

Foreign Aid in an Era of Great Power Competition

By Andrew S. Natsios

“Most especially in the conduct of foreign relations, that democratic governments appear to me to be decidedly inferior to governments carried out by different principles...But a democracy is unable to regulate the details of an important undertaking, to persevere in a design, and to work out its execution in the presence of serious obstacles. It cannot combine its measures with secrecy, and it will not await their consequences with patience.

These are qualities which more especially belong to an individual or to an aristocracy.”

Alexis de Tocqueville, *Democracy in America* (1835)¹

Over the past decade the international political system has evolved into a state of great power rivalry in which the United States is challenged for international leadership by a rising China and a rapidly re-arming, revanchist Russia. A new militant nationalism is spreading across the globe; democracy appears to be in retreat as aggrieved populations turn to populist authoritarianism as a remedy. This rising political and strategic competition has now crossed over into the international development space.

The international development order that emerged at the end of the Cold War is now unraveling. That order produced some of the greatest strides in human history: the widest expansion of democracy and human rights, the largest drop in poverty, the sharpest reduction in starvation and famine deaths, remarkable increases in life expectancy, literacy, and nutrition, and through the internet, the most access to information ever seen.² Certainly much of this progress is attributable to globalization, investment, and economic growth; but foreign assistance has also played an important role.³ Despite this remarkable progress, many western donor governments recently have attempted to cut or consolidate their aid programs. In sharp contrast, China and Russia—the two presumed Great Power rivals to the United States—are expanding theirs.

The COVID-19 pandemic of 2020 provides perhaps the best illustration of this new era of great power rivalry. Black Swan events—unanticipated and era-changing—drove much of 20th century history: World War I, the Great Influenza, World War II, and the rise and collapse of the Soviet Union, being the most notable examples. The COVID-19 pandemic may surpass the tragic events of 9/11 as the defining Black Swan event of the early 21st century. It will be studied by Washington think tanks and academia for decades to come to comprehend fully

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how it unfolded and became exaggerated by the social media. And how it drove much of the world's population to retreat to their homes, pushed countries into depression-level unemployment, collapsed stock markets around the world, paralyzed the global trading system, bankrupted airlines, and panicked governments into retreating behind national (and even sub-national) borders. But it also showed the weaknesses of international institutions such as the World Health Organization which appeared powerless to stop the spread of the disease and was largely ignored in practice by the Chinese government during the early stages of the pandemic.

The COVID-19 pandemic has also led to the worst relations between China and the western democracies since the Tiananmen Square crisis which took years to recover. This time it will be even more difficult for China because of Beijing's early missteps which allowed the virus to get out of control, and because COVID-19 has affected every country and every person in every country, as lockdowns spread and mass unemployment rises across the world. The Trump Administration has avoided assuming the traditional leadership role the United States has taken in virtually every international crisis since the 1940's. While the U.S. has sent a modest \$100 million in assistance to developing countries, the Administration included no funding in its proposal to Congress for its first supplemental budget. It was the U.S. Congress which added \$1.55 billion for the Centers for Disease Control and Prevention (CDC), State Department, and the United States Agency for International Development (USAID) to assist developing countries. I have argued elsewhere that the best place to stop disease outbreaks mutating into pandemics is at the source, not at the borders of the United States. And it is the CDC international division and USAID which have that capacity to intervene at the source when they are allowed to do so.⁴

Xi Jinping has attempted to change the anti-China narrative on the pandemic by offering to

send medical teams to Europe and other countries to provide advice and medical supplies based on the Chinese experience with the virus. How this aid will be received by recipient countries remains to be seen. The Chinese government's propaganda machine used social media to spread preposterous stories that the U.S. military had brought the virus to China, infuriating the White House. In retaliation, both President Trump and Secretary of State Pompeo have tried to change the name of COVID-19 to the China or Wuhan Virus. Both countries are racing to be the first to produce a vaccine to save the world from the disease.

One of the outcomes of the pandemic in developing countries will be as much in the economic damage as in human illness and deaths. Already, exports from the global south to the north have dramatically declined as have remittances to the south from African and Latin American ethnic diasporas living in the north. We may see cascading defaults in developing countries unable to pay their rising debt obligations to China to pay for the Chinese Belt and Road infrastructure projects. Debt will have to be forgiven or refinanced, and China will have to be at the table since they hold this debt and they will have to participate in bailouts.

Even before COVID-19 Washington policymakers struggled to design a coherent new U.S. foreign aid strategy tied more intimately to U.S. national interests to counter Russian and Chinese efforts. Perhaps the current crisis will sharpen the debate in the United States on the strategic use of foreign aid when there are direct national security threats at stake. This article will review how the U.S. foreign assistance program helped win the Cold War during an earlier period of great power rivalry, the weaknesses and strengths of current foreign aid programs of China and Russia, and then using the lessons from the Cold War aid program, suggest a new realpolitik aid strategy for the United States.



The Belt and Road Initiative includes 1/3 of world trade and GDP and over 60% of the world's population. (World Bank)

How Foreign Aid Helped Win the Cold War

Much of the academic literature and professional international development ideology argues against the use of foreign aid for national security purposes, suggesting that this reduces success rates in developmental terms. They nearly all use the illustration of President Mobutu of the Democratic Republic of the Congo (called Zaire when he was in power) as the poster child for the abuse of foreign policy-based aid. While there certainly have been political aid failures, there have been far more successes. I would argue the greatest USAID success stories during the Cold War were those directly connected to U.S. national interests. These successes certainly benefited the United States but they also benefited developing countries as they transitioned to become advanced developed countries.

Between the end of WWII and the end of the Cold War the United States built a chain of alliances

with more than 55 allies in its great power rivalry with the Soviet Union. The United States then connected its economy with these allies through most favored nation and open trade agreements; the U.S. military worked with their militaries through mutual defense treaties; the State Department ran programs to promote American culture; and USAID used development programs to institutionalize the liberal international order, build democratic capitalist societies, export American values and institutions, provide human services, increase agricultural production and economic growth, and stabilize countries under pressure from the Communist bloc.

One of the earliest and most famous of these aid programs was the Marshall Plan, announced on June 5, 1947 at Harvard University by Secretary of State George C. Marshall in his commencement address, which sought to rebuild Europe from the destruction of World War II. While Marshall claimed “Our policy is directed not against any

country or doctrine, but against hunger, poverty, desperation and chaos,” he was being diplomatic, as one of the purposes of the Marshall Plan was to stop Stalin’s takeover of a devastated Europe and thus contain Soviet expansionism.

The successor U.S. government aid programs also served another more subtle purpose which was to connect American institutions with those of U.S. allies in the developing world through university linkage programs, NGO and civil society grants, and scholarship programs to bring promising young leaders to earn degrees at American colleges and universities.

While America exported civil society and democratic capitalism, the Soviet Union attempted to spread Marxist-Leninist ideology through its aid programs which built projects like the Aswan Dam in Egypt and brought developing country students to the Soviet Union for their college degrees. But Eastern Bloc countries could not match the resources of western aid programs. The Soviet Union’s total Official Development Assistance (ODA) programs were a mere 10 percent of total donor government aid during the Cold War. Marxist-Leninist ideology was militantly hostile to the development of private market economies, democracy and governance programs, civil society organizations, and independent universities and colleges.

USAID’s foreign aid programs were products of the Cold War as an instrument to prevent developing countries falling to communism. It was not until 1961 that a single federal agency—USAID—was created by President John F. Kennedy to institutionalize the foreign aid program of the United States government. The creation of USAID must be understood in its historical context. In August 1961, a month before the first Foreign Assistance Act was approved by Congress, the Communist East German government built the Berlin Wall to prevent further escapes to the West. The Wall was constructed in the middle of the Berlin crisis, one of the most

dangerous Cold War confrontations between the United States and the Soviet Union. In December 1961, one month after the creation of USAID, Cuban leader Fidel Castro announced to the world that he had embraced Marxist-Leninism ideology and thus was allying Cuba with the Soviet Union.

Perhaps the greatest success story of foreign aid during the Cold War next to the Marshall Plan was the “Green Revolution.” Dr. Norman Borlaug, an American plant breeder from Kansas who taught at Texas A&M University (where the Borlaug Institute continues to carry on his legacy) and his colleagues in India bred new varieties of corn, rice, and wheat which dramatically increased yields. These new seed varieties were then released into seed markets in India, Mexico, South Korea, Taiwan, the Philippines, Pakistan, Bangladesh, Malaysia, South Vietnam, Cambodia, and Indonesia. USAID implemented much of the program with Dr. Borlaug and local Ministries of Agriculture in the lead, while the Rockefeller and Ford Foundations funded the actual breeding of the seeds.

In congressional testimony then-USAID Administrator, William Gaud, reported that 50 percent USAID’s budget in the 1960’s was spent implementing the Green Revolution in Asia. It was Gaud who in a speech on March 8, 1968 coined the term “Green Revolution” to describe the program. Gaud said, “These and other developments in the field of agriculture contain the makings of a new revolution. It is not a violent Red Revolution like that of the Soviets, nor is it a White Revolution like that of the Shah of Iran. I call it the Green Revolution.” One of the important lessons of the Green Revolution was that it did not unfold in a year or two; it took several decades to breed the seed, test it in each country, change agricultural policies in recipient countries to encourage increased production, build rural roads to move inputs and harvests, and train local agricultural technicians to institutionalize the programs. The

Cold War aid programs of USAID had a time horizon of 20 years at a minimum.

In a National Academy of Science retrospective report on the Green Revolution, Prabhu L. Pingali writes;

*The developing world witnessed an extraordinary period of food crop productivity growth over the past 50 years, despite increasing land scarcity and rising land values. Although populations had more than doubled, **the production of cereal crops tripled during this period**, with only a 30 percent increase in land area cultivated...*

Much of the success was caused by the combination of high rates of investment in crop research, infrastructure, and market development and appropriate policy support that took place during the first Green Revolution (GR).⁵

The Green Revolution was a stunning success as both a humanitarian program—because it ended famine in non-Communist Asia and dramatically reduced chronic malnutrition—as well as a strategic one tied to U.S. foreign policy by containing communist expansionism. While China and the Soviet Union were busy funding and arming communist insurgencies in Asia (Laos, South Vietnam, Malaysia, Thailand, and Indonesia), Mao Zedong was also implementing his radical agricultural revolution (1958-1962)—the Great Leap Forward—which led to the Great Chinese Famine that killed 45 million people—one of history’s greatest catastrophes.⁶ So while the democratic capitalist west was massively increasing food production in Asia, Mao was reducing it in China leading to the mass starvation of his own people.

The Green Revolution also set the stage for industrialization as no country has industrialized without first modernizing its agricultural economy to produce large grain surpluses to feed their cities and for export.⁷

USAID not only had great successes in the sectors of development, it also had remarkable successes in Asia at the country level, particularly in South Korea, Taiwan, Thailand, India, Malaysia, and Indonesia. Between 1952 and 1980 the United States spent \$18 billion (in 2009 dollars) in development assistance to rebuild South Korea (ROK) following the Korean War, with a civilian army of 10,000 USAID workers (mostly South Korean nationals) constructing roads, schools, and health clinics.⁸ During the Kennedy Administration, influenced by W.W. Rostow’s Modernization Theory, USAID senior staff convinced ROK President Park Chung-Hee to pursue an export-based economic growth model which turned into one of the greatest economic miracles of the 20th century. In the 1950’s South Korea was one of the poorest countries in the world, its economy devastated by the Korean War with a third of its people suffering severe acute malnutrition (until U.S. food aid arrived). It is now the 13th largest economy in the world. The South Korean aid program proved once again the importance of a long time horizon: it took twenty years to implement.

Similar programs were pursued in Taiwan under Chiang-Kai-shek, as well as in Thailand, Vietnam, and Indonesia where communist insurgencies were underway. Vietnam was a strategic a failure in Asia, but that was because it was being carried out in the middle of a civil war (which is one of several reasons the U.S. government’s more recent aid programs in Iraq and Afghanistan were not as successful as they might have been had there been peace and stability). Many of the studies of USAID programs have focused on the strategic failure in South Vietnam, not the remarkable successes across non-Communist Asia.

While serving as USAID Administrator I asked senior career officers what the most successful aid program was; they nearly universally said the Agency’s scholarship programs. For example, 3,000

promising South Korean students were brought to the United States to get advanced degrees during the 1950's and 1960's under the U.S. aid program.⁹ The same was true in Taiwan, Indonesia, India, South Vietnam, and Thailand. During the Cold War USAID brought 18,000-20,000 students per year from allied and neutral developing countries such as India to obtain undergraduate and graduate degrees at U.S. universities. This trend began gradually to decline after the Cold War to merely a few thousand. Many graduates later became Presidents, Prime Ministers, Finance Ministers, civil society leaders, and major business figures.¹⁰ The success of these scholarship programs only became apparent as the graduates rose to positions of power in their home countries over several decades. Thus during the Cold War, the United States educated country elites, a program that is now a shadow of what it once was.¹¹ Its decline may be directly attributable to the Office of Management and Budget's relentless demand for immediate and quantifiable results reported on an annual basis, which scholarship programs cannot provide.

USAID also managed, over twenty-year cycles, university linkage programs in South Korea, India, Indonesia, and other countries coupling American universities with newly created counterparts in these countries. In the 1950's the Indian Government and USAID's predecessor agencies worked with the private Ford Foundation to build and staff a chain of agricultural colleges to institutionalize the Green Revolution. They also created more than a dozen engineering schools (called Technical Institutes) linked with a dozen American engineering universities between the early 1950's and 1970's, exchanging faculty, collaborating on research, and sharing curricula. These Indian institutions now provide graduates to staff the current-day high technology revolution, which was led by Indian entrepreneurs many of whom had earned their PhDs at U.S. engineering schools on USAID scholarships.

One of the other major foreign assistance success stories, particularly in Asia, was USAID's (voluntary) family planning program. In the countries in Asia where USAID implemented these family planning programs fertility rates dropped significantly, which a number of econometric studies show to have been a factor in the high economic growth rates of the East Asia Tigers.¹² During my tenure as USAID Administrator USAID initiated a similar program in Ethiopia with the Ministry of Health which led over a 12 year period to a drop in fertility rates from six to four children on average per family.

The Current U.S. Aid Program

Nearly 100 percent of the U.S. foreign aid budget is divided into inflexible sector and subsector earmarks which have little to do with the preferences of developing countries. For example, only about 10 to 20 percent of U.S. government foreign aid spending is designed to increase economic growth (which includes USAID agriculture programs). The health account which makes up 33 percent of the entire aid budget of \$34.2 billion for 2018 is designed to fight diseases such as malaria, HIV/AIDS, Tuberculosis, Polio, early childhood diseases, and Neglected Tropical Diseases (NTDs), family planning, rather than increasing economic growth. About 25 percent of U.S. foreign aid is spent on disaster assistance in crises (both natural and man-made) to keep people alive and reduce human suffering, and address crises in fragile and failed states. USAID's environmental programs are designed to slow or stop economic growth in environmentally sensitive areas, not accelerate it. Economic growth is in fact one of the few areas of aid spending for which there is no earmark and thus it's underfunding. But most people and governments in the developing world want aid which accelerates economic growth, job creation, and education, and job training geared towards marketplace demands.

Thus, western aid programs, including those of the United States, have focused not on infrastructure and economic growth demanded by the developing world, but programs that are popular in the Congress and among the American people—health, education, environment, and humanitarian assistance—since indirectly or directly it is Congress and the American people that provide the funding. The World Bank over time has reduced loans for infrastructure under pressure from non-governmental organizations and western environmental groups which oppose mega-development and infrastructure programs.

The international development space abhors a vacuum; that has presented an opportunity for China to fill the vacuum with mega-construction projects such as highways, ports, bridges, dams, soccer stadiums, and airports. China has no environmental groups or civil society organizations to protest or constrain their foreign aid programs as do traditional democratic donors, and no auditors or inspectors to second-guess every decision made by development professionals. China can build these very visible projects very rapidly. In an era of great power competition, the demands of developing countries must take priority over U.S. (and other donor) domestic interest groups if the United States hopes to compete with China for influence in the developing world.

Because the U.S. foreign assistance budget is so heavily earmarked there is no flexibility to respond to opportunities or specific requests and needs of recipient countries; every dollar is already committed. After the end of the Cold War the sector earmarks demanded by advocacy groups, NGOs, and religious institutions, rose to be 100 percent of the aid budget, as the national security justification diminished. These groups assiduously protect the earmarks.

The current aid system has such high levels of accountability that this system generates an enormous demand for paperwork and bureaucracy.

This is because the technocratic oversight agencies of the U.S. government—OMB, GAO, the F Office at the State Department, the USAID Inspector General (IG), Special IG for Afghan reconstruction, and Congressional Oversight Committees—each demand quarterly reports, annual project evaluations, measureable indicators, audits, and other data to prove programs are working. The OMB, IG, and GAO technocrats have seized control of the aid budget and insist that program accountability is more important than the strategic consequences of the program. These new accountability systems have had diminishing returns, are very expensive, and in fact do little to improve program performance.¹³ Despite these weaknesses in the U.S. foreign assistance ecosystem, major accomplishments have been achieved; in disaster relief as incidents of famine and starvation deaths have precipitously declined since the 1980's despite growing chaos across the globe, in health through the HIV/AIDS and Malaria programs of the Bush Administration, in agriculture through the Feed the Future initiative of the Obama Administration, and through the locally-generated projects of the Millennium Challenge Corporation (MCC).

A significant trend in the 21st century western aid ecosystem is the emergence of private foundation and corporate funding of aid programs which has massively increased between 1970 and 2000: the Gates Foundation being the most notable example.¹⁴ In 1970, the U.S. government provided 70 percent of U.S. funds going to the developing world, while private foreign direct investment provided the remaining 30 percent. By 2007, those trends had reversed, according to the Hudson Institute's 2007 Index of Global Philanthropy: official U.S. aid programs provided only 9 percent (\$21.8 billion) of the \$235.2 billion flowing from the United States to developing countries; private sources sent the remaining 91 percent (that is, \$213.4 billion). The data show that foundations, corporations, nonprofits,

and other private philanthropic sources sent \$37 billion to developing countries; ethnic diasporas sent \$79 billion in remittances (mostly from Latin America); and corporations and individuals sent \$97.4 billion in private capital flows, mostly to Asia.¹⁵

In recognition of this shift in funding sources in 2001 USAID created the Global Development Alliance (GDA) system of public-private partnerships to jointly fund development projects. Corporations, foundations, and NGOs ended up providing 75 percent of the funding while USAID provided 25 percent (plus its expertise in designing and managing the development projects). Public-private partnerships make no sense in the Chinese or Russian aid landscape as their private sector is for the most part controlled by and subordinate to state interests. And the Russian and Chinese private sectors appear to have little interest in corporate social responsibility.

Aid with Chinese Characteristics

The creation and expansion of the China aid program did not begin with Donald Trump's election to the Presidency; it has been growing for some time along with China's growing military power. However, since Xi Jinping assumed office in March 2013 China has moved aggressively to expand its foreign aid programs.

Over the past decade China has signed 99 year leases of hundreds of thousands of hectares of African agricultural land in Tanzania, Ethiopia, South Sudan, Sudan, and Madagascar among others to produce food, as they worry about long-term food security. The Belt and Road Initiative to build infrastructure links between the Chinese interior and Southeast Asia, Central Asia, the Middle East, and Africa is grand in its scale and massive in its funding, but is experiencing growing headwinds from participant countries.¹⁶ Governments in Malaysia, Sri Lanka, Pakistan, Bangladesh, and Myanmar have been backing away from these

agreements because of the fear of excessive debt commitments and the dire consequences of loan defaults. In some cases countries have had to transfer control of their ports and other infrastructure, or their oil exports as happened in Ecuador, when they cannot pay the debt service to Chinese lenders. This developing country debt to China will likely grow to crisis proportions in the wake of the Great Corona Pandemic. The only solution will be for China to forgive the debt without penalty, as traditional donors did in the early 2000's led by UK Prime Minister Tony Blair and U.S. President George W. Bush, when debt burdens to international banks were crushing developing country budgets. This coming debt crisis may prove the end of the Belt and Road Initiative, or at least its decline.

Philip Zelikow and Condoleezza Rice have argued that China's building or managing ports and infrastructure follows the same pattern Great Britain used to create the colonial empire which dominated the industrial infrastructure of the world and covered a quarter of globe in the 19th century.¹⁷ In many ways the Chinese are not funding their aid program with their own capital reserves, they are using them to leverage loans made to developing countries which the recipients will eventually have to repay. Thus the Chinese aid program is extractive in nature whether in leasing land to grow food for Chinese consumption, Chinese mining operations, oil and gas reserves, or as a destination for Chinese manufactured goods. Developing country governments which have bought into this arrangement have received infrastructure in return. But this commonly understood picture of the China aid program is incomplete. China is also exporting its model of development and its culture and institutions; mega-infrastructure projects, authoritarian politics, state based-economics, and mercantilist ideology. It has reinforced this model through its scholarship programs.

China has taken one of USAID's greatest successes—its scholarship program—and replicated it, while the U.S. government has allowed its official scholarship program to atrophy. It has become increasingly difficult for foreign students to get visas to come to the U.S. These disappointed developing country students now have an alternative: China.

“In 2015, a total of 397,635 international students visited China from 202 countries, 5.46 percent more than the preceding year. These students studied in 811 colleges, research institutes, and universities in 31 provinces, autonomous regions, and municipalities across China. The Chinese government awarded 40,600 scholarships to international students with the remainder being self-financed. About 184,799 international students were admitted for academic degrees, an increase of 20,405 students compared to the previous year.”¹⁸

Thus, China has in place an extensive scholarship program for students from developing countries to take degrees at Chinese universities, learn Mandarin, and take courses in Chinese culture twice the size of the USAID program at the height of the Cold War. The question is whether these students will return home and attempt to transform their cultures and societies on the Chinese mercantilist authoritarian rather than the American model of democratic capitalism with a strong civil society?

China is also developing the institutional infrastructure to promulgate the Chinese version of development in the 21st century. In December 2015 China created the Asian Infrastructure Development Bank which now has 74 member countries as well as 26 prospective members but which the Obama Administration refused to join. The Obama Administration helped create the Trans-Pacific Partnership (TPP) among Asian countries to try to counter China's growing

trade dominance, but the Trump Administration withdrew from the negotiations which caused the collapse of the TPP (the same countries minus the United States then formed their own trading block). In both cases the United States ceded its place in the development and trade space thus unintentionally increasing Chinese influence.

China is populating international organizations with its own technocrats in high positions of power, and sending troops to UN Peacekeeping Operations (it is now one of the largest contributors to UNDP) even as the United States has gradually reduced its presence in these same institutions. Some in the United States may see this as a positive trend because of burden sharing; but backing away from funding and staffing international organizations is self-destructive as America closes in on itself and becomes increasingly isolated in a world dominated by Chinese economic, cultural and diplomatic influence.

The Beijing leadership believes its authoritarian mercantilist model of economic development is superior to traditional donor aid programs. China funds its programs through concessional loans at reduced interest rates to governments and businesses around the globe through several organizational mechanisms including state banks which have an explicit mandate to support government priorities rather than pursuing purely commercial deals.¹⁹ The Chinese Communist Party apparatus has a heavy hand in coordinating and directing foreign investments that are consistent with its broad, geostrategic imperatives, an aid environment quite different than that of private market economies such as the United States. Thus, the lines are blurred between the Chinese public and private sectors in these deals.

The China foreign aid budget is reportedly between \$5-7 billion dollars a year, and has several attractive features for developing countries that might be unattractive investments for traditional donors—at

least on the surface. First, China generally ignores the performance of its aid recipients (unless they default on loan payments), human rights abuses, corruption, return on investment, or program accountability. Some of China's aid programs are concentrated in rogue or failed states such as North Korea, Venezuela, Cuba, Libya, and Sudan (until 2019 when a new civilian government took office). According to a Brookings Institution study Chinese aid programs are concentrated in the most corrupt governments in the world and the aid is spent disproportionately in the home areas of the heads of state.²⁰

Second, China's aid programs focus on "monument development," which is to say highly visible infrastructure projects—highways, ports, dams, airports, and soccer stadiums—which are popular, at least initially, until they start deteriorating because of the absence of operations and maintenance capacity.

Much Chinese aid is in the form of construction projects built by imported Chinese workers, a practice which is very unpopular in developing countries that want their own workers trained and employed. This has led to speculation that the real motive of all China's aid programs, including the Belt and Road Initiative, is the need to export surplus male labor (unemployed and unmarried men) which Party leaders fear could be a destabilizing force in future years. This is a strategic weakness of the China aid program which the United States should exploit by hiring, empowering, and training (which is the basis for most bilateral western aid programs) as many people from recipient countries as possible because China's aid programs cannot and will not do that.

Third, while infrastructure and construction projects are completed rapidly they are built without concern for environmental impact, and do not protect the health and safety of construction workers who often work two shifts per day, seven days per week. The speed of construction and visibility of these mega-infrastructure projects makes them dramatic and visible evidence of China's emergence as

a Great Power. The problem is that China's aid managers appear either to have no interest in institution building or do not know how to develop local capacity. Given the deep structural weaknesses in China's own institutions, this is perhaps understandable. American aid programs focus heavily on institution and capacity building which is something they should continue, particularly as this is a failing of the China development model.

Fourth, negotiations on aid programs between China and host governments are conducted in secret and without the intrusive "meddling" or oversight of other donors, international institutions, local parliaments, or civil society. Thus, they display little transparency in their aid allocation, programming, contracting, or implementation systems.

In 2016 China established its own bilateral independent aid agency, now called the China International Development Cooperation Agency, or CIDCA, and transferred its existing aid programs from the Ministry of Commerce where they had been housed since the inception of the foreign aid program. This development is most interesting as many western governments now are centralizing control of their aid agencies in their foreign ministries, while China is making its aid agency more independent. The size and extent of China's aid programs and financing are supposed to be a state secret, but it is known that the largest recipient of Chinese aid programs is China's "Great Power" ally and neighbor, the Russian Republic, which was granted a loan on concessional terms to construct a gas pipeline from Siberia to China.²¹

Russian Aid Program

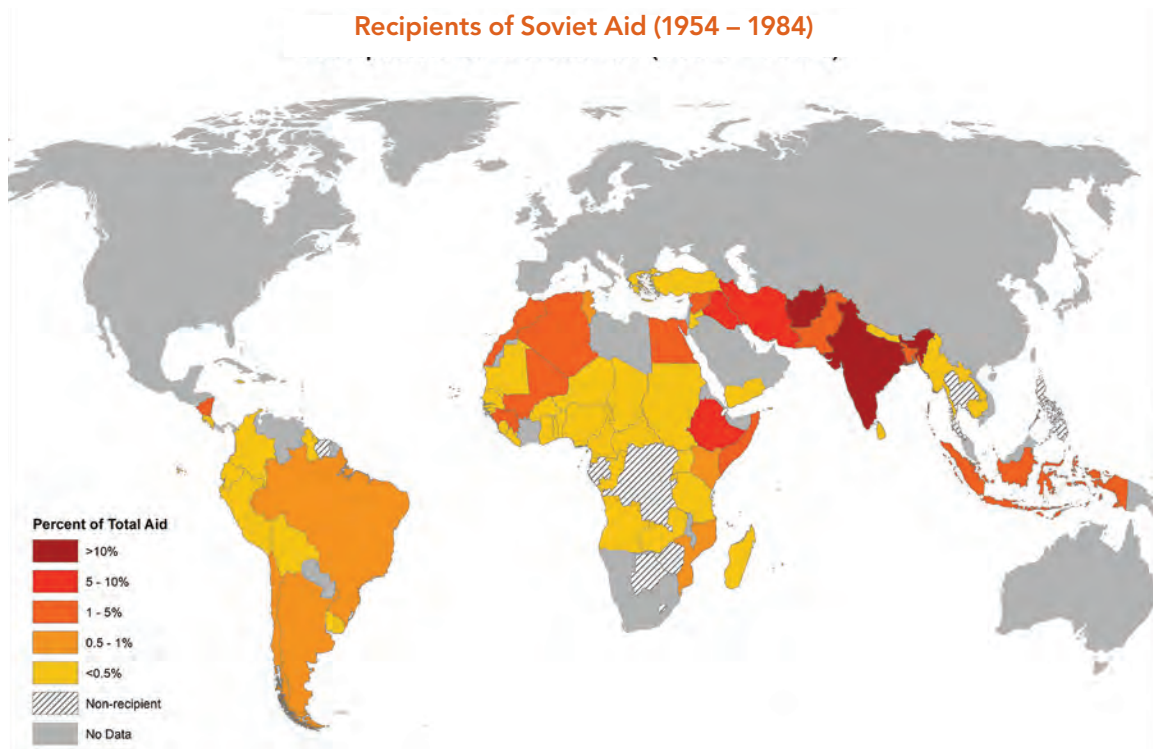
Putting the Chinese and Russians in the same category as Great Power rivals of the United States in terms of foreign aid is misleading. Russia's foreign aid program displays none of the size, strategic vision, or coherence of China's program. Russia does not have the foreign currency reserves, the surplus male labor

pool, the economic need for natural resources from developing countries (Russia is naturally endowed on its own soil with a third of the mineral and fossil fuel resources of the entire planet), nor the industrial production to export (their exports other than fossil fuels, consist of weapons systems and more recently, grain). Nevertheless, Russia's international development assistance has grown 300 percent since 2010 according to a study done by Aid Data.²² It topped \$1.16 billion in 2015, but fell to \$1.02 billion in 2016.

Russia's foreign interventions have actually systematically undermined and even reversed development progress. According to an in-depth *New York Times* investigative report published October 18, 2019, the Russian Air Force systematically bombed hospitals in Syria and made the humanitarian emergency *more* severe, a counter-developmental tactic if there ever was one.²³

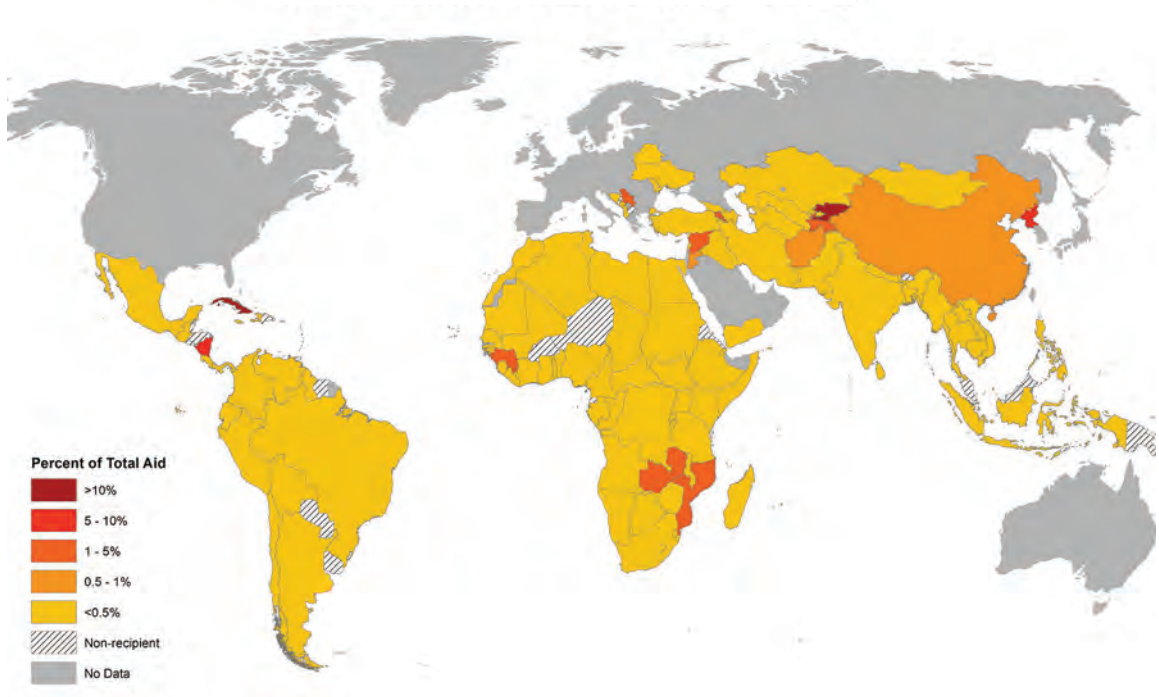
There is considerable evidence that Russia is driving refugee and displaced populations from Syria towards Europe in order to destabilize the European Union. In Senate testimony in March 2016 the Supreme Allied Commander of NATO reported that, "Together, Russia and the Assad Regime are deliberately weaponizing migration in an attempt to overwhelm European structures and break European resolve."

While Russia's aid program has been helpful in funding international health programs, the benefits are undone by spreading misinformation about vaccines through the internet.²⁴ While this disinformation may have been directed at European and American audiences, it is also being read in developing countries and has fueled a recently rising tide of anti-vaccine propaganda in Africa which is creating hostility to vaccination



Map showing recipients of Soviet aid, 1954 – 1984. (AidData, Gerda Asmus, Andreas Fuchs, Angelika Müller, and Soren Patterson. Data from CIA and OECD-DAC)

Recipients of Russian Aid (2011 – 2015)



Map showing recipients of Russian aid, 2011 – 2015. (AidData, Gerda Asmus, Andreas Fuchs, Angelika Müller, and Soren Patterson. Data from CIA and OECD-DAC)

campaigns. It could even hinder the future distribution of vaccines to combat the Great Corona Pandemic. These contemporary Russian tactics would have embarrassed the Cold War Soviet elites that cooperated with western democracies on the highly successful efforts beginning in the 1960's to eradicate smallpox (and also polio, less successfully). Some estimate that 300 million people died from smallpox in the twentieth century before it was finally eradicated in 1977 through this remarkable cooperation.²⁵

Strategic Principles for U.S. Foreign Assistance in a Time of Great Power Rivalry

The era of globalization may be coming to an end. Corporate supply chains that have focused exclusively on efficiency and cost over reliability have

proven very fragile. This has proven especially notable in the case of pharmaceuticals.²⁶ The global COVID-19 Pandemic has exposed vulnerabilities which the new, more protectionist era the world seems headed toward may accelerate.

Below are some of the elements of a new aid strategy to protect U.S. national interests during this environment characterized by both growing nationalism and Great Power competition.

A Realist Mission for Foreign Assistance

The Obama Administration rewrote the more traditional realist USAID mission to focus on eradicating extreme poverty as its central objective. In practice this led to plans to phase out programs in middle-income countries. This was a mistake as those countries can fall backwards and regress in the development process (as Venezuela

has proven). More importantly, middle-income countries—many of which still have significant populations suffering from poverty and underdevelopment—may be of critical strategic importance to the United States. A better approach would be to determine American interests in a country based on their strategic importance which will not likely change from one year to another. The basis of any alliance system with the United States should not be tactical or transactional, but strategic and long-term as was the case during the Cold War.

The mission of USAID should be rewritten to focus on supporting our allies, friends, and countries of strategic importance, whether they are middle- or low-income, linking American society and institutions with those of developing countries. The U.S. foreign assistance program should emphasize those elements that it is uniquely suited to provide, for which there is a local demand, and that neither Russian nor Chinese aid programs can offer. Supporting the development of civil society, democracy, human rights, and free market capitalism, economic growth, agriculture, and health and education are some of those elements.

Maintain the High Moral Ground.

Many U.S. aid efforts, such as the HIV/AIDS, Malaria, Polio eradication, and Neglected Tropical Disease programs, save lives, reduce human suffering, and stabilize societies traumatized by epidemic disease outbreaks. Some hard realists argue these programs should be abandoned making funding available for more strategically important programs. This overlooks the fact that the United States is admired and revered in developing countries because of these health programs (among other reasons) and their effect on the average person. And now with the COVID-19 pandemic, these health programs appear even more strategic than they were earlier. The Chinese health programs in Africa and other regions have focused principally on building

hospitals, without any infrastructure, technical training, or institution building. These hospital buildings will be of little help in combatting the devastation of any pandemic.

The COVID-19 pandemic of 2020 should teach hard realists who are dismissive of development assistance and “humanitarian programs,” if senior policymakers ignore such crises they can alter world history, and not in a good way. While the behavior of governments, both great and small, during the crisis has reinforced the structural realist argument that the nation state remains the fundamental organizing principle of the international system, the progress of the virus has shown that foreign policies of great and small powers are principally driven by internal political pressures from their own citizens to protect them from external threats such as diseases, pressures which have little to do with balance of power theories of statecraft.

Avoid Transactional and Tactical Foreign Assistance

President Trump has used foreign assistance in negotiations with countries to achieve other outcomes: That is, as a tool of diplomacy to induce non-developmental outcomes. For the most part this has been with punitive rather than positive incentives. These transactional uses of aid have little to do with development and have been counterproductive historically. During the Cold War, the least defensible and most infamous use of foreign aid subsidized predatory, corrupt, and tyrannical regimes (which claimed to be anti-Communist) with no interest in any kind of development.

President Trump’s suspension of the aid programs in Guatemala, Honduras and El Salvador as punishment for insufficient cooperation in stopping migration to the United States is a case in point. These aid programs were designed to address the drivers of migration, and the empirical evidence shows that they were beginning to work. By suspending these

aid programs the pressure for people to migrate to the United States has increased, not diminished.

The challenge in a period of great power competition will be determining which countries are U.S. allies, which are adversaries, and which are neither. Using votes in the UN Security Council or the General Assembly to determine who is friend or foe is unwise, as some countries which are allies inevitably will disagree with the United States on certain issues. President Trump and former U.S. Ambassador to the UN Nikki Haley were angered when U.S. aid beneficiaries voted in favor of a resolution criticizing the U.S. Embassy move in Israel from Tel Aviv to Jerusalem and proposed making aid conditional on countries voting with us. What was not said is that the two countries which wrote and sponsored the resolution—Jordan and Egypt—are among America’s two closest allies in the Arab world. Given domestic public opinion in their own countries they would have risked political hostility at home had they voted against the resolution. More importantly for American foreign policy, Israel relies on the stability of its two neighbors for its own security. Cutting aid to Jordan and Egypt because of their UN votes would have endangered Israel’s security.²⁷ The United States should not use foreign aid to buy votes in any forum, although aid can be used as an inducement in negotiations as it was by President Carter who promised generous aid packages to Israel and Egypt if they signed the Camp David Accords which ended the state of war between the two countries and stabilized the Middle East. The larger conceptual problem with using aid as a transactional tool in negotiations is that programs cannot be turned off and on like a light switch to satisfy short term political imperatives without damaging the programs viability.

Realign Aid Strategy to a 10-20 Year Time Horizon.

The relentless demand for instant results from development programs has been among the greatest

failures of U.S. policy. This is a problem in all democracies, but particularly in the United States. Successful development programs which result in transformational change require long time horizons of 10-20 years to take root, grow, and become self-sustaining. They must take an incremental rather than revolutionary approach.²⁸ From the earliest foreign aid programs, some policymakers have been disappointed when transformational changes have not taken place overnight.

Only fourteen months after its creation USAID was widely believed to be failing because it had not yet transformed Latin America. Daniel Bell, who was sent to fix USAID as its second Administrator, in his retirement interview raised the issues of time horizon and demonstrable results several times. “The President, I know personally came to feel that the Alliance for Progress did not move nearly as quickly as he had hoped it would.”²⁹

Bell reported, “I’m sure they (Kennedy’s advisors) became aware during the Kennedy years of the inherent difficulties with which the U.S. was trying to deal in less developed countries--the very stubborn obstacles to change...to the rapid achievement of economic and social progress.”³⁰ The fact that President Kennedy and his advisors expected Latin America to “achieve rapid economic and social progress” fourteen months after USAID was established shows how detached they were from the realities of development theory and practice (and of social change).

The 20 year time horizon for aid programs during the Cold War has gradually been abandoned in the post-Cold War era as the technocrats from OMB took control of aid funding and insisted on ever shorter program horizons: to ten years, then five, and today to one year as OMB demands annual reports showing measureable progress without which programs are terminated. A realist foreign aid strategy for a period of Great Power Competition must return to the longer time horizons of the Cold War, or it will fail.

Correct Structural, Regulatory, and Statutory Weaknesses in Aid Programs.

The quantitative measurements school of public management has dominated OMB and some Congressional Committees since the early 1990s resulting in greater centralization of decisionmaking over aid programs. During the Cold War, USAID was by far the most decentralized aid agency in the world and the most effective. The historical record suggests that aid programs particularly in unstable environments are more successful when decisions are made locally. Retired USAID career officers told me that the Green Revolution looked different in each country, even though the common denominator was the improved seed varieties.

We now have rigorous empirical evidence to support this decentralization imperative. In *Navigation by Judgment: Organizational Autonomy and Country Context in the Delivery of Foreign Aid*, Daniel Honig has examined the organizational features of international development organizations (aid agencies) over 14,000 aid projects.³¹ Honig reports that “navigation by measurement” may improve organizational performance when working in predictable environments and when the tasks are observable in nature—road building, vaccine distribution, etc. However, when the environment is unpredictable and projects focus on less observable tasks—such as governance reforms or health system improvement—“navigation by judgment” (which requires a highly decentralized management model) may prove to be the superior strategy for improving organizational performance. USAID program management should be decentralized as it was during the Cold War.

James Q. Wilson reached a similar conclusion: “In general, authority should be placed at the lowest level at which all essential elements of information are available.”³² This is particularly true in aid programming far removed culturally and geographically from Washington. Most importantly

from both an international development and foreign policy perspective the country directors responsible for the foreign assistance programs should be influential with, if not the chief development adviser to, the President or Prime Minister and the cabinet members of the countries which are the recipients of U.S. aid. To do that USAID Mission Directors must have broad discretion to respond to local needs rather than the needs of Washington command and control agencies.

Timing and Location of USAID Missions should be Based on U.S. National Interests Rather than Graduation Criteria.

Since the 1990’s every President, OMB, and Congressional oversight committee, has been obsessed with “country graduation” from aid programs, particularly for middle-income countries. For example, over the past 30 years this pressure led to USAID closing its offices in Panama, Bulgaria, Romania, Chad, Mauritania, and Niger. The latter three had to be promptly re-opened up due to the terrorist threat posed by al-Qaeda in the Islamic Maghreb. Many more country programs were scaled back in size. During my tenure as USAID Administrator, under the same pressures, plans were made (though never implemented) to leave Morocco, Yemen, Brazil, Guyana, and South Africa. As it were, the strategic imperatives that followed the terrorist attacks of 9/11 resulted in opening 10 new missions and abandoning none, thus overruling the imperatives of graduation criteria.

This constant refrain of closing missions has been self-defeating and results from a misunderstanding of U.S. national interests. Countries should only graduate or close USAID Missions if the risk to vital U.S. national interests has been permanently and decisively mitigated or eliminated, not because they have become middle-income countries. For example, the United States should have robust aid missions in Egypt and Panama

regardless of their per capita income because they host the most important canals in the world and are critically important to American commerce and a stable world economic order.

Recognize the Shifting Geographic focus of Great Power Competition from Europe to the Developing World

The focus of Departments of State and Defense planning under both the Obama and Trump Administrations has been to pivot to Asia. Chinese strategic interests are not limited to Asia; they are global and extend to the entire developing world. China recognized the importance of the global south some time ago and has invested its resources accordingly. Geography should drive the foreign assistance budget, and the geographical center of gravity is in the South. Nor should sector earmarks drive the USAID budget which has been the case since the end

of the Cold War. During this period of Great Power competition the heavily earmarked sector budgets of the U.S. government should give way to the relative geostrategic interests. Africa will be the battleground in the Great Power rivalry of the 21st century because of its vast mineral and hydrocarbon wealth, its massive open land for food production (Africa has 60 percent of the earth's arable land and by 2060 will have a larger population than China), its high projected economic growth rates in this century, and the popularity of America among its people and its leaders.³³ The geography of the U.S. foreign aid budget has already shifted to Africa because of the investments made by President G.W. Bush and later by President Obama. These investments should be nurtured and cultivated, not cut short by myopic thinking in Washington.

But the United States also has vital interests that must be supported by aid programs in Central and South America. These interests include reducing mass



Chinese train in Tibet about 20 km north of Yangbajian. (Jan Reurink)

migration, countering narcotics trafficking, reinforcing the salutary evolving regional trade regimes, combatting criminal cartels, and opposing ongoing Marxist subversion supported by Cuba and Venezuela.

The United States should use its foreign assistance to strategically reengage in Eastern Europe, the Caucasus, Central Asia, South Asia, and Southeast Asia to counter Russian and Chinese influence there as well. Most of these countries want a robust U.S. aid presence to counter threats from their northern Great Power neighbors. Russian pressure on the Caucasus, the Balkans and Eastern Europe should encourage increased aid budgets not closing aid missions. Growing Chinese influence in Central Asia is not a justification for abandoning those countries, but rather justifies robust aid programs in the region.

Great Power Cooperation in Development is Possible

While Great Power competition may dominate world politics in coming years or decades, our aid programs should deliberately seek out some areas of development cooperation with China and Russia where national interest allows. Before the COVID-19 pandemic of 2020, I would have argued that the best candidate for such cooperation might be in international health (particularly now given how traumatic the Pandemic has been to the world order). Unfortunately, likely due to so many profound strategic implications of the Pandemic, great power competition set in instead.

Rebuild a large-scale, Developmentally Sound Academic Exchange Program Including Scholarships and Institutional Linkages with the Global South

In most developing countries American colleges and universities remain the most respected and desirable degree institutions for aspiring professionals. English remains the language of education and commerce throughout the world. Mandarin

Chinese is not an easy language to learn for students from most developing countries leading some Chinese universities to offer their courses in English. While China's science-based universities are rising in the international rankings, American schools are still the leaders. A realist foreign aid program to compete with China and Russia should shift to a much more aggressive effort to connect American institutions of higher learning through either scholarships or linkage programs, as this plays to America's strengths.

Rising middle-income countries with large populations such as Brazil, India, and Mexico (among others) that have become regional powers often want a different relationship with the United States, and do not wish to be aid recipient countries any longer. Long term university linkages programs would likely be welcomed by these countries and make developmental sense as well.

This strategic approach to Great Power competition in development assistance will protect the vital interests of the United States and its allies and partners, address international threats to U.S. national security, and reduce areas of potential conflict with China and Russia that could lead to military confrontation. But foreign aid must be used strategically and deal with the world as it is, devoid of the utopianism, naiveté, and unrealistic expectations that have at times characterized it in the past.

We do not know how long this new international order will last—the Cold War lasted 40 years and the Post-Cold War period lasted 30 years—but irreversible demographic trends leading to the depopulation of both China and Russia (even more so of their working age population) will certainly limit their ambitions and the threat they represent. Until demography becomes destiny Washington policymakers should use all the tools—particularly foreign assistance—to manage prudently the U.S. relationship with China and Russia in the developing world. **PRISM**

Notes

¹Alexis de Tocqueville. *Democracy in America*. Vol. 1. (New York: Schocken Books. 1961). 272-273. Volume 1 was originally published in 1835 and volume 2 later in 1840.

²For a full description of this progress see Hans Rosling. *Factfulness* (New York: Flatiron Books. 2018).

³See Steven Radelet. *The Great Surge: The Ascent of the Developing World* (New York: Simon and Schuster. 2015).

⁴For the full argument see Andrew Natsios, OpEd “American foreign aid programs best defense against Corona Virus.” *Washington Times*, March 11, 2020.

⁵Prabhu L. Pingali. “Green revolution: impacts, limits, and the path ahead.” *Proceedings of the National Academy of Sciences of the United States of America* vol. 109,31 (2012): 12302-8. doi:10.1073/pnas.0912953109. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3411969/>

⁶Frank Dikotter, *Mao’s Great Famine: The History of China’s Most Devastating Catastrophe 1958-62*. (London: Bloomsbury Publishing. 2010), 298. See also Jasper Becker account of the famine in *Hungry Ghosts: Mao’s Secret Famine* (New York: Holt Publishing, 1998.)

⁷Hong Kong and Singapore, which had no agricultural land, are the two exceptions to this principle.

⁸USAID employed 6,000 aid workers in Taiwan in the 1950’s and 1960’s. During the Iraq For 65,000-70,000 workers employed, most of them Iraqis.

⁹See USAID, Case Study, *South Korea: From Aid Recipient to Donor*. Available on the USAID website.

¹⁰The State Department also manages the famous Fulbright Scholarship program which provides total 8,000 grants per year of which 4,000 are to foreign students studying in the U.S. These 4000 foreign students come from 140 countries many of which are not developing countries. Private and Public Universities in the U.S. also provide scholarships to students from developing countries. The USAID scholarship program was designed to fill knowledge and skills gaps within the student’s home countries, and in some cases to educate professionals from particularly important ministries or other local institutions, rather than a one off program to help individual students regardless of where they come from. See <https://eca.state.gov/fulbright/frequently-asked-questions>

¹¹For a full understanding of the argument see Mark Moyar’s fine book *Aid for Elites: Building Partner Nations and Ending Poverty through Human Capital* (Cambridge, UK: Cambridge University Press, 2016).

¹²Michael Pillsbury wrote a book in the 1990’s which he unfortunately did not complete called *The Hidden Successes of USAID* based on declassified CIA cables describing these development programs. It is a fascinating read.

¹³See Andrew Natsios, “The Clash of the Counter-bureaucracy and Development,” Center for Global Development, July 1, 2010.

¹⁴Andrew Natsios, *Stanford Social Innovation Review*, “Public-Private Alliances Transform Aid,” Fall 2009.

¹⁵Ibid.

¹⁶U.S. Department of Agriculture, *China’s Foreign Agriculture Investments*, by Elizabeth Gooch and Fred Gale. Economic Information Bulletin Number 192, Washington, DC: Economic Research Service, 2018. <https://www.ers.usda.gov/webdocs/publications/88572/eib-192.pdf?v=43213>

¹⁷Condoleezza Rice and Philip Zelikow, *To Build a Better World* (New York, NY: Twelve. 2019). 423.

¹⁸Rashid Latief and Lin Lefen, “Analysis of Chinese Government Scholarship for International Students Using Analytical Hierarchy Process (AHP),” *Sustainability*, 21 June 2018.

¹⁹For a full description of concessional loans and banking system role in Chinese aid programs see William Norris’s fine book, *Chinese Economic Statecraft: Commercial Actors, Grand Strategy, and State Control* (Ithaca, New York: Cornell University Press, 2016).

²⁰Fang Wan, “How ‘unconditional’ is China’s foreign aid?” *DW*, May 5, 2018, <https://www.dw.com/en/how-unconditional-is-chinas-foreign-aid/a-43499703>.

²¹Bethany Allen-Ebrahimian, “Russia Is the Biggest Recipient of Chinese Foreign Aid,” *Foreign Policy*, October 11, 2017, <https://foreignpolicy.com/2017/10/11/russia-is-the-biggest-recipient-of-chinese-foreign-aid-north-korea/>.

²²Gerda Asmus, Andreas Fuchs, and Angelika Müller, “Russia’s foreign aid re-emerges,” *Aid-Data*, April 9, 2018, <https://www.aiddata.org/blog/russias-foreign-aid-re-emerges>.

²³Evan Hill and Christiaan Triebert, “12 Hours. 4 Syrian Hospitals Bombed. One Culprit: Russia.” *New York Times*, October, 13, 2019, <https://www.nytimes.com/2019/10/13/world/middleeast/russia-bombing-syrian-hospitals.html>; Christiaan Triebert, Evan Hill, Malachy Browne, Whitney Hurst and Dmitriy Khavin, “How Times Reporters Proved Russia Bombed Syrian Hospitals,” *New York Times*, October, 13, 2019, <https://www.nytimes.com/2019/10/13/reader-center/russia-syria-hospitals-investigation.html>.

²⁴David A. Broniatowski, Amelia M. Jamison, SiHua Qi, Lulwah AlKulaib, Tao Chen, Adrian Benton, Sandra C. Quinn, and Mark Dredze, 2018: Weaponized Health Communication: Twitter Bots and Russian Trolls Amplify the Vaccine Debate. *American Journal of Public Health* 108, 1378-1384. <https://doi.org/10.2105/AJPH.2018.304567>.

²⁵For a full description of this effort see WHO's publication, *Smallpox: Eradicating an ancient scourge*. https://www.who.int/about/bugs_drugs_smoke_chapter_1_smallpox.pdf; and Elena Conis, *Political Ills: Smallpox, polio, and political and scientific haggling behind two medical triumphs*, Science History Institute, July 3, 2016.

²⁶See The Conversation, "The Silent threat of Coronavirus: America's Dependence on Chinese Pharmaceuticals", Christine Crudo Blackburn, Andrew Natsios, Gerald W. Parker, and Leslie Ruyle, Feb. 10, 2020.

²⁷For an excellent review of the arguments against using UN votes as a standard for allocating aid see Najibullah Gulabzoi. *Why U.S. Foreign Aid Should Not Be Conditioned on United Nations General Assembly Voting Patterns*, SAIS, January 10, 2019. https://www.saisreview.org/2019/01/10/us-foreign-aid-unga-voting/?fbclid=I-wAR3PKA_B0XXpk76skVzJi_heSvAXnewygY8qU-PhUmnammAPNmH0bXRdKVVm

²⁸For an analysis of the USAID experience in long time horizon development to achieve development successful in education see *The Power of Persistence: Education Reform and Aid Effectiveness. Case Studies in Long-term Education Reform*, Academy for Educational Development, November 2010.

²⁹Exit Interview as USAID Administrator Daniel Bell, 114.

³⁰Exit Interview as USAID Administrator, 113-114.

³¹Daniel Honig. 2014. "Navigating by Judgment: Organizational Autonomy in Delivering Foreign Aid." *Harvard University, Graduate School of Arts & Sciences*. Accessed April 15, 2017. <http://wp.peio.me/wp-content/uploads/PEIO8/Honig%2026.1.2015.pdf>.

³²James Q. Wilson. *Bureaucracy: What Government Agencies Do And Why They Do It* (New York: Basic Books, Inc., 1991).

³³Amadou Sy, "What do we know about the Chinese land grab in Africa?" *Brookings*, November 5, 2015. <https://www.brookings.edu/blog/africa-in-focus/2015/11/05/what-do-we-know-about-the-chinese-land-grab-in-africa/>.