

The Role of Aid: Neo Colonialism

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Aid can be defined as helping others without the belief of being recompensated in the future.

In the international arena, aid is often distributed by Multilateral organizations such as the United Nations, or in the form of Concessional grants and loans, with minimal

interest. These funds flow to Nations in the global South to help achieve social and economic uplift. The

current system of aid grew post WW2 where Bretton Woods institutions were created with the goal

of helping newly independent, and struggling Nations. However, over time

many social groups, economists, and Nations have come to criticize the

present aid system as predatory. Many now believe that aid has led to

the social, economic, and political subjugation of Nations, perpetuating imperialism through new measures.

This essay seems to shed light on these arguments to illustrate how the present system of international aid, has largely contributed to Neo Colonialism in the Modern age.

To begin this discussion it is useful to first shed light on the inefficiency of aid. Much of the aid provided to nations often gets wasted in its dispersal. Aid organizations such as the Red Cross have come under criticism for the excessive wages paid to administrative and executive staff.

The CEO of the Red Cross earns a salary package in excess of 200,000 USD per annum, with a wide range of support staff. Estimates have shown that over 30% of aid donations and funds go to administrative expenses before reaching the ground. Moreover, once the funds have reached their target destination

a whole new set of problems present themselves. Wastage, pilferage, and corruption are huge challenges that lead to significant leakages within the process. It is not uncommon to see UNICEF supplies in Pakistan in places where they are not meant to be. Moreover, wastage of supplies occurs in harsh and unstable environments. The recent Gaza conflict post October 7th ^{has} ~~have~~ resulted in huge packages of aid being wasted at the border. It was uncovered later that spoiled goods were being sold in markets. Finally, inefficient allocation of aid also contributes to the limited efficacy of aid. Aid often fails to get to the people who need it most. Additionally, the dollar efficiency of aid in producing benefits to help the disenfranchised has been questionable. For example, significant portions of aid

Sent to Pakistan to deal with the 2005 Kashmir Earthquake went to fund government operations rather than helping the afflicted people. The same scenario was repeated with aid provided to the Afghan government post 2001. Much of it was lost to government corruption.

Given the poor supporting data to justify aid, many questions can be raised on its actual purpose.

As illustrated by the Afghanistan aid dispersals post 2001, aid was not effective in helping the majority.

However this aid did allow the U.S to influence the new Afghan regime. This influence of aid has been detailed in the book 'The Confessions of an Economic Hitman.'

Here the author described how aid was used by the West to entrench themselves within the receiving nation, thereby providing influence

on local policies. The Carrot, Economic aid and Concessional loans, were provided to Nations while the Stick, of repayments or ending Support, was also Utilized. This method of Neo imperialism was the hallmark of West-East relations during the Cold War.

However this influence extends to the Modern age. The U.S Currently provides Egypt with over \$3 billion per annum. These Payments are used to Shape Egyptian foreign policy, to protect the interests of the American ally Israel. This aid was a Sweetener in the U.S organized Israel-Egypt Peace Agreement of the late 1970's Under the Carter Administration.

The present Gaza Conflict Shows how despite the Egyptian Public's demands, the State is Unwilling to react to Israeli aggression. The reality of the Situation is that the Egyptian State's hands are tied, given its Economic Crisis and dependency on the IMF.

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Given Significant ^{devaluations} drops in the Value of the Egyptian Pound, and massive repayments, angering the U.S has the potential of State default. This is only one example of many, showcasing how aid influences State behaviour. Aid here only serves the purpose of hard power.

Another use case for aid is in the opening of markets, much to the benefit of Western firms.

The Marshall Plan of the early late 1940s was a prime example.

Nations of Europe were promised aid by the U.S as long as

markets were open for U.S

firms. Moreover, the aid provided

was only given if the funds were

spent on U.S goods. This led to

the proliferation of U.S firms

such as General Electric and Ford

that came to dominate these markets

for decades to come.

The U.S also replicated this Strategy further east, promising the Phillipines independence if Markets remained open to U.S goods. This was further Cemented with aid for Compliance.

These Strategies eventually led to U.S economic dominance post 1950s.

These Strategies took new forms post industrialization. Western economies Sought Cheap labour and Untapped Markets in the age of globalization.

IMF and WB agreements Came with demands of open Markets, free from regulation. India's agreements with the IMF in 1991 and the post-Soviet Nations also agreed to open their

Economies for aid and Concessional lending. In Pakistan the New era

of Neo-liberalism led to New entrants Such as Nestle which took over Markets Such as the bottled water market. Local firms

Struggled to Compete with the technology and economies of Scale

of these giant firms. In the long-term these agreements and aid terms started to result in Capital outflow as Multinationals sent their profits to their home nations.

This opening of markets, and the crowding out of local firms has thus led to the stifling of local development. Multinationals used the developing world to extract raw materials, such as in the gold mines of Africa, and the diamonds of South Africa. Moreover these policies prevented value addition and normal business development through effective monopolies, inhibiting the development of local industry.

Today still most of the profit is generated by brands such as Primark, Hugo Boss and others using cheap labour in nations such as Bangladesh.

This development came at the cost of the local people and environment

Such as through Coca Cola in India.

The firm overused water supplies leading to the depopulation of surrounding areas.

Thus the local people pay the cost for aid agreements that open

markets to foreign firms. These nations have also created a system that

creates dependency through trade, ensuring low value add materials and goods flow from east to west.

The culmination of aid's role in

opening markets, influencing nations,

and preventing local growth leads to a cycle of dependency. Nations grow

dependent on western nations for aid, which forces them to open markets

and provide cheap labour and few environmental standards to western

firms. This prevents local developments, growth, and innovation within trapped

economies that may grow only up to a certain level, before the design of

the system limits them. The system

forces Nations to remain Captives in the aid driven System that extracts more than what flows in. Moreover the System is allowed to take Shape and Mantain itself through the Co-opting of elite Structures. Developing Nations, with weak oversight, cannot Control rampant Corruption, giving the Multinational businesses and aid Systems' Control over State Policy.

This dooms Nations to being Perpetually Stuck in this Master-Slave dynamic indicative of the age of Colonialism.

Thus there is a need for a new System. One that does not take advantage of Nations through aid and lock them into a Self-Serving System that allows for Western Control over whole Nations. Real development should be encouraged, that helps Create industry with local partners through Models such as joint Ventures. This System was key to Chinese

development in the automobile Sector, which now rivals automotive giants in Germany. This Concept was articulated by the Pakistani Prime Minister Shebaz Sharif, Calling for an end to the aid driven approach "We are looking for investments, not aid." Only a System that learns to Co-operate with local firms instead of Subsuming them will be able to bridge the North-South divide. Policies Created that treat both parties as worthy of respect will be able to Create an equitable System of Sustainable growth.

In Conclusion the Current System of aid has led to the Social, economic and Political Subjugation of Nations which Perpetuates imperialism through New Means. Aid has been proven as inefficient and a Concept of a bygone era where it influenced Nations, Opening up Underdeveloped Markets, which Stifled local development and

Consolidated inequality on the world stage. However, a global reset, involving co-operation over co-option and development over aid can right the wrongs of the past and usher in a new age of global co-operation. Following policies that treat both the developed and the developing as equals can break the strangleholds of inequality for growth without prejudice.