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TRADE NOT AID

ED NOEL



MOTION:

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A POLICY OF ‘TRADE
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KEY TERMS

Less economically developed country (LEDC)

Official development assistance (ODA)

INTRODUCTION

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Annually, the UK spends over £10 billion on Overseas Development Aid (ODA) - money whose purpose is primarily to assist Lesser Economically Developed Countries (LEDCs) in schooling their populace, vaccination programmes, the provision of safe drinking water and reducing the impact of climate change [Ref: [Telegraph](#)]. This is in line with the United Nations' Millennium Development Goals [Ref: [United Nations](#)] and it is the current coalition government's commitment to increase this spending up to 0.7% of annual GDP [Ref: [DFID](#)]. Given the current economic climate, a review of the efficacy of this aid has been called for - to look seriously into whether it can be reformed or if it should be scrapped altogether in favour of a trade-based approach predicated upon building wealth in a country by trading in a free market. Does Overseas Development Aid help or harm its donors or its recipients? Can aid be effective or is a trade-based approach the way to achieve freedom and prosperity for all?



Lessons from History

History provides conflicting messages about the efficacy and justness of development aid; on the one hand, some argue we have an obligation to rectify the wrongs the West has wrought upon poorer countries, but on the other, it is argued that attempts at doing so have had deleterious consequences, the most recent of which has been Andrew Mitchell restoring aid to Rwanda with the consequence of supporting insurgents in the Congo [Ref: [Telegraph](#)]. Whilst a lot of aid in recent history has been delivered poorly [Ref: [Good African](#)], it remains to be seen whether it could be reformed to be efficacious [Ref: [Guardian](#)]. Donors want their aid to be as effective as possible and so often attach caveats to the money they give, but the conditions imposed upon recipient countries have often been detrimental and unrealistic [Ref: [Global Issues](#)]. Furthermore, there is an incentive for democratic governments to fund social projects like hospitals which appease the electorate, instead of funding more economically viable initiatives [Ref: [New African Magazine](#)]. However, conditionality is often the only safeguard a donor has to guarantee aid will go towards development [Ref: [Owen Barder](#)]. Some argue that nations which profited from exploitation in the past should pay penance - that the wealth the West created through the slave trade has been gladly inherited, though the guilt seems to have been forgotten [Ref: [Minnesota University](#)]. Some argue that the condition-laden attempts at economic liberalisation in the 1990s through the International Monetary Fund and World Bank came close to crippling several Lesser Economically Developed Countries [Ref: [Halifax Initiative](#)]. Others say that the difficulty with a guilt-laden approach is that it all too often leads to inefficient aid; the aid which Britain,

until recently, provided to India was still given long after India became wealthy enough to start handing out similar aid to other countries. France's aid to its former colonies has often been linked to fuelling corrupt government regimes but could not be questioned because of the perceived guilt and obligation it had to rectify its imperialist history [Ref: [BBC News](#)].

Stimulus or Dependency

Given the recent history of ineffective development aid, an alternative favoured by some is to encourage economic growth in poorer countries through a policy which encourages them to trade with each other and to capitalise on the individual advantages they have. For instance, coffee is a key export of developing nations, but given the aid provided to the countries which grow coffee beans on a mass scale, there's little incentive to invest in roasting factories because the shortfall in profit is made up by the funds provided through aid [Ref: [Good African](#)]. This means that they sell the coffee at a fraction of the price they would receive if they did the roasting themselves and, most importantly, become dependent on development aid as they lack an incentive for independent economic growth. But perhaps things aren't this simple? There needs to be a 'big push' to act as a catalyst for roasting factories, and similar pieces of economic infrastructure, to be created, and this is exactly where development aid could help, its proponents argue. Furthermore, some challenge the assumption that trading in a free market with LEDCs is an attractive proposition. Whilst it may appease those in the West with skilled jobs, it's those involved in manufacture and agriculture in the West who will bear the brunt of the influx of cheap produce from poorer countries [Ref:



[About.com](#)]. The European Union's Common Agricultural Policy, for instance, is based upon protecting Western farmers from an influx of cheap produce being shipped from countries which can afford to sell at a fraction of the price. Furthermore, American producers of grains, the maritime industry and engineering firms benefit from contracts associated with providing development aid. Perhaps short-term unemployment for both the developed and developing world is a necessary condition for developing the kind of economically specialised nations required of an efficient globalised economy.

Opening the Markets or the Floodgates?

Whilst development aid has drawbacks, some argue that encouraging poorer countries to open their markets to trade could have worse consequences; the land grabs China is making in parts of Africa are testament to the potential for bad economic decision making, given that much of the land bought by the Chinese government is used to employ not local African workers, but Chinese prisoners [Ref: [Economist](#)]. There have been numerous instances, for example in the US and South Korea, where emerging markets are subject to monopolies which attempt to quash competition [Ref: [New Yorker](#)]. Furthermore, the reticence of Western governments to trade with countries with poor human rights records means that some poorer countries become entangled in financial relationships with countries which assassinate leaders of trades unions, such as Columbia and Panama. Even without protectionist policies like the Common Agricultural Policy, African nations have found the blossoming financial relationship with China a mixed blessing. The influx of goods from a wealthier country which can afford

to manufacture them on a significantly larger, and therefore cheaper, scale has meant that local markets, like the Nigerian textile industry, have suffered drastically [Ref: [United Nations](#)]. There is also the question of the accountability of a government and whether development aid undermines the legitimacy of leaders of recipient countries. When so many conditions are made upon receiving these funds, the decision making mandate of the electorate is eroded. The practical implication of this is that, by increasing the size of the public sector in recipient countries, you make it easier for corruption to perpetuate [Ref: [Stanford University](#)].

Enlightened self-interest

Putting aside the interests of, and our obligations to, recipient countries, it's possible that pursuing a policy of trade over aid could be to the benefit of the developed world. Aid budgets would see a dramatic reduction, but this could also lead to global economic growth, as the examples of China, India and Brazil show [Ref: [Business Insider](#)]. On the other hand, breaking down protectionist trade barriers floods Western markets with cheap produce, making it impossible for the workers of the West to realistically compete. Indeed, there is an interest in forging relationships through development aid between Western contractors and recipient countries, as commercial ties are made between the countries which begin to flourish once economic growth does begin in the recipient countries [Ref: [The Third Estate](#)].



ESSENTIAL READING

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Charles Moore *Telegraph* 1 October 2012

Trade, Not Aid, is what improves life in the third world

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Most EU aid 'goes to richer nations'- MPs

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Africa Needs Trade, Not Aid

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AGAINST

Money may be tight, but 'smart aid' to developing countries can really work

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Aid can help African children realise their potential

Susan Opok *New Statesman* 25 November 2012

Africa: Development Aid in a Changing World

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Give money to aid. But don't give it to DfID

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Trying to pull together

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Farah Abuzeid *Stanford University* 2009

The damage done Aid, death and dogma

Christian Aid May 2005



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India will shed few tears over the end of UK aid

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Senator Bernie Sanders rips into Obama’s free trade agenda

The Third Estate 14 October 2011

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Changing Lives, Delivering Results

DFID 2011

Paul Collier: 4 ways to improve the lives of the “bottom bil

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James Surowiecki *New Yorker* 14 May 2007

Aid isn’t the answer. Africa must be allowed to trade its way out of poverty

Bob Geldof *Independent* 16 May 2006

What Sort of Conditions Should there be on aid?

Owen Barder December 2005

Ngozi Okonjo Iweala on Aid Versus Trade
Saylor Foundation

Millennium Development Goals

United Nations

New Statesman Aid Special

New Statesman

Aid Vs Trade Revisited

Christopher S Adamy and Stephen A O’Connellz *Oxford University*

Why Foreign Economic Assistance

Vernon W. Ruttan, Economic Development Centre *University of Minnesota*

ORGANISATIONS

Aid Watch

Department for International Development

Good African

Oxfam

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IN THE NEWS

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Morsi Meets Merkel: Visit Dashes Hopes for Quick Aid

Der Spiegel 30 January 2013

Migrants' billions put aid in the shade

Guardian 30 January 2013

Threatened aid cuts seen as big blow to malaria fight

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Aid Should Focus on Sustainable Development

Guatemala Times 2 January 2013

Andrew Mitchell criticised by MPs for Rwanda aid decision

Telegraph 30 November 2012

Eurozone crisis causes aid cuts to poor, report says

BBC News 25 June 2012

International aid: A developing argument

Guardian 2 March 2011

UK 'to end direct aid to 16 countries'

BBC News 27 February 2011

Ireland urged to defend EU development aid

Irish Times



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