DOES FOREIGN AID HELP OR HURT PEOPLE

1. INTRODUCTION

"Foreign aid is taking money from the poor people of a rich country and giving it to the rich people of a poor country", wrote Ron Paul, a former U.S. congressman, to describe the issues of foreign aid in his book, "Pillars of Prosperity.[1]" This view has been reflected in multiple historical and modern events, ranging from anti-communist aid to Mobutu's Zaire[2] (now known as the Democratic Republic of Congo) during the Cold War to military-related assistance to South Vietnam, to fund the counterinsurgency against the Viet Cong in the Vietnam War[3]. Although the original purpose of foreign aid is to "transfer capital, goods, or services from a country or international organization for the benefit of the recipient country or its population"[4], it appears that it diverged from that goal. In several instances, specifically the Cold War, foreign aid has been used as political leverage–to gain the upper hand over rival nations (ex. Soviet Union and United States), rather than the long-term development of recipient nations or it leads to dependency on external resources and institutional ineptitude in low-income countries[5].

2. INEPTITUDE AND DEPENDENCY

Ethiopia was the largest recipient in Sub-saharan Africa of USAID in 2023, nearly receiving $1 billion, mostly used for emergency aid, primarily due to recent conflicts, for example: the Tigray war and ongoing conflicts in Oromia and Amhara, and severe droughts affecting the country. That is until U.S President Donald Trump passed an executive order to freeze funding of USAID for ninety days.[6] Since then, programmes to deliver polio vaccinations and medication for diseases such as HIV and AIDS have been halted due to recent cuts, training projects for medical professionals have paused, the delivery of 34,880 metric tonnes of food has been stalled in Djiboutian ports due to lack of payment, and the Ministry of Health may be forced to fire nearly 5000 employees that were hired by American funding.[6]

Not only in Ethiopia, the Democratic Republic of Congo has been in a dire situation, further deteriorating after the USAID cuts. Outbreaks of Ebola and Cholera are becoming commonplace (with a 31% increase in Cholera outbreaks), at least 27 million people have been experiencing food insecurity, and the country has lost 70% of its humanitarian assistance.[8] Considering the DRC is already in a destructive conflict, these cuts have created long-term damage for the population.

As USAID has been shut down as of 2025[7], it is believed that developing countries will experience health-related, economic, and educational crises [5], but this raises a different issue: why do developing countries rely so much on foreign aid to the point of extreme dependency? There are several answers but the main issue is that developing countries haven't built strong enough institutions to work on their own. Think of it this way; if you were given fish as you couldn't feed yourself, what is the point of fishing if someone is always willing to feed you? Many governments keep this mentality and won't build institutions as another country is most certainly willing to lift them up. Sometimes, we cannot fault governments for structural ineptitude as there are other issues (conflict, climate issues, economic deficiency), but the more assistance sent to these types of governments, the more assistance it will require in the long term, creating a circular harsh dependency cycle, that will likely keep the country in the the same position as it is now with no room for growth.[5]

3. POLITICAL LEVERAGE

Beyond dependency, foreign aid is inherently political, particularly in its use as a soft power ("the ability of a country, organization, or even a person to influence or attract others through cultural, ideological, or diplomatic appeal rather than military force").[9]

Historically, the Soviet Union would fund and support communist movements around the globe in order to counter American/NATO influence over regions and ensure Marxist-ideological power.[10] Not only limited to the Soviets, the American government would frequently economically and militarily support anti-commusit regimes, such as Mobutu's Zaire or Diem's Vietnam, mostly to undermine Soviet rhetoric and build global power. It is also important to note that American supported regime change has also contributed to where it sent its foreign aid during the Cold War and influenced nations likely for the worse in regards to reform, arguably leading to their reliance on foreign aid from the West.[11]

In recent times, little has changed. Superpowers still attempt to change and influence another country's political stance or position on the global stage using aid. For example, the United States has attempted a $367 million health deal with Zambia in exchange for larger mineral access and sensitive health data of citizens, which was rejected by the Zambian government, who viewed the deal as "lopsided" [12]. This pact has since been signed by at least seventeen countries in Africa [13]. With the recent USAID cuts, this deal would provide governments with a substantial money flow that could replace the former organisation, but in return they would have to provide sensitive information and valuable resources—a "strings attached" deal, which could minimise the health-related local institutions and a government's ability to control what is done to their citizen's information and provide potentially classified data to a foreign country.

A non-Western example, China, who provides loans to developing nations for their socioeconomic development, has led seventy-five countries to debt, owing around $22 billion dollars [14]. These nations cannot afford to pay the debt so they have resorted to paying China in other ways; Sri Lanka, which was unable to pay its debt, resorted to leasing its Chinese-financed Hambantota port to China in a ninety-nine year lease and a controlling equity stake [15.] The port that could've been used for economic activities by the Sri Lankan people and government has no purpose now for the country, effectively losing an important gateway and trade income to a foreign country with other interests.

No matter where the aid is coming from—East or West—it still could hold the same political consequences for a country. It doesn't matter if it comes in the form of loans or deals in exchange for valuable resources and data, it still wouldn't have the best interest for the receiver but for the donor instead. The multimillion dollar deal the United States offered these African countries in the short-term likely won't do much in the long-term for them, but provide the United States with access to mines and health data, strengthening American power and increasing dependency. The debt developing countries are accumulating just to build an industry will not help their population in the long or short-term but it will most certainly provide China with political leverage over them until the debt is paid, strengthening Chinese power.

4. DEBT

Foreign aid can come in different forms: grants, which require no payment; usually for emergency aid, and concessional loans, often used for development projects and have favourable conditions [16,] but this isn't usually the case as sometimes more powerful nations take advantage of loans to increase political leverage in a specific area. This is called "debt-trap diplomacy", a term coined by Brahma Chellany to describe Chinese debt leverage against smaller developing nations. [17]

Many have accused China of using its Belt and Road Initiative (BRI) as a means of indebting developing countries, with former U.S President Joe Biden calling it " a debt and noose agreement", which China has fervently denied [18]. Although there is crucial evidence suggesting otherwise, with Sri Lanka leasing its Hambantota port for ninety-nine years after struggling to pay off its debt [15] and eleven African countries having the one of the highest debts to China (Angola: $17.8 bn, Ethiopia: $6.5bn, Zambia and Kenya: $6bn) [19] and coincidentally being one of the poorest nations on the globe. With the debt reaching billions in dollars, these countries don't have a sufficient enough industry to generate enough income or gross domestic product (GDP), thus not being able to afford to pay off the debt. This could lead to local governments cutting off funding to public services, decreasing the standard of living, and making the country poorer in the long-term [20].

Not only limited to China, the debt-trap diplomacy also has applied to the World Bank or the International Monetary Fund (IMF) [17]. In the past, these organisations have been accused of unfair lending—keeping countries in debt for policy influence. An example of this is Jamaica. The Caribbean nation worked with the IMF in 2010 to lower interest rates and extend payment time for a $1.27 billion loan and a part of the agreement was to maintain strict austerity measures ("government policies that aim to reduce public sector debt" [21]) and although it decreased public debt by nearly 40%, it did so by freezing wages and cutting public spending [22]. If reducing public debt comes at the expense of the population, has it really helped the country at all? It could be argued that Jamaica can now focus more on the public, as their debt is reduced, but when they maintained extreme fiscal policies due to debt and borrowing, it hurt more than helped, reducing trust in the government and forcing a population to look for other means: foreign-donated basic needs.

The problem with loan-based foreign aid is that it causes a type of paradox: the more debt a country has, the more it continues to borrow.. To repay this debt, some nations have resorted to cutting funding to public services, like Jamaica, which severely degrade standards of living. Without these services, citizens will begin relying on foreign aid for basic needs, perpetuating a harsh cycle of dependency on donors.

5. THE GOOD SIDE

After World War II, the Marshall Plan provided seventeen European countries with $13.3 billion in aid for economic recovery, and it is arguably a success with these countries having high standards of living and an equally high GDP according to most indexes. This is an instance where foreign aid has been successful, so then, why don't developing countries have higher success rates since more money is given? The answer is simple: the countries in the Marshall Plan, like the U.K and France already had strong industries and purely needed capital to rebuild and modernise them. Unlike developing nations of today, who lack the industries to be truly independent from foreign aid, these European countries were able to avoid the dependency trap due to already existing systems put in place [23].

Another example is the Green Revolution of the 20th century–credited with significantly reducing hunger rates in developing countries by industrialising agriculture with fertilisers and pesticides, spreading from Mexico to India, and eventually other developing countries. Although, there has been a steady decrease in extreme hunger in these countries, the overuse of pesticides and fertilisers has caused soil degradation and loss of biodiversity, decreasing yields. If this continues, populations could run out of food and begin relying on food packages bought by foreign aid in the near-future [24].

Foreign aid can be good. It is just that the conditions it requires are sometimes not achievable. To achieve the success of the Marshall Plan, developing countries would need their own strong existing industries. To achieve the success of the emergency aid seen in the 2008 Sichuan earthquake [25], we would need united international cooperation, which looks bleak in today's geopolitical state. If foreign aid requires such specific conditions, is it really that helpful in today's world?

6. CONCLUSION

Historically, foreign aid has saved millions of lives but in both the past and present, it has been used as a longstanding soft power tool that rarely has the interest of the receiver. As seen with USAID cuts and eventual shut down, foreign aid appears to be more or less temporary and fragile, creating even more dependency than independence. Superpowers will utilise it to maintain global dominance, even if it requires putting smaller developing countries in a paradox-like position. In the end, the billions spent have not brought true development to developing countries but have set them in a cycle of harsh dependency that likely won't break.

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