, [http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/DAC\(2018\)12/REV2&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/DAC(2018)12/REV2&docLanguage=En).

Table 8. %Distribution of Aid Contract Awards Across Country Groups

	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total 2008-16
In-Donor	62%	51%	63%	50%	59%	39%	45%	72%	51%	55%
DAC member	11%	6%	8%	12%	9%	15%	16%	6%	7%	10%
non-DAC high income	1%	1%	0%	8%	0%	1%	1%	3%	2%	3%
Other developing	18%	38%	15%	25%	27%	40%	34%	17%	33%	27%
LDC/HIPC	8%	4%	14%	4%	5%	5%	4%	2%	7%	5%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: OECD 2018 Report on the DAC Untying Recommendation

6.2.2. Aid at the Service of Proletarianization of the Poor: What Do Aid Figures Say?

The main objective of this study has been to explore whether and how aid is related to the process of proletarianization of the remnants of labor in the post-Cold War era. As already noted, a significant function of the aid in the post-Cold War years has been providing a sufficiently healthy and qualified proletariat to capital by allocating more resources to the basic needs in underdeveloped regions. In fact, aid agencies have not only been concerned with increasing the basic needs and capabilities of the poor, but they have been equally concerned with creating a predictable and stable environment for capital accumulation in underdeveloped regions of the world. Therefore, aid flows to institutional capacity building have been as crucial as strengthening of productive capacities to create an enabling environment for capital accumulation and exploitation of untapped labor potential in poor countries. At this point, aid trends in certain sectors (such as basic needs, health, education, vocational training, employment policy, and institutional capacity) might provide further insights on aid's role in the efforts to improve the productive capacities of the global poor in the post-Cold War years.

The main category of the OECD-DAC's aid reporting system, which covers data on donor efforts to improve productive and institutional capacity in recipient

countries, is “social infrastructure.”⁵⁹² In the OECD’s aid reporting system, the category of “social infrastructure” includes data on aid provided by the OECD-DAC members in the following sectors:

Table 9. The content of the category of “social infrastructure and services” according to the OECD-DAC sector classification

Social Infrastructure and Services	
Education	Basic life skills for youth and adults; formal and non-formal education for young people and adults; vocational training and technical education; on-the job training; apprenticeships; professional-level vocational training and in-service training.
Health	Basic health care; supply of drugs and medicine related to basic health care; basic nutrition; prevention and control of infectious diseases; education and training of the population in recipient countries for improving health knowledge; training of health staff for reproductive health care services
Basic needs	Basic nutrition; drinking water supply and basic sanitation; education and training in water supply and sanitation; household food security.
Institutional Capacity	Institution-building assistance to strengthen core public sector management systems and capacities; support for improving basic social services; assistance for employment policy and planning; labor law and labor unions; capacity building and advice on employment; supporting programs for unemployed; employment creation and income generation programmes; support for governmental and non-governmental institutions working for women’s empowerment.

Source: OECD’s creditor reporting system purpose codes

The OECD-DAC defines the category of social infrastructure and services as the main category that is related to efforts to develop the human resource potential

⁵⁹² OECD, “The List of Creditor Reporting System Purpose Codes,” April 2016, accessed January 15, 2018, [http://www.oecd.org/dac/stats/documentupload/2015 CRS purpose codes EN_updated April 2016.pdf](http://www.oecd.org/dac/stats/documentupload/2015%20CRS%20purpose%20codes%20EN_updated%20April%202016.pdf).

of developing countries.”⁵⁹³ Aid flows in the sectors included the OECD’s aid reporting category of social infrastructure is directly related to the strategy of global proletarianization. Quantitative data on total aid flows in the category of social infrastructure, then, might provide us with a clearer and more concrete picture of aid’s contribution to the strategy of global proletarianization in the post-Cold War years.

Table 10. Total ODA by the OECD-DAC members in the sector of “social infrastructure and services”

Donor	DAC Countries, Total	
Aid type	Total ODA	
Sector	I. Social Infrastructure & Services	
Amount type	Current Prices	Constant Prices
Unit	US Dollar, Millions	US Dollar, Millions, 2016
Year		
1985	6612,76	15876,15
1986	7676,38	14874,36
1987	9166,71	15283,25
1988	10448,21	15982,43
1989	10371,03	16293,53
1990	13051,23	18192,54
1991	11271,18	15444,02
1992	12421,78	15983,52
1993	12652,93	15944,32
1994	13820,07	16858,42
1995	16515,51	18426,2
1996	14820,49	17014,36
1997	12489,48	15478,71
1998	13129,75	17043,25
1999	14081,58	18397
2000	14439,46	19370,31

Source: Data extracted from the OECD-DAC’s “aid disbursements to countries and regions” [DAC2a] database <https://stats.oecd.org/>

⁵⁹³ *Ibid.*

Table 10. Total ODA by the OECD-DAC members in the sector of “social infrastructure and services” (continued)

2001	13763,21	19419,75
2002	17163,24	23176,39
2003	21730,48	26135,88
2004	28104,07	31598,66
2005	29913,74	32853,99
2006	33650,24	35544,92
2007	37900,77	37572,23
2008	45059,35	43008,73
2009	45285,03	44065,16
2010	43189,27	41641,4
2011	46169,06	42190,6
2012	44562,21	40906,49
2013	41891,65	38548,04
2014	41128,67	37663,38
2015	40677,8	40907,33
2016	42046,03	42046,03
2017	43218,31	42411,71

Source: Data extracted from the OECD-DAC’s “aid disbursements to countries and regions” [DAC2a] database <https://stats.oecd.org/>

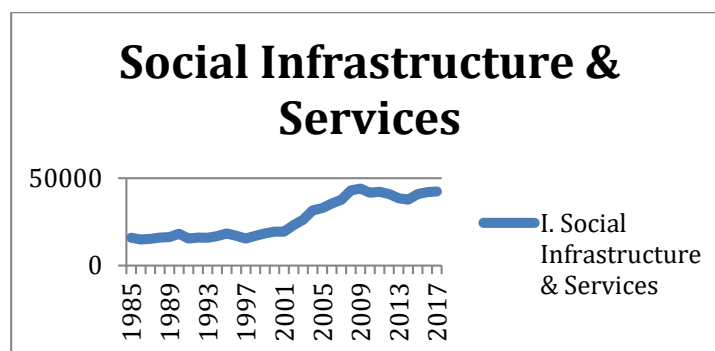


Figure 8. Total ODA by the OECD-DAC members in social infrastructure and services has grown in the post-Cold War years.

Source: Adapted from the OECD-DAC’s “aid disbursements to countries and regions” <https://stats.oecd.org/>

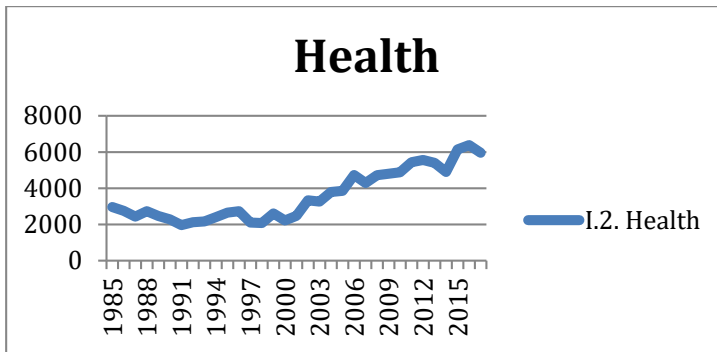


Figure 9. Total ODA by the OECD-DAC members in basic health services has shown an increasing trend in the post-Cold War years

Source: Adapted from the OECD-DAC's "aid disbursements to countries and regions" [DAC2a] database, <https://stats.oecd.org/>

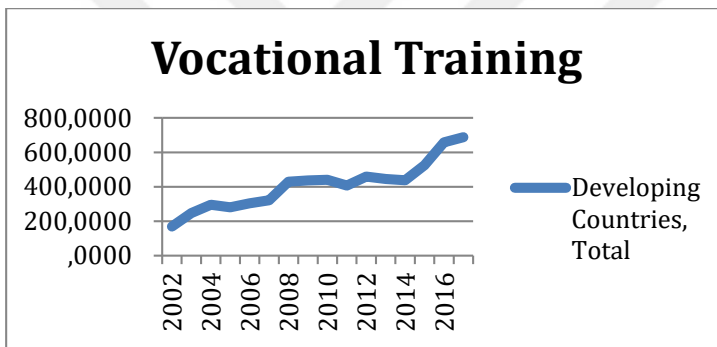


Figure 10. Total ODA by the OECD-DAC members in vocational training has risen in the post-Cold War years.

Source: Data extracted from the OECD Creditor Reporting System (CRS) aid activity database, <https://stats.oecd.org/Index.aspx?DataSetCode=CRS1>

Figure 8, Figure 9 and Figure 10 reveal an upward trend in aid spending on social infrastructure and the related categories in the post-Cold War years. These are consistent with our argument that aid strategy of the OECD-DAC donors in the post-Cold War years moved towards satisfying the basic needs of the poor, and improving their skills to deliver them to the hands of capital as sufficiently healthy and qualified labor.

6.3. A General Overview of China's Official Aid Figures

What China counts as official aid is not in strict accordance with the OECD-DAC guidelines on official development assistance. Unlike the OECD-DAC members, China does not regularly publish data on the volume and distribution of its foreign aid. China has officially disclosed very little information about its foreign aid and there is still a lack of information about regional, sub-national and sectorial distribution of its aid. It is only in recent years that Chinese administration has taken some steps to make its foreign aid activities more transparent. In fact, China has published official data on its foreign aid only twice since the establishment of its foreign aid program in the early 1950s. The white papers on foreign aid, which are issued by the China's Information Office of the State Council, are the principle official documents on China's foreign aid.⁵⁹⁴ Our analysis of the volume and distribution of China's aid is based on these two policy documents, since they are the only official documents that have ever revealed data on China's foreign aid.

In 2011, China released its first white paper on foreign aid, which provided an overview of China's foreign aid from 1950 to 2009.⁵⁹⁵ The white paper provides an overview of China's aid between 1950 and 2009. While going as far back as China's foreign aid in the 1950, the white paper does not allow us to track changes in aid amounts over time or across regions, since it only provides the aggregate amount of China's foreign aid from 1950 to 2009. It is also not possible to assess how much aid China provides on an annual basis because the data on China's foreign aid corresponds to multiple years. The white paper identifies three different types of financial resources for China's foreign aid: grants, interest-free loans and

⁵⁹⁴ Anja Lahtinen, *Chinas Diplomacy and Economic Activities in Africa: Relations on the Move* (Cham: Palgrave Macmillan, 2018), 38.

⁵⁹⁵ The State Council of the PRC, "White Paper: China's Foreign Aid (2011)," Information Office of the State Council of the People's Republic of China, April 2011, accessed July 01, 2018, http://english.gov.cn/archive/white_paper/2014/09/09/content_281474986284620.htm.

concessional loans. According to the aggregate data on aid volumes and distribution provided in the white paper, between 1950 and 2009:

- China provided a total amount of 256.29 billion yuan (approximately \$ 37,5 billion using the 2009 December exchange rate of \$ 1= 6.8282 yuan) in foreign aid, including 76.54 billion yuan in interest-free loans, 73.55 billion yuan in concessional loans, and 106.2 billion yuan in grants.
- China provided debt relief worth 25.58 billion yuan to 50 countries from Asia, Africa, Latin America, the Caribbean and Oceania.
- China provided foreign aid to 161 countries and more than 30 regional and international organizations. Among these 161 countries 123 of them receive aid from China regularly. Of them, 81 countries are in Asia and Africa, which receive nearly 80% of China's total foreign aid.
- China provided concessional loans to 76 countries. 61% of China's concessional loans are provided to construct transportation, communications and electricity infrastructure.

The 2011 white paper on China's foreign aid was followed by another one in 2014. While the first white paper was an overview of China's entire aid program across its sixty-year history, the second white paper only covered three-year period from 2010 to 2012. According to the paper, during the three years between 2009 and 2012⁵⁹⁶:

- China provided 89.34 billion yuan (approximately \$14.4 billion) in foreign aid through grants, interest-free loans, and concessional loan.
- China provided 32.32 billion yuan of grants, constituting 36.2% of the total aid. Its interest-free loans amounted to 7.26 billion yuan, taking up %8.1 of its foreign aid volume. In the same period, the concessional loans China provided amounted to 49.76 billion yuan, or %55.7 percent of its total aid.
- China provided foreign aid to 121 countries, including 51 countries in Africa, 30 countries in Asia, 9 countries in Oceania, 19 countries in Latin America and the Caribbean and 12 countries in Europe.
- China implemented 580 projects in 80 countries, with infrastructure, human resources and agriculture as the main focus.

⁵⁹⁶ The State Council of the PRC, "White Paper: China's Foreign Aid (2014)," Information Office of the State Council of the People's Republic of China, April 2011, accessed July 12, 2018, http://english.gov.cn/archive/white_paper/2014/08/23/content_281474982986592.htm.

Table 11. Sectoral distribution of aid projects by China (1950-2009)

Sector	Number of Projects
Agriculture	215
Farming, animal husbandary and fisheries	168
Water conservancy	47
Public Facilities	670
Conference buildings	85
Sport facilities	85
Civil buildings	143
Municipal facilities	37
Wells and water supply	72
Science, education and health care	236
Economic Infrastructure	390
Transport	201
Power supply	97
Broadcasting and telecommunications	92
Radio and electronics	15
Timber processing	10
Theaters&Cinemas	12
Coal industry	7
Industry	635
Light industry	320
Textiles	74
Machinery industry	66
Chemical industry	48
Building materials processing	42
Metallurgical industry	22
Others	115

Source: China's White Paper on Foreign Aid (2011)

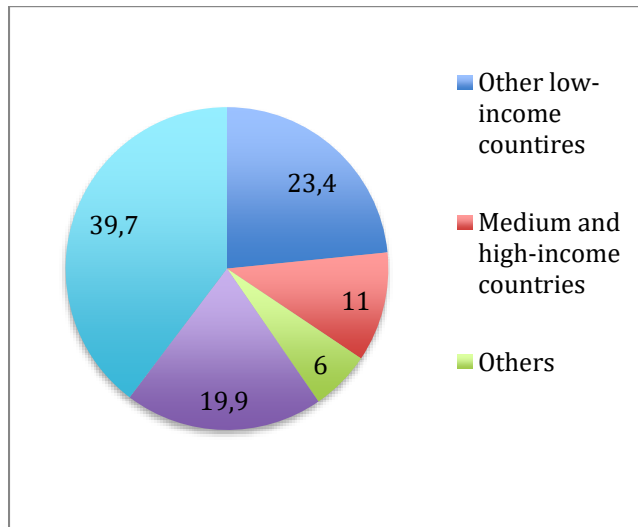


Figure 11: Distribution of China's Foreign Aid According to Income Groups (1950-2009)

Source: China's White Paper on Foreign Aid (2011)

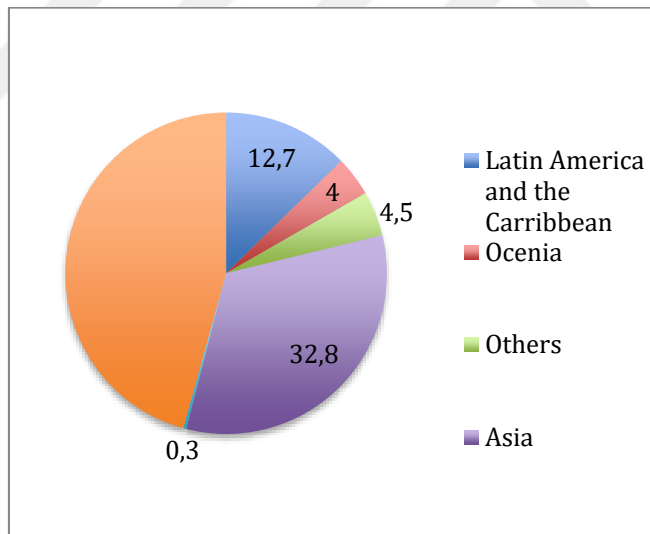


Figure 12: Geographical Distribution of China's Foreign Aid (1950-2009)

Source: China's White Paper on Foreign Aid (2011)

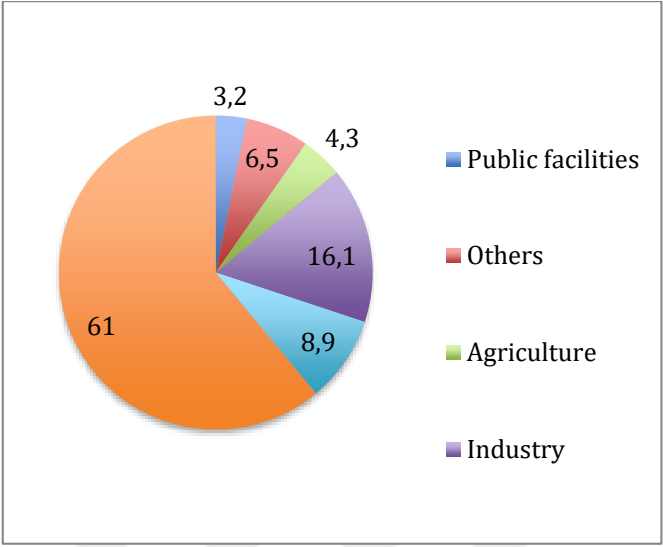


Figure 13: Sectoral Distribution of Concessional Loans from China

Source: China's White Paper on Foreign Aid (2011)

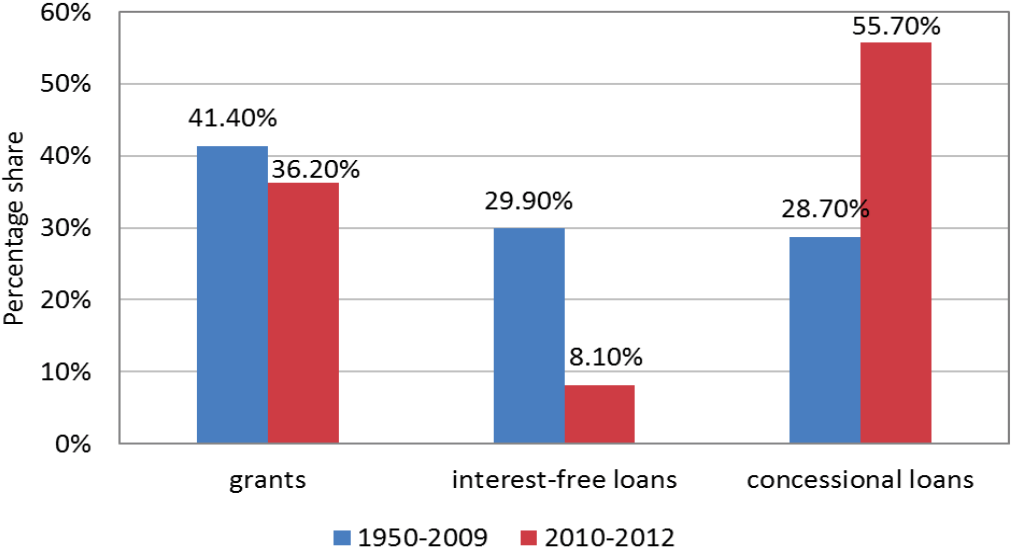


Figure 14. Components of Chinese foreign aid

Source: China's White Paper on Foreign Aid (2011), China's White Paper on Foreign Aid (2014)

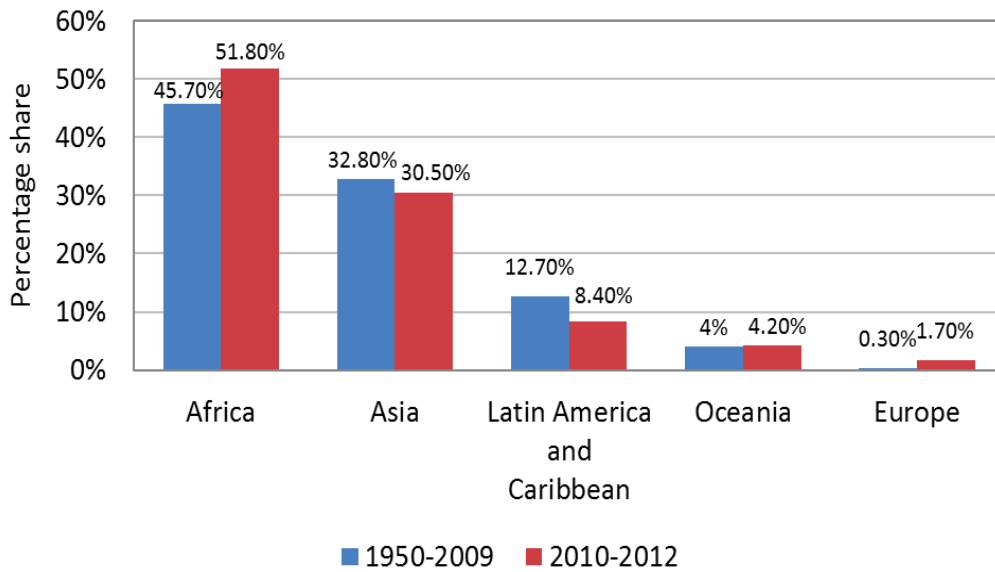


Figure 15. Distribution Chinese foreign aid

Source: China’s White Paper on Foreign Aid (2011), China’s White Paper on Foreign Aid (2014)

China’s official publications on foreign aid only provide cumulative aid figures, without specifying country, sector, or project-level information in detail. Despite these limitations, they still provide us with some useful data to determine whether and how China supports and complements the OECD-DAC donors in the process of proletarianization of the poor in developing countries. As also noted in the previous chapter, Chinese administration has recently declared “human resource development” as the fundamental part of its aid program. In cooperation with the United Nations Development Program, China has been hosting technical and vocational training programs in different fields for developing countries since 1981.⁵⁹⁷ According to the State Council, China offered more than 4,000 training programs in more than 20 fields – such as agriculture, transportation, textile, and health care– for more than 120,000 people between 1981 and 2009.⁵⁹⁸ In addition to

⁵⁹⁷ The State Council of the PRC, “White Paper (2014).”

⁵⁹⁸ The State Council of the PRC, “White Paper (2011).”

organizing training programs, China has recently built vocational training centers in various countries in Africa, such as Ethiopia, Uganda and Angola.⁵⁹⁹ The white paper, published in 2011, estimates that roughly 10,000 people from developing countries receive vocational and technical training in China every year.

The second white paper, which was published in 2014, also reveal that aid flow to human resource development and technical cooperation saw remarkable increases in recent years. From 2010 to 2012, China provided vocational training for a total of 49,148 people from developing countries, holding 1,951 vocational training sessions and on-the-job training for technical personnel.⁶⁰⁰ During the same period, China also implemented 170 technical cooperation projects in 61 countries and regions, mainly focusing on industrial production and management.⁶⁰¹

6.4. Conclusion

Despite significant increases in official development assistance, the share of development aid going directly to the recipient countries have been declining in recent years. The rise in total aid is mostly related to the increase in the proportion and volume of aid that is not transferred to recipient countries. The figures reveal that a significant amount of aid money is spent in donor countries, benefitting companies based in donor countries. The OECD-DAC figures also reveal that there is a significant rise in the aid loans (rather than grants), which have to be paid back with interest, especially in the aftermath of the recent global financial crisis. These aid loans are mostly directed to middle-income countries rather than the poorer and needier regions, which are more likely to fail to repay these aid loans. Furthermore, remarkable increases in the OECD-DAC donors' aid allocations for social

⁵⁹⁹Deborah Brautigam, *Dragon's Gift: The Real Story of China in Africa* (Oxford: Oxford University Press, 2009), 158.

⁶⁰⁰ The State Council of the PRC, "White Paper (2014)."

⁶⁰¹ *Ibid.*

infrastructure in the post-Cold War years are supportive of our argument that aid plays a role in the proletarianization of the poor through provision of sufficiently healthy and qualified labor to capital.

China's official aid figures do not provide details on how China's aid activities are distributed among sectors and regions. However aggregate data reveal that economic infrastructure, technical cooperation and human resources development have been the prominent components of China's foreign aid since 1980s. These figures seem consistent with our argument that China's aid practices are designed to contribute to the incorporation of these countries into the capitalist system through building infrastructure. Moreover, China's increasing emphasis on technical cooperation and human resource development reinforces our argument that China's aid practices also contribute to the submission of the poor in aid-recipient countries to capital as cheap and flexible labor.

CHAPTER 7

CONCLUSION

The mainstream literature reduces development to economic growth and the lack of economic growth is attributed to the local conditions and individual traits of the recipient countries, which can only be fixed with aid from outside. This “blaming the victim” approach neglects the global context and the relations, which lead to the emergence of the negative conditions (such as poverty and lack of economic growth) in the recipient countries. In their analyses of why aid fails or does not provide the expected outcomes in poverty reduction, the mainstream development economists take into consideration various factors such as foreign trade, economic policy, institutions, geographic locations, local culture and even climate-related circumstances. But they are always silent on the exploitative global capitalist system that creates and perpetuates the environment, where aid from outside becomes a necessity. In this regard, these quantitative studies have been reductionist and unfruitful, if not actually harmful in terms of distracting us from a richer systemic analysis of the role of development aid in the emergence and maintenance of a global capitalist order. Indeed, criticism of methodologically and ontologically reductionist and parsimonious framework of this mainstream aid research is the starting point of this study.

Since the early postwar period, foreign aid agencies’ adaptability to the changing development paradigms has been surprisingly high. When Keynesian-Fordist mode of capital accumulation was on the ascendant, both bilateral and multilateral aid agencies highlighted their own role in the international redistribution of wealth, while they denounced redistribution programs as an impediment to development when structural adjustment policies were on the rise. Development aid, characterized by contradictions and swift transitions, has been offered based on these

various assumptions at one time or another since 1945. In the early postwar years, it was assumed that development aid must be given to promote economic growth, the benefits of which would trickle down automatically; and aid had to support rapid and high-tech industrialization in the poor countries. In the late 1960s and 1970s, rural development was given priority and the focus of development moved towards agriculture from industrialization, based on the assumption that wealth would never trickle down to the poor and hence development must have been bottom-up. The World Bank and the bilateral aid donors, such as the USAID, were highlighting the significance of meeting the basic needs of the poor and vulnerable groups; while during the 1980s, they acknowledged that it might have been necessary and even useful to ignore the basic needs of the poor to achieve structural adjustment to the international economy.

Foreign aid has long had its critics from both sides of the political spectrum - from the right as an impediment to the market efficiency and from the left as an instrument of capitalism to exploit the Third World countries' resources and cheap labor. This study has been based on the assumption that, far from being antithetical to free market mechanisms, aid has played a prominent role in the functioning of the free-market economic system at the global level. Through this perspective, this study has interpreted the international development community's current emphasis on poverty alleviation as the adoption of policies that extend the scope of the world market and the global reach of capitalism. Critical development scholars have provided important insights in terms of understanding the exploitative character of development aid. For example, dependency theorists argue that foreign aid can be understood only by reference to its existence in a bipolar world characterized by exploitation - a view that I completely agree with. However, the exploitation emerging from aid relations is not limited to the exploitation of poor countries (recipient) by rich countries (donor) in a bipolar world. That is to say the bipolarity is not limited to "center-periphery," "North-South" or "donor country-aid recipient country" bipolarity. One of the basic assumptions of my study has been that the exploitation emerging from the aid relations is also closely related to the exploitation

of labor by capital, and bipolarity here is also a bipolarity of class. In this regard, this study has attempted to show that development aid, from its beginning in the early postwar period, has played a role not only in exploitation of the aid recipient countries by donor countries, but also in ensuring the hegemony of capital over labor at the global level. Utilizing the insights of the neo-Gramscian approach, this thesis has focused mainly on aid's role in securing consent for, and legitimacy to, the hegemonic project that seeks proletarianization of the poor at the global level. However, this is not to suggest that foreign aid has been provided solely for the purpose of the proletarianization of the global poor. This is also not to suggest that the so-called "new aid architecture" is all about proletarianization. Aid is considered as being part of a wider and global strategy, which is formed of promoting market dependence through global proletarianization and imposing the discipline of capitalist accumulation on a global scale. Indeed, it might be difficult to detect a direct linear relationship between aid and proletarianization at first glance. However, a closer inspection of World Bank-led pro-poor aid strategies reveals that improving the productive capacities of the poor according to the needs and demands of capital has been the main concern of donor community in the post-Cold War years. Our qualitative analysis has shown that the leading donors have not only been concerned with increasing the productivity of the poor, but they have been equally concerned with delivering them to the hands of capital, as evident from their efforts to complement their technical cooperation projects with global value chain approaches. As shown, these aid strategies have been concerned more with matching labor with capital's changing needs, than improving the wages and working conditions of labor. Although a quantitative analysis is not sufficient to demonstrate aid's role in proletarianization, our analysis of official aid figures published by the OECD –DAC and China have been supportive of our argument.

From a Neo-Gramscian point of view, the Marshall Plan and the subsequent aid programs have been considered as attempts to create a transatlantic historical bloc under the leadership of US. Although development aid is generally associated with the consensual aspect of hegemony, our analysis has shown development aid

was literally used as a weapon of war against the perceived threat of communism during the Cold War. While the mainstream IR depicted aid simply as an instrument for geo-strategic interests in the struggle between two superpowers, this study has attempted to show the historically unique character of the postwar development aid by focusing on its role in the inter-systemic conflict during the Cold War. As already noted, even though the practice of foreign aid goes back centuries, it became an institutionalized part of foreign policy in the postwar era. The analysis of the historical development of aid was started from the Marshall Plan, since its institutions and mechanisms laid the foundations of aid, as we know it today. Aid has been generally considered as a component of foreign policy involving actors, such as diplomats, technocrats, development experts and official agencies. However, the analysis of the Marshall Plan in this study has shown that foreign aid involves other actors like private sector and trade unions. Besides, our analysis has also shown that foreign aid does not simply refer to processes like development projects, transfer of material resources and technical cooperation among the states; but also to the other processes, such as class struggle, multilateralization of trade and exploitative relations between labor and capital. In this regard, The Marshall Plan gives a perfect demonstration of the fact that foreign aid involves actors and processes that are dedicated to the formation and maintenance of capitalist relations of production and exchange.

This is not to deny that foreign aid has been used by the donor countries for more limited purposes such as buying political influence or achieving their immediate strategic and economic goals. For example, as already mentioned, the part of the motivation for the Marshall Plan arose from the concern for an economic depression in the US economy after the war due to the decrease of exports to the war-torn Europe. Even though these short-term strategic and economic goals were significant factors in the postwar aid efforts, they do not by themselves explain the emergence of the Marshall Plan and the form of its institutions and mechanisms. Understanding the role of the Marshall Plan and the subsequent aid efforts during the Cold War requires going beyond the mainstream theories of the Cold War that

de-emphasizes the socio-economic dimension of the Cold War and depict it as a typical great power conflict based on military competition. Having this in mind, this study has sought to build on the systemic accounts of the Cold War that integrate the geopolitical rivalry with the socio-economic dimensions by highlighting the role of foreign aid in the global inter-systemic struggle concerning the organization of social and economic life.

Donor community has been trying to create an image of capitalist market as an area of potential opportunity for the poor. The anti-poverty campaign led by the World Bank in the post-Cold War years has been supported by a developmental discourse that has portrayed global value chain as a sphere of opportunity and a path out of poverty. Enabling the poor to use their labor is presented as an opportunity as if the poor, who are divorced from the means of production, had any chance of survival other than using their labor. Overall improvement of productivity and output of global value chains is considered as pro-poor in itself since everyone is assumed to benefit from it. From this point of view, the key to poverty reduction and development is “more production.” In this sense, this so-called “global value chains approach to development” evokes what Maier termed as “politics of productivity.” As already noted in the third chapter of this study, the Marshall Plan and the subsequent American foreign aid programs during the Cold War period contained elements of the “politics of productivity,” which aimed at depoliticizing social and economic issues by turning irreconcilable social conflicts between capital and labor into apparently non-ideological technical questions of productivity and a common search for economic growth. The emphasis on economic growth and productivity as key concepts for the Marshall Plan and the subsequent American foreign aid programs during the Cold War was part of an effort to counter the appeal of communism and direct the attention away from the issues of exploitative production relations, and unequal distribution of wealth.

This study considers the transformations in post-Cold War aid architecture neither as a straightforward continuity, nor a complete break, but as part of an attempt to accelerate and deepen the neoliberal project in a world where demarcation

lines have been redrawn in the absence of an inter-systemic rivalry. In other words, the so-called new aid architecture, which is based on the Paris Declaration principles, is nothing more than an attempt to set a new framework for aid's role in the post-Cold War Era that has provided new opportunities and possibilities to expand and deepen discipline of capitalist accumulation and the hegemony of capital over labor on a global scale in the absence of the Soviet factor.

As from the early 1990s, the donor community led by the World Bank started to place poverty reduction back at the center of development aid agenda. This study considers poverty reduction strategies of the international donor community led by the World Bank as part of a wider and global strategy aiming at enhancing the discipline of capitalist accumulation on a global scale in the absence of the Soviet factor. This wider and global strategy is formed of securing the hegemony of capital over labor, promoting market dependence through global proletarianization of the poor and imposing the disciplines of capitalist competitiveness on a global scale. In this regard, Cammack's analysis of the World Bank's poverty reduction strategies in support of "promoting the proletarianization of the poor at the global level" and "maximizing the level of competitiveness throughout the global capitalist economy" may give the key to understanding the role that aid has been assigned in the post-Cold War years. The role of aid in enforcing the neoliberal policy prescriptions and attendant policies of deregulation, liberalization and privatization is well-known and well-documented. What is under-researched is the role that aid plays in these two central aspects of the neoliberal project. This study assumes that these "competitiveness-oriented poverty reduction strategies" and "process of proletarianization of the world's poor" might be relevant in explaining the logic of international aid and the shape that it has taken in the post-Cold War years.

Despite the widespread disillusionment with the structural adjustment policies during the 1990s and 2000s, the World Bank, the OECD and the prominent bilateral donor agencies have kept their "growth first" approach in their aid practices and discourse in the post-Cold War years. The value chain approach, which has recently become widespread in foreign aid interventions, is based on the conviction that

increasing the output and productivity of companies that take part in global value chains would improve the standard of living for the poorer sections of society. As such, it tries to enable capital accumulation to be understood as something of general interest –economic growth– rather than as a process of surplus-value extraction that is based on exploitation and inequality. This attitude bears traces of the American foreign aid policy during the Cold War. In this sense, aid strategies based on employment-generation and the related “global value chain approach to development”, which have been adopted by many leading donors in recent years, are nothing more than a blend of old wines in a new bottle.

As shown in the fourth chapter, there has been plenty of evidence to suggest that global value chains function as spheres of labor exploitation and surplus extraction that further contribute to inequality and human right abuses at the global level, rather than providing an opportunity for poverty reduction and development. Multinational companies have transferred their production processes to developing countries to take advantage of low wages. In fact, they were not only trying to escape higher wages in the developed countries, but they were also trying to avoid minimum health and safety requirements and take advantage of employing non-unionized workers. Multinational companies that govern the global value chains have achieved this through the support of bilateral and multilateral aid agencies and governments of the recipient countries. These policies have been promoted with equal enthusiasm by the OECD-DAC members, such as the United States and the UK and the other emerging donors from the South, such as Russia, India, and China.

Although an inter-disciplinary body of research has recently emerged to document labor exploitation and understand the different forms that it takes in the context of global value chains, these accounts have mostly attracted attention to the symptoms of these problems without paying enough attention to the root causes, and without seeking to understand role that development aid plays in labor exploitation within global economy. There is a tendency to study labor exploitation and forced labor in isolation from wider processes and dynamics of international development and aid policies. This situation has obscured the role that development aid played in

the facilitation of these exploitative and abusive production relations at the global level. As such, the role and contribution of aid in encouraging and sustaining the practices of forced labor and labor exploitation in the so-called global value chains has been under-investigated. This study argues that an analysis of labor exploitation would be incomplete without considering the role of international development aid processes. Aid is playing an increasingly prominent role in submitting the poor and vulnerable populations (such as refugees) to capital for severe exploitation as cheap and flexible labor.

The mainstream development approaches view poverty as something that happens to people who, for several reasons, are denied access to education, vocational training, and employment opportunities. Poverty is regarded as solved by equipping the poor with certain technical and vocational skills through education and integrating them into labor markets. The role of aid at this point is to provide the basic health and education to equip the poor with qualifications and skills. Once the poor are thrown into labor market as sufficiently healthy and educated labor force, it is considered as an opportunity for them to be “lifted out of poverty.” In this regard, employment-oriented aid programs, and the so-called global value chain approaches in donor interventions offer as solutions to poverty the causes of poverty. Proletarianization of the poor and their integration into labor markets through global value chains are portrayed as a “win-win” situation for both capital and labor, while capital is the only winner. Capital accumulation process, which is promoted by the mainstream development prescriptions as “economic growth” that benefits all, moves forward by creating poverty due to its compelling need to maintain an impoverished labor surplus. Existence of reserve army is not only a byproduct of accumulation process and the associated increase in labor productivity but also an indispensable condition for the reproduction and expansion of capital. In this context, development aid contributes to two processes that go hand in hand: proletarianization of the poor and reproduction of the reserve army. Development aid contributes to the provision of sufficiently healthy and qualified labor to capital through vocational training provision and employment-generating projects. The

promotion of proletarianization goes hand in hand with the expansion of the reserve army, which in turn helps to discipline those in employment and maintain capitalist profitability. This reserve-army of labor, however, can be a potentially revolutionary force that can bring the system down. Although its existence is necessary as a stabilizing and disciplining factor for capitalist system, reserve army is a potentially revolutionary force. Therefore, aid is also used to contain the revolutionary potential of the reserve army during the period that it is held in reserve. It contributes to the reproduction and maintenance of the unemployed reserve armies in aid recipient countries by providing their basic needs.

Poverty is not simply an issue of dysfunctional redistribution mechanisms or an issue of mal-integration into markets. Far from it, poverty emerges as an unavoidable consequence of the smooth functioning of the capitalist system and it is a direct product of capital accumulation. Poverty is produced simultaneously with the capitalist production of wealth. The roots of poverty lie in capitalist relations of production. Therefore, aid strategies based on the use of productive labor and participation in global value chains cannot reduce poverty, they only reproduce it. Aid plays a strategic role in dealing with the symptoms rather than the causes of poverty. In other words, aid helps transforming the problems associated with poverty and inequality; it does not solve them. It is impossible to find permanent solutions to poverty and its related problems within the capitalist system. Another significant development in international aid landscape in the post-Cold War years has been the emergence of new donors, the so-called “emerging donors.” As a matter of fact, much of the discussion about the emerging donors is a discussion about one donor, that of China. Therefore, this study paid particular attention to China’s aid offensive in recent years. China, with its own aid model, is often depicted as posing a challenge to the traditional aid practices and institutions. However, our analysis of the evolution of China as a donor, since the early postwar period, has shown that the Chinese foreign aid has not necessarily been unique. China developed its foreign aid policy based on its experience as an aid recipient from the Soviet Union. The Soviet Union played a significant role in shaping China’s foreign aid as a donor during

1950s, and as a competitor in the “aid battles” in the third world after the Sino-Soviet split. During the post-Mao reforms and its opening up towards the West, it was Japan that became an important model for China as a donor. China, as a recipient country, has learned and adopted the aid practices of the other donors. As noted above, the use of turnkey projects was learned from the Soviet Union, while combining aid and Eximbank financing is adopted from Japan. In this sense, China’s aid practices are characterized by pragmatism, which involves interpreting and implementing traditional aid practices in a new way. Although China can be innovative in reinterpreting the aid practices of the traditional donors, our comparison in this chapter has shown that complementarities and similarities between the Chinese and Western donors are stronger than differences. This is not to deny the existence of “aid with Chinese characteristics.” In fact, pragmatism itself can be considered as a feature that differentiates Chinese aid, and some may even consider it as a lesson for other countries to learn. However, it does not amount to a developmental alternative. While recognizing the abusive and exploitative character of the Chinese aid, this study has raised doubts about the Western concerns about China’s aid practices, captured in the concept of “rogue aid.” China’s aid activities have often been criticized for being guided not by the recipient country needs but China’s search for natural resources, export markets and political alliances. In many respects, such criticisms can also be extended to the practices of the OECD-DAC donors. It would be naive to think that these criticisms directed against the exploitative character of Chinese aid are well-meaning, given their silence on the Western foreign aid practices with the same intentions. Indeed, China’s global aid offensive in the post-Cold War years is superficially evaluated by mainstream accounts, solely as a part of the analyses and debates on the “China threat.” In this sense, China’s abusive foreign aid practices are problematized not in terms of their negative impact on the aid-recipient countries, but rather in terms of the threat or challenge they pose to the Western donor countries.

This study has also raised doubts about the so-called “China model” as an alternative to neoliberal development model. Although China undermines the

conditionality of the Western bilateral and multilateral donors by presenting itself as an alternative source of development finance, its development and aid practices are highly integrated into the general neoliberal dynamics of the global political economy. As already noted, China constantly tries to differentiate itself from traditional donors by officially declaring that its development cooperation falls into category of “South-South cooperation,” which aims to facilitate self-reliance and independent development among the Southern countries. Contrary to its stated purpose, however, China has a little scope to drive economic growth and self-sufficient development in aid recipient countries of the South because of the way it is integrated into the global economy. China has replaced most of the core capitalist countries as the main export market for Latin American and African countries. China’s growing demand for raw materials reinforces these countries’ dependence on exporting primary commodities. However, China’s export-led development model heavily depends on the continuing demand from the advanced economies. Declining import demand in the core capitalist countries may easily undermine export-oriented growth in China, with a potential combination of negative effects on economic activity and political disruption in the countries of the South, which depend on China’s continuing demand for their primary commodities. As a consequence, China’s export-led development model becomes vulnerable to stagnation and declining import demand in the Northern markets. China’s aid activities are also affected from this configuration. This export-led development model is characterized by overcapacity, which threatens the long-term sustainability of China’s growth potential. When there is a decline in the demand for Chinese exports in the North, it reduces the amount of finance that China has for its aid activities in the Southern countries. In other words, the financial source of Chinese aid is generated from within the global capitalist system. In this regard, China’s trade and aid relations with the Southern countries are closely linked to the wider international capitalist dynamics. Therefore, China does not have the potential to promote a self-sufficient and independent development model for the underdeveloped countries that is free from international capitalist dynamics.

For the aid recipient countries, Chinese aid can be an alternative source of aid, and it can sometimes be an escape route from policy conditions attached to the Western aid. But this also does not justify the idea of an alternative development model. One should keep in mind that China actively participates in the current aid architecture as a member of the leading development organizations such as the World Bank and the Asian Development Bank. Historically, China has been a major borrower from both the World Bank and the Asian Development Bank while, at the same time, it has also been one of the leading contributors to these institutions. As noted above, China implements aid projects in aid-recipient countries in collaboration with multilaterals, such as World Bank and the UNDP, and with bilateral aid organizations such as the United Kingdom's DFID. In this respect, China, as an active player in the current aid architecture, contributes to the credibility and legitimacy of the current aid architecture instead of posing a challenge to it. It recognizes the rules of the existing aid architecture and uses its mechanisms. Besides, as discussed above, there is complementarity between Chinese and Western aid in the sense that Chinese capital benefits from neoliberal reforms imposed by the Western aid agencies on the aid-recipient poor countries, while Western capital benefits from China's infrastructure aid in the remotest regions of the underdeveloped world. China's growing aid projects aim at building physical infrastructure, human resources development and the construction of special economic zones in aid-recipient countries. These projects contribute to the incorporation of these countries into global value chains controlled by Western-based multinational corporations, and submission of their population to capital as cheap and flexible labor. This configuration illustrates how Chinese and the Western foreign aid complement each other in a joint exploitation of labor and resources in the underdeveloped world. However, while serving the interests of neoliberal historical bloc, foreign aid also plays a role in the frictions and competitions within it. In this sense, China is engaging itself in a two-line struggle with the traditional donor countries between cooperation on the one side, and competition and on the other. In this two-way struggle, "aid with Chinese characteristics" plays a double

role. On the one hand, it complements Western foreign aid in the joint exploitation of the underdeveloped countries and proletarianization of their populations. On the other hand, it plays a role in an intra-systemic rivalry with the Western countries to get access to natural resources and markets in the underdeveloped world in the context of the current systemic crisis of global capitalism. It is obviously too early to say whether and how China and the other emerging donors might transform or reform the current aid architecture. Through high profile infrastructure aid projects and investments, such as the One Belt One Road initiative, China seems to portray itself as a new champion for free trade and globalization at a time when the world economy has been constrained by the isolationist orientations of the new US administration. Consequences of such strategies remain to be seen. What is certain, however, is that China, as a donor, does not offer new development opportunities that can be an alternative to capitalist development.

Finally, our qualitative analysis of aid was followed by a quantitative analysis. This study has approached quantitative aid data, whether provided by established donors or emerging donors, with suspicion. As repeatedly noted, donors have found numerous ways to inflate and misreport their aid figures. More importantly, even if aid data is reported according to the internationally-agreed rules, foreign aid is simply measured by the quantity of material and financial flows as reported by the donors, not by their developmental impact or quality. Official development assistance measures used by the OECD do not tell us anything about the outputs and impacts that are reached through aid projects. However, despite the indicated deficiencies, a quantitative analysis has been helpful in terms of obtaining a clearer picture of aid volumes and trends in aid flows. It has also been helpful in understanding the relative importance donors are giving to different sectors, regions and delivery channels. Among other findings, upward trend in aid interventions related to employment, human capital and social infrastructure in the post-Cold War years have been supportive of our argument that aid plays a role in the proletarianization of the poor through provision of sufficiently healthy and qualified labor to capital.

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APPENDICIES

A. CURRICULUM VITAE

PERSONAL INFORMATION

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Date and Place of Birth: 27 May 197, Yerkoy
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EDUCATION

Degree	Institution	Year of Graduation
MS	METU ADM	2005
BS	BOUN POLS	2002
High School	Turgut Reis High School, Muğla	1997

WORK EXPERIENCE

Year	Place	Enrollment
2005- Present	TİKA	Expert in Development Cooperatiom

FOREIGN LANGUAGES

Advanced English, Basic French

HOBBIES

Computer Technologies, Movies, Music, Reading

B. TURKISH SUMMARY / TÜRKÇE ÖZET

ESKİ VE YENİ DIŞ YARDIM MİMARİSİ

Dış yardımlar; göç, terörizm, salgın hastalıklar, yoksulluk ve iklim değişimi gibi günümüzün önde gelen küresel sorunlarına ilişkin tartışmaların ayrılmaz bir parçası haline gelmiştir. Geçmişte dış yardımlara İkinci Dünya Savaşı sonrası Avrupa'nın yeniden inşası, komünizmin çevrelenmesi ve bağımsızlığını kazanan eski sömürgelerin kalkınmasına destek gibi pek çok farklı görevler atfedilmiştir. Bu iddialı görevler, günümüzde de uluslararası göç krizi ve terörizmle mücadele, demokrasinin güçlendirilmesi, yoksulluğun ortadan kaldırılması gibi alanlarda devam etmektedir. Günümüzde her devlet, yardım alarak ya da yardım sağlayarak, bir şekilde dış yardım ile ilişkili durumdadır. Kalkınmakta olan ülkeler açısından ikili ve çok taraflı kalkınma yardım kuruluşları ile koordinasyon dış ilişkilerinin ayrılmaz bir parçası haline gelmişken, dış yardım gelişmiş ülkelerin güvenlik ve dış politikalarının önemli bir unsuru haline gelmiştir.

Bu çalışmanın amacı, Soğuk Savaş sonrası dönemde “yeni kalkınma yardımı mimarisi”ni incelemektir. Uluslararası kalkınma yardımları alanında ortaya çıkan yeni aktör ve yaklaşımlar üzerine oldukça geniş bir literatür bulunmasına rağmen, “yeni kalkınma yardımı mimarisi” ve kalkınma yardımlarının yeni aktörleri “yükselen donörler” hakkında şaşırtıcı derecede az araştırma bulunmaktadır. Bu çalışmada, kalkınma yardımlarının Soğuk Savaş döneminde sistemler arası ve Soğuk Savaş sonrası dönemde sistem içi rekabetteki rolü ele alınmaktadır. Sistemik bir bakış açısından, “yeni” yardım mimarisindeki değişim ve süreklilik incelenmektedir. Bu noktada “yeni kalkınma yardımı mimarisi”ne ilişkin tartışmalar, dış yardımın yardım alan yoksul ülkelerin kalkınma çabalarına faydasını sorgulayan daha geniş bir bakış açısı ile ilişkilendirilmektedir.

En geniş anlamıyla dış yardım, iktisadi ve sosyal gelişmeyi teşvik amacıyla maddi ve mali kaynaklar ile teknik bilgi ve becerilerin gönüllü olarak transferi olarak tanımlanabilir. Bu çalışmaya konu edilen dış yardımlar ise dış yardımların en yaygını olan resmi kalkınma yardımlarıdır. Manevi motivasyon ile hayır kurumları tarafından sağlanan yardımlar bu çalışmanın konusunun dışındadır. Burada devletler ve uluslararası kuruluşlar tarafından resmi kalkınma ajansları ve yerel/merkezi hükümetler tarafından sağlanan kalkınma yardımları üzerine odaklanmaktadır. Farklı anlamları ihtiva etseler de, bu çalışmada “resmi kalkınma yardımı” ve “kalkınma yardımı” kavramları aynı anlama gelecek şekilde birbirinin yerine kullanılmaktadır. Dış yardım kavramı, kalkınma amacıyla sağlandığı iddia edilen maddi ve mali kaynakların yanı sıra askeri ve siyasi amaçlarla sağlanan kaynakları da kapsamaktadır. Ancak farklı yardım türleri arasında tanımlamalarda gözetilen ayırım genelde dış yardım uygulamalarına yansımadığından “dış yardım” ve “resmi kalkınma yardımı” kavramları da bu çalışmada birbirleri ile değişimli olarak kullanılmaktadır.

Resmi kalkınma yardımı kavramını tanımlayan ve resmi kalkınma yardımlarının raporlanması konusunda standartları belirleyen kuruluş Ekonomik İşbirliği ve Kalkınma Örgütü'nün (OECD) Kalkınma Yardımları Komitesi'dir (DAC). Kalkınma Yardımları Komitesi, kurulduğu 1961 yılından bu yana kalkınma yardımı alanındaki maddi ve mali akımları izlemekte ve kalkınma yardımları politikalarının oluşturulmasına rehberlik etmektedir. Komite, dünyanın önde gelen donörlerini bir araya getiren platform olmanın yanı sıra, kalkınma yardımlarında standart belirleyicisi ve takipçisi olarak küresel dış yardım mimarisine yön veren en önde gelen kalkınma aktörüdür. Resmi kalkınma yardımı kavramı Ekonomik İşbirliği ve Kalkınma Örgütü Kalkınma Yardımları Komitesi tarafından ilk defa 1969 yılında tanımlanmış ve yardım miktarlarının hesaplanmasında uluslararası uzlaşıyla belirlenmiş standart bir yöntem olmasına rağmen, kavramın içeriği ve hesaplanmasında kullanılan yöntemler tartışma ve ihtilaf konusu olmaya günümüzde de devam etmektedir. Bunun yanı sıra, günümüzde dış yardımın faydası ve gerekliliğini en ateşli şekilde savunanlar bile “yardım bağımlılığı,” “yardımın

başarısızlığı” ve olumsuz etkileri üzerinde tartışmaya, küresel yardım mimarisinde bazı reformlara ihtiyaç duyulduğunu dillendirmeye başlamışlardır. Bu çalışma ise yardımın nasıl daha iyi ve etkin bir şekilde küresel sorunlara çözüm sağlayacağı tartışmasını anlamsız bulmakta; yardımın çözüm sağlamak yerine bu sorunların bir parçası olup olmadığını sorgulamaktadır. Bu noktada amaçlanan Neo-Gramscian yaklaşım çerçevesinde kalkınma yardımlarının kuram ve uygulamasının bir eleştirisini yaparak, sistemsel bir çerçeveye yerleştirmektedir.

Kalkınma yardımlarının işlevi ve faydasını sorgulayan eleştirel bir incelemeye, öncelikle “resmi kalkınma yardımı” ve ilgili teknik kavramların sorgulanmasından başlanması gerekir. Çünkü, resmi kalkınma yardımlarının hesaplanması ve raporlanmasında donör ülkelerin üzerinde mutabık kaldığı teknik kavramlar ve yöntemler kullanılmaktadır. Bu nedenle çalışmamızda öncelikle kalkınma yardımı ve ilgili teknik kavramların ortaya çıkışı tarihsel süreç içerisinde incelenerek, kavram ve tanımlamalardaki çelişki ve muğlaklıklar ortaya konmuştur. Burada amaç, bu çelişki ve belirsizliklerin resmi kalkınma yardımlarının hesaplanması ve raporlanmasında donör ülkeler tarafından nasıl istismar edildiğini göstermektir. Kalkınma yardımının üzerinde uzlaşmış tanımının yapılmasından bu yana yarım asırdan fazla bir süre geçmiş olmasına rağmen, bu tanımın uzun yıllardır muğlak kalması ve hesaplanmasında kullanılan yöntemlerdeki farklılıklar ve tutarsızlıklar yardım miktarlarının şişirilmesine ve gerçekte olduğundan daha fazla miktarlarda raporlanmasına olanak sağlamaktadır. Bu noktada, resmi kalkınma yardımlarının tanım ve hesaplanma yöntemine ait yıllardır devam eden tartışmaların yardım miktarlarının şişirilmesi ve manipüle edilmesi amacıyla kasten izlenen bir strateji olma olasılığı üzerinde durulmaktadır. Tarihsel incelememiz göstermektedir ki İkinci Dünya Savaşı sonrası dönemin ilk yıllarında gelişmiş ülkelere az gelişmiş ülkelere transfer edilen her türlü maddi ve mali kaynak OECD-DAC üyelerince kalkınma yardımı olarak raporlanmıştır. Bu kaynakların ticari, askeri ya da herhangi başka bir amaçla yapılması arasında bir fark gözetilmemiş ve gelişmiş ülkelere bu ülkelere giden her türlü finansal ve maddi akımın bir şekilde dolaylı olarak kalkınmaya fayda sağlayacağı varsayılmıştır. Daha sonra 1969 yılından

itibaren Ekonomik İşbirliği ve Kalkınma Örgütü Kalkınma Yardımları Komitesi kalkınma yardımlarını resmi olarak tanımladıktan sonra bu yaklaşımdan vazgeçilse de, uygulamada kalkınma yardımına yönelik transferler ile diğer amaçlarla yapılan transferler (doğrudan yabancı yatırımlar, askeri ve ticari transferler) arasındaki muğlaklık devam etmiştir. Çalışmamızda somut örnekleriyle de gösterildiği gibi, başta ABD olmak üzere çoğu OECD-DAC üyesi donör ülke askeri ve ticari amaçla yapılan mali transferleri kalkınma yardımı olarak raporlamıştır. Fakat bunların da ötesinde, son yıllarda OECD-DAC'ın ortaya attığı bazı yeni kavramlar resmi kalkınma yardımları ile diğer transferler arasında muğlaklığı daha da artırmaktadır. Bir anlamda, OECD-DAC eski alışkanlıklarına geri dönerek gelişmiş ülkelere yapılan her türlü maddi ve mali transferin, ne amaçla yapılmış olursa olsun, kalkınmaya destek sağladığı anlayışına tekrar geri dönmüştür. Bu doğrultuda, OECD-DAC'ın kalkınma amaçlı maddi ve mali transferleri hesaplamak amacıyla son yıllarda ortaya attığı yeni ölçüm yöntemleri, kalkınma yardımlarına kıyasla özel sektör tarafından sağlanan yatırım ve transferlere öncelik vermektedir. Resmi kalkınma yardımlarına alternatif ölçüm yöntemlerinden biri olan “Sürdürülebilir Kalkınma Yardımları için Toplam Resmi Destek” (Total Official Support for Sustainable Development), kar amacıyla özel sektör tarafından yapılan yatırımları kalkınmaya destek anlamında daha görünür bir konuma yerleştirmeye yönelik bir çaba olarak değerlendirilebilir. Özel sektöre kalkınmanın vazgeçilmez aktörleri olarak atfedilen rol yeni olmamakla birlikte, özel sektör ve kalkınma aktörleri arasındaki ayrımın ve görev dağılımının giderek daha çok bulanıklaşması söz konusudur. Bu noktada, “Sürdürülebilir Kalkınma Yardımları için Toplam Resmi Destek” gibi yeni yardım ölçüm yöntemleri, özel sektörün kalkınmaya katkı sağlamakla sınırlı kalmanın ötesinde, kalkınma yardımı uygulamalarını yönlendiren baş aktör konumuna getirilmesine yönelik çabaların bir parçası gibi görünmektedir. Bir başka ifadeyle, içinde bulunduğumuz küresel kapitalist kriz ortamında özel sektörü ön plana çıkaran bu tür çabalar, özel sektörün diğer kalkınma aktörlerini dış yardımları kapitalizmin işleyişi ve devamlılığına hizmet edecek şekilde kullanmaları

amacıyla yönlendirebileceği yeni bir kalkınma platformu oluşturma gayretinin bir parçası olarak değerlendirilebilir.

Bu çalışmanın bakış açısından ele alındığında, kalkınma yardımlarının donör ülkenin çıkarlarına hizmet ettiği ve “gizli bir gündem” taşıdığına ilişkin yorum ve incelemeler malumun ilanı olmanın ötesine geçememektedir. Bir diğer ifadeyle, dış yardımların kalkınmayı teşvik etme kisvesi altında donör ülkelerin siyasal ve ekonomik çıkarlarına hizmet ettiğini göstermeye yönelik bir çalışma “herkesin bildiği sırları” göstermekten öteye gitmemektedir. Dış yardımların hangi ülkelere ve ne kadar yapıldığına dair üstünkörü bir inceleme bile göstermektedir ki dış yardımlarda esas belirleyici unsur yardım alanların ihtiyaçları değil, donör ülkelerin siyasal ve ekonomik çıkarlarıdır. Ancak bu çalışma dış yardımların yardım alan ülkelerin yardım veren ülkeler tarafından sömürülmesi ile sınırlı olmadığını gösterme iddiasındadır. Buradaki varsayımımız dış yardımın yalnızca “Kuzey-Güney”, “çevre-merkez,” “donör ülke-yardım alan ülke” arasındaki eşitsiz ve sömürüye dayalı ilişkilerde rol oynamakla sınırlı kalmadığı; bunların yanı sıra küresel bağlamda emek-sermaye arasında sömürüye dayalı üretim ilişkilerinde de doğrudan rol oynadığıdır.

Çalışmamız Soğuk Savaşın farklı dönemlerinde kalkınma yardımları uygulamalarının nasıl ve ne yönde değiştiğine dair tarihsel bir değerlendirme sunmaktadır. Burada Soğuk Savaş sırasında kalkınma paradigmasında meydana gelen değişimlerin kalkınma yardımı uygulamalarına nasıl yansıtıldığı gösterilmektedir. Özellikle, Savaş Sonrası dönemin ilk büyük ölçekli uluslararası kalkınma yardımı inisiyatifi olan Marshall Planı’na odaklanılmaktadır. Marshall Planı, resmi adıyla Avrupa Yeniden İmar Programı, Savaş Sonrası dönemde oluşan uluslararası yardım mimarisinin temellerini atmış olması nedeniyle bu çalışma açısından ayrı bir öneme sahiptir. Marshall Planı’nın sebep ve sonuçları üstüne yapılan pek çok çalışma, bu yardım programının başarısı üzerinde durmakta ve onu adeta eşsiz bir “başarı hikayesi” olarak lanse etmektedir. Ulaşmak istediği hedefleri gerçekleştirmek açısından ele alınırsa çalışmamızın bakış açısından da Marshall Planı başarılıdır. Ancak, buradaki başarı ne “yardım” ile ilgili ne de Batı Avrupa

lkeleri ile sınırlıdır. Marshall Planı'nın başarısı saęlanan yardımların miktarı ve nitelięinden ok, asıl hedefi olan ABD nderlięinde ok taraflı bir kresel kapitalist ekonomik dzen kurulmasına katkı saęlamasıyla ilgilidir. Soęuk Savaę sırasında, dıő yardımlar Amerika Birleőik Devletleri'nin ncelikli hedefleri olan kapitalist devletler arasındaki iliőkileri dzenleme ve komnizmin evrenmesi ile doęrudan iliőkilidir. Bu noktada, Marshall Planı bir yardım programından ok daha fazlasını ifade etmiő, Batı Avrupa lkeleri arasında serbest ticareti canlandırma ve kapitalizmi tekrar ayaęa kaldırmada nemli bir rol oynamıőtır. Ayrıca, Marshall Planı kurum ve mekanizmalarıyla Neo-Gramscian hegemonyanın uygulamada net bir rneęini gstermektedir. Aslında, Neo-Gramscian yaklaőımdan faydalanılarak Marshall Planı'nın ortaya ıkıőı ve sonuları zerine yapılan alıőmalar bulunurken, Marshall Planı sonrasındaki dıő yardım uygulamalarına ynelik Neo-Gramscian bakıő aısıyla yapılan alıőmaların azlıęı olduka őaőırtıcıdır. Bu anlamda, alıőmamızın amalarından biri bu boőluęu doldurmaktır.

İkinci Dnya savaőı sonrası dnemin ilk yıllarında ortaya ıkıőından itibaren kalkınma yardımları Soęuk Savaę dnemi boyunca komnizmin evrenmesinde kullanılan jeopolitik ve askeri stratejilerde rol oynamıő, onların bir parası ve tamamlayıcısı olmuőtur. Ancak dıő yardımların yalnızca iki sper g arasındaki jeostratejik ve askeri mcadelenin aracı olduęunu dőnmek indirgemeci bir yaklaőım olacaktır. Ana akım uluslararası iliőkiler teorileri Soęuk Savaęı iki sper g arasındaki askeri ve stratejik rekabete indirgerken, dıő yardımı da nc Dnya'da birbirlerine stnlk saęlamak amacıyla iki sper g tarafından kullanılan bir araca indirgerler. Bu alıőma Soęuk Savaęı iki farklı sosyal sistem arasında gerilimden kaynaklanan bir mcadele olarak gren sistemik yaklaőımı takip etmektedir. Bu noktadan hareketle, dıő yardım da iki sper g arasındaki askeri ve stratejik mcadelenin aralarından biri olmaktan te, iki rakip sistem arasında, sosyal ve ekonomik iliőkilerin dzenlenmesine iliőkin sistemik mcadelenin nemli bir parası olarak deęerlendirilmektedir.

Ana akım uluslararası iliőkiler literatrne baktıęımızda, rneęin realist yaklaőımlar, genel olarak dıő yardımı ulusal ıkarların gerekleőtirilmesi amacıyla

kullanılan pek çok dış politika aracından biri olarak görürler. Yani dış yardım yüzyıllardır süregelen dış politika uygulamalarından biri olarak siyasal ve ekonomik çıkar elde etme amaçlı rüşvettir. Daha önce de belirtildiği üzere, dış yardımın siyasal ve ekonomik çıkar ve nüfuz elde etmede kullanıldığı tartışılmaz bir gerçektir. Ancak bu yüzeysel yaklaşımlar İkinci Dünya Savaşı sonrası kalkınma yardımlarının tarihsel olarak kendine özgü niteliğini yadsımaktadır. Çünkü realist yaklaşımlara göre antik çağda imparatorlukların sağladığı dış yardımlar ile İkinci Dünya Savaşı sonrası Amerika Birleşik Devletleri'nin sağladığı yardımlar arasında amaç ve motivasyon açısından pek de bir fark yoktur. Hatta, Sovyet ekonomik ve teknik işbirliği modeli ile kapitalist ülkelerin sağladığı dış yardımlar arasında da amaç ve motivasyon açısından bir fark yoktur. Bu bakış açısı, farklı cümlelerle ifade edilse de (örneğin, dış yardımı “rüşvet” yerine “teşvik” ya da “mükafat” gibi daha özenli bir terminoloji ile ifade etme) liberal uluslararası ilişkiler kuramını benimseyen yaklaşımlarda da birebir aynıdır.

Bu çerçevede, dış yardımı kısa vadeli iktisadi ve siyasi çıkar elde etmedeki rolü üzerinden değerlendiren indirgemeci bir çalışma ile sınırlı kalmak yerine, Savaş Sonrası dönemde yeni uluslararası düzeni oluşturmadaki özgün rolü üzerine odaklanan daha geniş bakış açısına sahip sistemik bir analize ihtiyaç olduğu açıktır. Marshall Yardımı sonrasında Soğuk Savaşın farklı dönemlerinde dış yardım anlayış ve uygulamalarında meydana gelen değişimler çalışmamızda ayrıntılı olarak ele alınmıştır. Dış yardım uygulamalarında 1960'lar, 1970'ler ve 1980'lerde meydana gelen değişimler Soğuk savaşının jeopolitik ve askeri boyutunu iki sistem arasındaki sosyal ve ekonomik mücadele ile entegre eden sistemik bakış açısıyla değerlendirilmiştir. Burada amaç Soğuk Savaş boyunca sistemler arası mücadelenin bir parçası olarak dış yardımın büründüğü farklı biçimleri ve üstlendiği rolleri göstermektir. Örneğin Soğuk Savaş mücadelesinin sertleştiği ve Üçüncü Dünya'da sıcak çatışmaya döndüğü zamanlarda dış yardımlar rıza sağlamaya yönelik çabalardan çok, askeri yöntemlerin bir parçası halinde karşımıza çıkmıştır. Bunun en somut örneği Vietnam Savaşı sırasında Amerika Birleşik Devletleri'nin dış yardımı askeri yöntemlerin bir parçası haline getirmesi ve adeta bir savaş silahı

şeklinde kullanmasıdır. Daha sonra Dünya Bankası öncülüğünde 1970’lerde kalkınma anlayışında ön plana çıkan “temel ihtiyaçlar yaklaşımı” doğrultusunda kalkınma yardımları tekrar söylem ve uygulamada değişikliğe uğramış ve temel ihtiyaçların karşılanmasına öncelik vermeye başlamıştır. 1980’lerde ise “yapısal uyum” politikaları doğrultusunda, başta Dünya Bankası olmak üzere, önde gelen donörler yardım alan ülkelere sağlık ve eğitim gibi en temel ihtiyaçlarda harcamalarını kısımayı verilen yardımların bir koşulu olarak dayatmaya başlamışlardır. Kuram ve uygulamadaki bu ani değişimler, gelgitler ve tutarsızlıklar kalkınma yardımlarının en belirgin ve değişmez özelliğidir.

İkinci Dünya Savaşı sonrası dönemde yardıma yönelik ilk ciddi ve kapsamlı eleştiriler merkezle çevre arasındaki bağımlılık ve sömürü ilişkisi ile gelişmişlik-azgelişmişlik sorunsalına odaklanan Bağımlılık Kuramı temsilcileri tarafından gerçekleştirilmiştir. Dış yardım, özellikle Amerika Birleşik Devletleri’nin Üçüncü Dünya Ülkeleri’ne yönelik perspektifini ve politikalarını şekillendiren Modernleşme Kuramı’na ilişkin analizler çerçevesinde Bağımlılık Kuramı temsilcilerinin sert eleştirilerine maruz kalmıştır. Ancak yardıma yönelik eleştiriler sistem karşıtı tarihsel maddeci yaklaşımlar ile sınırlı kalmamıştır. Tamamen farklı bakış açısı ve gerekçelerle, dış yardım ana akım iktisat tarafından da ağır biçimde eleştirilmiştir. 1970’lerden bu yana, bazı neoliberal iktisatçılar rekabet mekanizmasına bir müdahale olduğu ve serbest piyasa ekonomisinin doğal işleyişine engel teşkil ettiği gerekçesiyle dış yardıma karşı çıkmaktadırlar. Bu neoliberal eleştiriler, bizlere serbest piyasa mekanizmalarının yoksulluk ve ilgili sorunlar için tek çözüm olduğunu dayatmaya çalışırken, tarihsel süreçte yardım alan ve yardım veren ülkeler arasındaki bağımlılık ve sömürü ilişkisinin yoksulluk ve eşitsizliğin ortaya çıkısındaki rolünü yadsımaktadır. Bu noktada az gelişmişlik ve yoksulluğun sebebi yoksul ülkelerin kendi iç dinamiklerinde aranırken, “piyasa” tüm sorunların çözümü olarak sunulmaktadır. Bu yaklaşımın dayandığı temel varsayım, sermayenin elinde biriken zenginliğin istihdam ve talep yaratma suretiyle zaman içinde toplumun diğer kesimlerine de damlayarak yayılacağıdır (trickle-down economics). Bu neoliberal yaklaşımlar, bilgi eksikliğinden ya da kasıtlı olarak, dış yardımın tarihsel süreçte

piyasa mekanizmalarının işleyişine engel olmaktan ziyade destek sağladığı gerçeğini yadsımaktadır. Bu noktada, bu çalışmanın hedeflerinden biri dış yardımın piyasa mekanizmalarıyla çelişmediğini, aksine çok taraflı serbest ticarete dayanan kapitalist sistemin uluslararası ölçekte restorasyonu ve sürekliliğinin sağlanmasında önemli bir rol oynadığını göstermektedir.

Neoliberallerin serbest piyasa mekanizmalarının yoksulluğun tek ve en verimli çözümü olduğuna dair sorgusuz inançlarına dayanan dış yardım karşıtı görüşlerine rağmen, geçtiğimiz 40 yıl boyunca resmi kalkınma yardımlarının sürekli artması ve rekorlar kırması ilk bakışta oldukça şaşırtıcı gibi görülebilir. Çünkü 1980'lerden bu yana önde gelen donör ülkelerde neoliberal hükümetler iktidarda olmuş ve dış yardım politikalarını yönlendirmişlerdir. Bunun yanı sıra, neoliberal yaklaşımlar prensip olarak dış yardıma karşı çıkıp piyasanın her türlü problemin çözümü olduğunu dayatırken, Soğuk Savaşın sona ermesiyle de dış yardımın gerekçesini tamamen yitirdiğini iddia etmişlerdir. Bu noktada cevaplanması gereken soru Dünya Bankası ve OECD gibi neoliberal donör kuruluşların, 1980'lerden bu yana yardım miktarlarını neden sürekli olarak artırdığıdır. Bu sorunun cevabı aynı zamanda Soğuk Savaş Sonrası “yeni dış yardım mimarisi”nin biçim ve içeriğinin ortaya konması açısından da önem arz etmektedir.

Soğuk Savaş Sonrası dönemde dış yardımlara ilişkin tartışmalarda sıklıkla “yeni yardım mimarisi”nden bahsedilmektedir. 1990'ların sonu ve özellikle de 2000'li yıllardan bu yana Dünya Bankası, Birleşmiş Milletler Kalkınma Programı ve OECD gibi önde gelen kalkınma aktörlerinin resmi yayınları sürekli olarak kalkınma yardım mimarisinde değişim ve dönüşümden söz etmektedir. Daha önce de bahsedildiği üzere, kalkınma yardımları her zaman değişen şartlara ayak uydurmuş, Soğuk Savaş boyunca sistemler arası mücadelenin bir parçası olarak farklı biçimlere bürünerek, küresel kapitalist sistemin sürdürülmesine hizmet amacıyla farklı roller üstlenmiştir. Kimi zaman kalkınma yardımlarının uygulama ve söyleminde meydana gelen değişimler baş döndürücü bir hızda gerçekleşmiştir. Ancak kalkınma yardımlarının söylem ve uygulamalarında küresel kapitalist sistemin devamlılığı ve konsolidasyonu amacıyla meydana gelen her değişim yeni

bir “kalkınma yardımı mimarisi”nin ortaya çıktığı anlamına gelmez. Yardım mimarisi, kalkınma yardımlarının donörlerden yardım alan ülkelere aktarımını düzenleyen kurum ve kurallar olarak tanımlanabilir. Dış yardımların sağlanmasında rol oynayan kurumlar, uygulamalar, finansal araçlar ve aktarım mekanizmaları yardım mimarisinin bir parçasıdır. Dış yardım politikalarının uygulama ve söyleminde meydana gelen her değişiklik için yeni bir yardım mimarisinden bahsetmek anlamlı olmayacaktır. Herhangi bir “yeni yardım mimarisi”nden bahsedebilmemiz için yardımların sağlanmasına ilişkin kurumlarda, finansal araçlarda ve donörler ile yardım alan ülke ilişkilerinde temel bir dönüşüm söz konusu olmalıdır. Bu çalışmanın bir diğer hedefi Soğuk Savaş dönemi ve Soğuk Savaş sonrası dönemdeki kalkınma yardımı kurumları ve uygulamalarını kıyaslamalı olarak inceleyerek “kalkınma yardımı mimarisi”ndeki değişim ve sürekliliğin izlerini sürmektedir.

Soğuk Savaş sonrasında ilk yıllarında, kapitalist sistem için tehdit olarak algılanan Sovyet faktörünün ortadan kalkmasıyla yardımın gerekçesini yitirdiği ve zamanla ortadan kalkacağı görüşü oldukça yaygındır. Bu görüş, dış yardımı yalnızca Sovyetler Birliği’nin çevrelenmesi bağlamında kullanılan stratejik bir araç olduğu anlayışına dayanmaktadır. Fakat Soğuk Savaş süper güçler arası askeri ve stratejik mücadeleyle indirgeyen bu yüzeysel anlayış, dış yardımların Sovyetler Birliği’nin çevrelenmesindeki rolünün yanı sıra kapitalist devletler arasındaki ilişkileri düzenlemede ve çok taraflı kapitalist sistemin uluslararası ölçekte restorasyonunda oynadığı rolü yadsımaktadır. Ayrıca, Soğuk Savaş takip eden yıllarda dış yardım miktarlarının sürekli olarak artış gösteriyor olması, yardımın var olma nedeninin yalnızca Sovyetler Birliği’nin çevrelenmesi hedefiyle sınırlı olduğu iddiasının gerçeği yansıtmadığını göstermiştir. Bu noktada çalışmamızın amacı dış yardımların Soğuk Savaş sırasında Sovyetler Birliği’nin çevrelenmesi bağlamında oynadığı rolün önemini azımsamak ya da inkar etmek değil, yardımın rolünün bununla sınırlı olmadığını göstermektir.

Dış yardım Soğuk Savaş sonrası dönemde yeni roller ve görevler üstlenmiştir. Ancak, dış yardımın gerekçesinin Soğuk Savaş’ın sona ermesiyle ortadan kalktığını

iddia etmek ne kadar yanlış ise, Soğuk Savaşın sonrasında sistemler arası küresel mücadelenin ortadan kalkmasıyla dış yardımların üstlendiği yeni rol ve görevler sonucunda tamamen farklı ve yeni bir yardım mimarisinin ortaya çıktığını iddia etmek de o kadar yanıltıcıdır. Soğuk Savaş Sonrasının ilk yıllarında kalkınma yardımlarında öne çıkan baskın tema yoksulluğun azaltılmasıydı. 1990’lardan itibaren Dünya Bankası öncülüğünde ön plana çıkan yoksulluğun azaltılması ve temel ihtiyaçlara odaklanılmasına yönelik kalkınma yardımı stratejileri aslında hiç de yeni değildi. Bu yoksulluğun azaltılmasına yönelik söylem ve stratejiler aslında çalışmamızda ele alınan 1970’lerde kalkınma anlayışında ön plana çıkan “temel ihtiyaçlar yaklaşımı” ile benzerlikler göstermektedir. Dünya Bankası tarafından yayınlanan 1990 tarihli Dünya Kalkınma Raporu’nun ana teması *Yoksulluk*’tur. Rapor, yoksulluğa karşı emek yoğun bir büyüme ile sağlık ve eğitim gibi temel ihtiyaçların etkin biçimde sağlanmasından oluşan bir kalkınma yardımı stratejisi önermektedir. Emeğin üretkenliğinin artırılması ve özellikle mesleki becerilerin geliştirilmesine yönelik eğitim hizmetlerinin yoksullara ulaştırılması, raporun en önemli iki teması arasındadır. Dünya Bankası’na göre yoksulluğun azaltılmasında en önemli unsur yoksulların “en bol varlığı olan emeğin üretken kullanımının teşvik edilmesi” olmalıdır. Bu hedef doğrultusunda Dünya Bankası yoksulluğu azaltmak için ikili ve çok taraflı donör kuruluşlara emeğin üretkenliğini artırmanın ve temel ihtiyaçların karşılanmasını merkeze alan bir yardım anlayışı benimsemelerini önermektedir. Çalışmamızın bu bağlamdaki temel varsayımı, yoksulluğun azaltılması kisvesi altında Dünya Bankası öncülüğünde uluslararası donör camiası tarafından yeniden keşfedilen fakirliği azaltmaya yönelik kalkınma yardımı mekanizmalarının Sovyet faktörünün ortadan kalkmış olduğu Soğuk Savaş sonrası dönemde yoksul ülkelerdeki fakir nüfusun kitleler halinde proleterleştirilmesinde önemli bir rol oynadığıdır. Çalışmamızda Birleşik Devletler Uluslararası Kalkınma Ajansı (USAID), Birleşik Krallık Uluslararası Kalkınma Bakanlığı (DFID) gibi önde gelen donörlerin Dünya Bankası’nın küresel bir proletarya yaratmak amaçlı “yoksulluğu azaltma” stratejilerini destekleyen tamamlayıcı yaklaşımları ve uygulamaları somut örneklerle gösterilmektedir. Bu bağlamda “yeni kalkınma

mimarisi” kapsamında uygulanan yardım stratejileri mercek altına alınmaktadır. Dünya Bankası önderliğinde 1990’lı yıllarda emeğin üretkenliğini artırma yoluyla yoksulluğun azaltılması yaklaşımı dış yardımın baskın teması haline gelmiştir. Bu bağlamda mesleki ve teknik eğitime yönelik yardım projeleri ön plana çıkarken, donörler gençlerin ve kadınların piyasa ihtiyaçlarına uygun nitelikli işgücü haline getirilerek “yoksulluktan kurtarılması”nı sağlama amaçlı eğitim ve sosyal altyapı projelerine öncelik vermeye başlamıştır. Bu çalışma, yoksul ülkelerdeki kitlelerin yeterli mesleki becerilere sahip, çalışmaya elverişli derece sağlıklı bir işgücü oluşturarak “yoksulluğu azaltma” stratejilerinin aslında sermayenin ihtiyaçlarına uygun kalifiye bir proletarya oluşturma çabası olduğunu iddia etmektedir. Bu bağlamda yardım genel olarak üç farklı şekilde kullanılmıştır. Öncelikle, Soğuk Savaş Sonrası dönemde dış yardım, teknik destek ve yönlendirme kisvesi altında, yardım alan ülkelerin sermayenin çıkarları doğrultusunda esnek ve kuralsız bir işgücü piyasası oluşturma koşuluna bağlanmıştır. Bu amaçla yardım alan ülkelerin işgücü piyasası politikalarının sermayenin çıkarları doğrultusunda düzenlenmesi veya gözden geçirilmesi sağlanmıştır. İkincisi, yardım yoluyla eğitim ve sağlık alanları başta olmak üzere sağlanan temel ihtiyaçlar, yardım alan ülkelerin emeklerini satmak dışında başka çareleri olmayan yoksul nüfuslarını sermayenin istismarına açık kalifiye işgücüne dönüştürmeye hizmet etmektedir. Bu amaç doğrultusunda, Soğuk Savaş sonrası dönemde mesleki eğitim, teknik işbirliği, insan kaynakları geliştirme programları sektörlerin meydana gelen artış OECD Kalkınma Yardımları Komitesi’nin resmi kalkınma yardımı verilerinde de net bir biçimde görülmektedir. OECD-DAC üyesi donör ülkelerin Dünya Bankası öncülüğünde emeğin verimliliğini artırma yoluyla yoksulluğu azaltma amaçlı yardım uygulamaları daha derinlemesine incelendiğinde ise kaynakların yoksulların çalışma ve yaşam koşullarının iyileştirilmesi yerine üretim araçlarındaki bilimsel ve teknolojik gelişmeler doğrultusunda sermayenin değişen ihtiyaçlarının belirlenmesi ve giderilmesine harcanmaktadır. Üretim araçlarında teknik ilerleme ve bilimsel buluşlara dayalı ilerleme süreci meydana gelen değişim sermayenin sürekli olarak yeni ve güncel mesleki ve teknik becerilerle donatılmış proletaryaya ihtiyaç

duymasına neden olmaktadır. Marx ve Engels'in ifade ettiđi gibi, üretim araçlarında, dolayısıyla üretim ilişkilerinde ve dolayısıyla tüm toplumsal ilişkilerde sürekli devrim yapmaksızın burjuvazi var olamaz. Üretimde sürekli dönüşüm ve bu dönüşüm doğrultusunda sermayenin deđişen ihtiyaçlarına cevap verebilecek teknik bilgi ve beceriye sahip bir proletarya kapitalizmin en belirgin özelliklerinden biridir. Dış yardımların bu noktadaki rolü ise az gelişmiş ülkelerdeki yoksulları bu ihtiyaçlar doğrultusunda nitelikli işçilere dönüştürecek teknik bilgi ile becerileri ve kendilerini yeniden üretmelerini sağlayacak temel ihtiyaçları sağlamaktır.

Yoksulların çalışma koşullarının iyileştirilmesinden ziyade, üretim araçları ve üretim ilişkilerinde meydana gelen dönüşümler sonucu sermayenin deđişen ihtiyaçlarına yanıt verme amaçlı olan “emeğin verimliliđini artırma” ve “yoksullara istihdam sağlama” odaklı bu kalkınma yardımı anlayışı son yıllarda doğal afet ve insani krizlere yönelik sağlanan “insani yardımlara” da yansımıştır. OECD-DAC üyesi donör ülkeler günümüzde yaşanan en ağır insani krizlere “çözümü” afet ve krizlerin kurbanlarını mesleki ve teknik becerilerle donatıp, esnek, güvencesiz ve ucuz işgücü olarak sermayenin eline teslim etmede bulunmaktadır. Birleşmiş Milletler tarafından “insani krizlere kalkınma odaklı yaklaşım” olarak nitelenen bu yaklaşıma göre, savaşlar ve iklim deđişimi gibi pek çok farklı nedenlerle yerlerinden edilen mağdur insanlar ve göçmenler için uzun vadeli çözüm, emeklerinden başka satacak hiçbir şeyleri olmayan bu insanları güvencesiz işgücüne dönüştürmektir. Bunun yakın geçmişteki somut örneklerinden biri donör ülkeler tarafından ortaya atılan Suriye krizi nedeniyle yerlerinden edilen göçmenlere komşu ülkelerde kurulacak “özel ekonomik bölgeler”de istihdam fırsatı sağlanması önerisidir. Bu tür uygulamaların hem kriz mağdurları hem de bu mağdurlara yardım sağlayan ülkeler açısından “kazan-kazan” durumu olacağı iddia edilmektedir. Ancak özel ekonomik bölgelerde aşırı uzun çalışma saatleri ve ağır çalışma koşullarına maruz bırakılan çaresiz ve güvencesiz kriz mağdurları açısından ele alındığında, bu sözde insani yardım anlayışının tek kazanan tarafı sermayedir.

Az gelişmiş ülkelerdeki yoksulların teknik bilgi ve mesleki becerilerinin artırılmasının yanı sıra, donörlerin üzerinde durduđu diğer hususlar yeterli bilgi ve

beceriyle donatılmış proletaryanın işgücü piyasasına katılımının sağlanması ve yardım alan ülkelerdeki yerel işgücü piyasalarının küresel kapitalist sisteme entegre edilmesidir. Son yıllarda, emek verimliliğinin kalkınma ve yoksulluğun azaltılmasındaki önemine yapılan vurguya paralel olarak, Dünya Bankası ve OECD-DAC donörleri, yardım alan ülkelerdeki işgücünün uluslararası üretim zincirleri aracılığıyla küresel ekonomiye entegrasyonunun yoksullukla mücadelenin en önemli unsuru olduğunu sıklıkla vurgulamaktadırlar. Bu bağlamda, dış yardıma sermayenin ihtiyaç ve öncelikleri doğrultusunda yoksulların işgücüne katılımına sağlamada atfedilen rollerden bir diğeri “kalkınmaya küresel değer zinciri yaklaşımı”nda kendini göstermektedir. (global value chain approach to development).

“Küresel değer zinciri” kavramı üretim ve pazarlama sürecindeki (tasarım, imalat, dağıtım, pazarlama, satış sonrası hizmetler) tüm faaliyetlerin maliyetlerin düşürülmesi amacıyla çok sayıda alt parçaya ayrılması ve bu parçaların bir öncü firma liderliğinde farklı ülkelerde yerleşik çok sayıda tedarikçi firmanın işbölümü yapması yoluyla gerçekleştirilmesini ifade etmektedir. Üretim zincirine katılımın kural ve koşullarını, çoğunlukla gelişmiş ülkelerde yerleşik olan çok uluslu şirketlerin oluşturduğu öncü firmalar belirlemektedir. Bu bağlamda, ana akım kalkınma yaklaşımı gelişmekte olan ülkelerdeki yerel firmaların küresel değer zincirine dahil edilmesinin yoksullukla mücadele açısından en hızlı ve en uzun vadeli çözüm olduğunu ileri sürmektedir. Bu bağlamda, başta Dünya Bankası ve OECD-DAC üyeleri olmak üzere, önde gelen ikili ve çok taraflı donör kuruluşları, son yıllarda kalkınma yardımlarında “değer zinciri yaklaşımı”nı benimsemişlerdir. Bu çerçevede, donör kuruluşlar yardım alan ülkelerdeki yerel firmaların, buldukları sektörde küresel değer zincirine eklenmesini mümkün kılacak teknik ve sosyal altyapıları güçlendirmeye yönelik yardım projeleri gerçekleştirmektedir. Bu yaklaşıma göre, ilk hedef emek verimliliğini artırma yoluyla yardım alan ülkenin küresel işgücü piyasasında daha rekabetçi olması sağlamaktır. Böylelikle, küresel değer zincirinin öncü firmaları emeğin daha “rekabetçi” (ucuz, esnek, güvencesiz) olduğu bu ülkeleri zincire dahil edecektir.

İkinci olarak, kalkınma yardımı yoluyla teknoloji ve ekonomik altyapının geliştirilmesi yardım alan ülkenin küresel değer zincirine katılımını ve bu değer zincirinden daha fazla pay alacak şekilde “terfi etmesini kolaylaştıracaktır. Tüm bunlar sonucunda yardım alan ülkelerin küresel değer zincirine rekabetçi bir biçimde entegrasyonu fakirliğin azaltılmasını sağlayacaktır. Buradaki varsayım, az gelişmiş ülkelerin emek verimliliği ve üretim altyapısının güçlendirilerek küresel değer zincirine dahil edilmesi sonucu ortaya çıkacak istihdam imkanları ve ekonomik büyümenin, kaçınılmaz olarak kendiliğinden tüm toplumun yararına olacağıdır. Ancak bu varsayım hiçbir somut kanıtı dayanmamaktadır. Öte yandan çalışmamızın dördüncü bölümünde somut örneklerle gösterildiği gibi, donörlerin “değer zinciri” odaklı yardım yaklaşımlarında asıl kaygı yoksulluğu azaltmak değil, küresel değer zincirinin bir parçası olan az gelişmiş ülkelerdeki firmaların verimliliğini ve işgücünün rekabetçiliğini artırmaktır. Bu noktada çalışmamız, yoksulluğu azaltmada hatta yoksulluktan kurtulmada bir “fırsat” olarak sunulan küresel değer zincirlerinin, emeğin sömürsü ve küresel yoksulluğu yeniden üreten “küresel sefalet zincirleri” olduğunu iddia etmektedir. Bu amaçla, küresel değer zincirlerindeki aşırı ağır, düşük ücretli, güvencesiz ve hatta insanlık dışı çalışma koşullarına ilişkin araştırmalara yer verilerek, “değer zinciri” yaklaşımını benimseyen kalkınma yardımı uygulamalarının aslında yoksulların daha da yoksullaşmasına ve sermaye tarafından daha kolay biçimde sömürülmesine hizmet ettiği gösterilmeye çalışılmıştır. Yardım alan ülkelerin ekonomilerinin daha verimli ve üretken olmalarına yönelik sağlanan “yardımlar” yoksulların emeğinin küresel ölçekte sömürsünün yanında, donör ülkelerdeki şirket ve işçilere de rekabetçi bir baskı oluşturarak küresel kapitalist sistemin devamlılığı ve derinleştirilmesine hizmet etmektedir.

Çalışmamız, ana akım kalkınma ve yardım yaklaşımlarının yoksulluğa çare ve çıkış noktası olarak sunduğu “kapitalist üretim” alanını yoksulluğun ortaya çıktığı yer olarak değerlendirmektedir. Yoksulluk ve eşitsizlik kapitalist üretim ilişkilerinin yanlış ya da eksik işleyişi ile ilgili değildir. Tam tersine, yoksulluk, kapitalist piyasa mekanizması, düzgün ya da çarpık, bir biçimde işlediği için vardır. Bir başka ifadeyle, yoksulluk ve sermaye birikimi aynı madalyonun iki farklı yüzü gibidir. Bu

noktada, dış yardımlar kapitalist sistemin ayrılmaz bir parçası olan “yedek sanayi ordusu”na yönelik olarak da önemli görevler üstlenmiştir. Emek üretkenliği artarken, istihdam edilen işgücündeki göreceli azalma sonucunda, artan yedek sanayi ordusu istihdam edilen işçilerin ücretlerinin aşağıya çekilmesine hizmet eder. Kapitalist birikim sürecinin gereği olarak ortaya çıkan bu artı nüfus sermayenin çıkarları açısından gereklidir. İstihdam edilen işçiler, bu artı nüfusun yarattığı baskıyla uzun çalışma saatlerine ve düşük ücretlere boyun eğmek durumunda kalır. Ancak ücretleri aşağıya çekmeye olan katkısı, yedek sanayi ordusunun işgücü piyasası ile ilişkisini kesmemesi ve önemli bir bölümünün aktif olarak iş aramaya devam etmesiyle mümkün olabilir. Bu artı nüfus, sermaye ihtiyaç duyduğunda tekrar istihdam edilecek şekilde her an el altında bulundurulmalıdır. Öte yandan, yedek sanayi ordusu sistem açısından tehdit oluşturma potansiyeline sahip olduğundan sistemden umudunu tamamen kesecek şekilde marjinalize edilmemesi gerekir. İşte bu noktada, yardımın az gelişmiş ülkelerde yedek sanayi ordusunun kendisini yeniden üretmesini sağlamak ve devrimci eğilimlerin önüne geçme amacıyla minimum temel ihtiyaçları sağlama gibi bir işlevi de söz konusudur. Bir diğer ifadeyle, yardım yedek sanayi ordusunun işlevini yerine getirirken kendini yeniden üretmesini sağlama amaçlı bir sosyal güvenlik mekanizması işlevi görür.

Yeni dış yardım mimarisi kapsamında öne çıkan konulardan birisi de sayı ve görünürlükleri son yıllarda giderek artmakta olan “yükselen donörler”dir. Kalkınma yardımlarının yeni aktörleri olarak değerlendirilen yükselen donörlerin geleneksel kalkınma mimarisini ve yardım uygulamalarına meydan okuduğuna dair tartışmalar kalkınma çalışmalarının ayrılmaz bir parçası haline gelmiştir. Kimileri kalkınma yardımlarının bu yeni aktörlerini kural ve sınırlarını OECD-DAC’ın belirlediği geleneksel dış yardım mimarisine tehdit olarak algılamakta, kimileri de yükselen donörlerin ortaya koyduğu yeni yardım modaliteleri ve işbirliği modellerini bir çeşitlilik ve fırsat olarak değerlendirmektedir. Aslında, yükselen donörlere ilişkin tartışmalar, tek bir yükselen donör üzerinde yoğunlaşmaktadır. Bu “yeniden” yükselen donör Çin’dir. Basit bir literatür taraması geleneksel donörlerin yükselen donörlere yönelik ifade ettikleri korku, kaygı ve eleştirilerin doğrudan ya da dolaylı

olarak Çin'i hedef aldığını göstermektedir. Bu nedenle çalışmamız en önde gelen “yükselen donör” Çin'e odaklanarak yardımın Soğuk Savaş sonrası dönemde sistem-içi mücadeledeki rol ve etkisini göstermeye çalışmaktadır.

Batıda akademik ve siyasi çevreler Çin'in yardım uygulamalarını “haydut donör,” “zehirli yardım,” “Çin emperyalizmi” gibi kavramlarla tanımlamakta, Çin'i küresel kalkınma yardımı mimarisini sabote etmekle suçlamaktadır. Buna göre, Çin alternatif finans kaynağı olarak Batılı donörlerin demokratikleşme, iyi yönetim ve reform şartıyla verdiği yardımların etkisini azaltmaktadır. Bunun da ötesinde insan hakları ihlalleri ve anti-demokratik yönetim uygulamalarıyla tanınan hükümetlere kredi ve hibe sağlamaktadır. Örneğin, 2012 yılında, dönemin Amerika Birleşik Devletleri Dışişleri Bakanı Hillary Clinton Afrika ülkelerini “Çin emperyalizmi”ne karşı uyarmıştır. Çin'in yardım politikalarını hedef alan eleştiriler ABD Başkanı Donald Trump'ın Ulusal Güvenlik Danışmanı John Bolton ve ABD Başkan Yardımcısı Mike Pence tarafından da yinelenmiştir. Benzer uyarılar ve eleştiriler Batı Avrupa'daki pek çok siyasetçi ve akademisyen tarafından dile getirilmeye devam edilmektedir.

Çalışmamızda Çin Halk Cumhuriyeti'nin yardım alan ülke ve donör ülke olarak tecrübeleri tarihsel süreç içerisinde incelenmektedir. Çin aslında bir yükselen donör değil, olsa olsa yeniden yükselen donör olarak nitelendirilebilir. Yakın zamana kadar yardım alan bir ülke olan Çin, aynı zamanda 1950'li yıllardan bu yana dış yardım sağlayan eski bir donördür. Hatta günümüzde OECD-DAC üyesi pek çok donör ülkeden daha eskilere dayanan bir dış yardım tecrübesine sahiptir. Çin Halk Cumhuriyeti'nin kullandığı yardım modaliteleri ve yardım kurumlarının ortaya çıkması ve şekillenmesinde Çin Halk Cumhuriyeti'ne 1950'li yıllarda yardım sağlamaya başlayan Sovyetler Birliği'nin ekonomik işbirliği modelinin etkilerine rastlanmaktadır. Daha sonra 1960'lı yıllarda “Çin-Sovyet ayrılığı” sonrasında Çin, Üçüncü Dünya ülkelerinde Sovyetler Birliği ile “yardım savaşlarına” girmiş ve Sovyetler Birliği ile kalkınma işbirliği yapan ülkelere yardım yapmayı reddederken, Sovyet Birliği'nin Afrika ve Asya ülkelerindeki kalkınma işbirliği girişimlerini baltalamaya kalkışmıştır. Bunu yaparken de geçmişte Sovyetler Birliği'nden aldığı

yardımlar esnasında öğrendiği ve kendi yardım uygulamalarına uyarladığı modalite ve mekanizmaları kullanmıştır. Yine de 1978'de başlayan "reform ve dışa açılma" dönemine kadar Çin'in kalkınma yardımlarının anti-empyralist ve komünist bloğun dayanışmasına yönelik olduğu söylenebilir. Ancak 1978 sonrası ekonomik reformlar ve dışa açılma politikası çerçevesinde Çin dış yardımını kapitalist sistem ile bütünleşmede bir araç olarak kullanmaya başlamış ve dış yardım, ticaret ve yatırımı harmanlayan bir kalkınma işbirliği yaklaşımı benimsemiştir. Bu yeni yardım yaklaşımında da Batılı donörler ve Japonya'nın etkisi görülmektedir. Bu bağlamda, Çin'in yardım modeli çok da yeni ve kendine özgü değildir.

Günümüzde Çin, Afrika başta olmak üzere pek çok gelişmekte olan ülkede ekonomik altyapıyı geliştirmeye yönelik yardım projeleri gerçekleştirmekte, otoyollar, tren yolları, limanlar inşa etmekte ve insan kaynaklarını geliştirmeye yönelik teknik yardım ve eğitim projeleri gerçekleştirmektedir. Böylece Çinli girişimciler ve devlet işletmeleri yardım sağlanan bu ülkelerde doğal kaynaklara ve minerallere ulaşmaktadır. Ekonomik altyapı alanında sağlanan yardımlarla yapılan yol ve limanlardan Çin'e gereksinim duyduğu kaynaklar ve madenler giderken, aynı yollardan Afrika'ya ticaret ve tarım yapmak için Çinli girişimciler gelmektedir. Bu altyapı projeleri yalnızca Çinli girişimcilere değil, aynı zamanda Batılı girişimcilerin amaç ve çıkarlarına hizmet etmektedir. Bu bağlamda Çin ekonomik altyapı ve insan kaynaklarını geliştirme projeleriyle yardım sağladığı bölgeleri kapitalist sisteme dahil edip, buraları sermayenin sömürüsüne, yağma ve talanına açma hususlarında Batılı donörlerin uygulamalarına destek sağlamakta ve onları tamamlamaktadır. Bir yandan neoliberal tarihsel bloğun çıkarlarına hizmet ederken, "Çin tipi yardım" neoliberal tarihsel bloğun içindeki çatışma ve sürtüşmelerde de rol oynamaktadır. Bu noktada yüksek profilli "Tek Kuşak Tek Yol" projesi kapsamında pek çok ülkede başlatılan altyapı yardımları dikkat çekicidir. Bu çerçevede Soğuk Savaş sonrası dönemde dış yardım sistem-içi mücadelenin bir parçası olarak karşımıza çıkmakta ve Çin kalkınma işbirliği modeli kapitalist kalkınma modeline bir alternatif sunmamaktadır.

Çalışmamızın son bölümünde dış yardımların miktarları ile sektörel ve coğrafi dağılımlarına ilişkin OECD verileri irdelenmektedir. OECD'nin resmi kalkınma yardımlarını hesaplama ve raporlamadaki eksiklikleri ve tutarsızlıkları çalışmamızın ilgili bölümünde gösterilmiştir. Bu bağlamda resmi kalkınma verileri şüphe ve ihtiyatla yaklaşılmaktadır. Bunları aklımızda tutarak, dünya genelinde yardıma ilişkin en kapsamlı rakam ve istatistikleri sağlayan OECD verilerine ilişkin bir inceleme yine de çalışmamızdaki varsayımları sınamak ve desteklemek açısından önem taşımaktadır. OECD verileri Soğuk Savaş Sonrası dönemde özellikle sosyal altyapıların geliştirilmesine yönelik OECD-DAC donörlerinin yardım miktarlarında gözlenen artış, dış yardımın yoksulların küresel bağlamda proleterleştirilmesinde oynadığı role ilişkin iddialarımızı desteklemektedir. Öte yandan, Çin dış yardımlarını OECD'ye raporlamadığından, Çin'in dış yardımlarına ilişkin ilgili kurumlar tarafından yayınlanan resmi veriler üzerinden bir inceleme yapılmıştır. Özellikle fiziki altyapılar, teknik yardım ve mesleki eğitim alanlarındaki yardım verileri, “Çin tipi yardım”ın yardım alan ülkeleri kapitalist sisteme dahil etme ve yoksul nüfusun proleterleşmesine katkı sağlama anlamında OECD-DAC üyesi donör ülkelerin yardım uygulamalarıyla uyumlu olduğu ve onları tamamladığına dair iddiamızı destekler niteliktedir.

“Yeni dış yardım mimarisi” kapitalist sistemin devamlılığı ve konsolidasyonuna hizmet etmede oynadığı rol açısından, Soğuk Savaş dönemindeki “geleneksel kalkınma yardımı mimarisi”nden tam bir kopuş ifade etmez. Ancak Sovyet faktörünün yokluğunda kapitalist ilişkilerin küreselleşmesi ve yoksulların küresel bağlamda işgücüne katılımını sağlaması açısından üstlendiği yeni roller ve aldığı yeni biçimler açısından tam olarak bir devamlılıktan da bahsetmemiz mümkün değildir. Ancak bu durumu kurallar ve kurumlar açısından yeni bir yardım mimarisi olarak adlandırmak anlamsızdır. Bu çalışma, Soğuk Savaş Sonrası dönemde Dünya Bankası ve OECD-DAC öncülüğünde kalkınma yardımlarının yoksulların proleterleştirilmesi ve kapitalist sistemin sürdürülmesinde üstlendiği farklı rolleri somut örnekleriyle ele almaktadır. Çalışmamızın bu bağlamda vardığı sonuçlardan biri, sözde yeni yardım mimarisinin temel özellikleri olarak sunulan “donörler arası

uyum” ve “yardımların koordinasyonu” gibi kavramların, yardımların bu amaçlar doğrultusunda kullanılmasında donörler arasında birlik, uyum ve disiplin sağlama amaçlı olduğudur. Bir başka ifadeyle, Dünya Bankası öncülüğünde donörler tarafında “yoksulluğu azaltma” stratejileri olarak pazarlanan küresel ölçekte yoksulların proleterleştirilmesi amaçlı hegemonya kapsamında donörler uyumlu ve tutarlı davranmazlarsa, yardım alan ülkelere dayatılan koşulların etkisini azaltma ve yardım alan ülkeler karşısında birbirlerini baltalama tehlikesi bulunmaktadır. Bu nedenle sözde “yeni yardım mimarisi” yardım alan ülkeleri olduğu kadar donör ülkeleri de disiplin altına alma amacı taşıyan “eski resmin yeni çerçevesi” olarak değerlendirilebilir. Çalışmamızın bakış açısından, Soğuk Savaş Sonrası dönemde sürekli olarak gündemde olan “yeni dış yardım mimarisi,” toplumsal ve kurumsal ilişkileri yoksulların küresel bağlamda proleterleştirilmesini hedefleyen hegemonik projede dış yardımın üstlendiği yeni rol ve görevlerden ibarettir.

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