

WHEN AID BECOMES CAGE = THE BURDEN OF FOREIGN DEBT

OUTLINE

A- INTRODUCTION :

Thesis Statement: Capture of economy, indirect market control and interest based payment systems, along with other factors, make foreign aid a cage of debt.

B- HOW FOREIGN DEBT IS A BURDEN UNDER THE GUISE OF AID:

- (i) Capture of economy in the name of aid ; giving conditional bailouts
- (ii) Indirect control of market : a gradual surge in inflation
- (iii) Seizing the maximum spending on social development projects : increase in unemployment rate
- (iv) Interest based payment systems : A debt trap

(vi) Economic subservience : functions and embargoes

(vii) Debt burden weakens the administrational independence : pre-approval of spending bills by debt provisionaries

(viii) Foreign aid becoming a cage: persisting balance of payment crisis

(ix) Surge in Taxes for debt payment

(x) Overdue Debt halts long term economic stability

(xi) A large foreign debt discourages the Foreign direct investment

(xii) Creates dependencies on Foreign Lenders
National Sovereignty in limbo

C- CONCLUSION :

THE ESSAY

According to Dambisa Moyo, aid act as a burden because it stops countries from developing self-reliance - governments rely on donors instead of their people. As evident from Moyo's view, the foreign aid becomes a burden specifically for the developing countries. The assistance from foreign donor that was meant to bring stability for a country, eventually squeezes the independence of the country's economy. However, the international lenders use different tactics to gain control of a country. One of these majorly used ways is controlling and capturing economy by offering conditional bailouts. This marks the decrease in capacity of country's self-reliance. In addition, the debt provisionaries also decide the market prices to increase the capacity payments of the country, thereby increasing inflation. Moreover, the donors halt the maximum spending of country on developmental projects thereby increasing unemployment rate. Furthermore, the interest-based payment system also undermined the self-reliance of the country thereby making the aid, a burden. In the similar fashion, the country has to bear the burden of sanctions and embargoes. Along with this, the burden of debt undermines the administrative independence of the country.

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—dence through intervention in crucial matters of country like spending bill. These factual ways make the lending country subservient to the foreign debt providers making the thereby exposing the hypocritical nature of the aid. Therefore, economic capture, indirect takeover of market and interest based payment systems, along with other factors, give practical control of country to foreign banks thereby proving it the fact of foreign aid being a cage.