

## **The Emergence and Mechanism of Foreign Aid as a Neo-Colonial Apparatus: A Post-World War II Scenario**

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**[Abstract :** The connectivity and interdependency among the modern states have increased exponentially in terms of politics, economics, culture, or every possible sector in today's globalized world. To ensure uninterrupted economic and social growth, the countries often seek foreign aid as it is considered one of the most useful tools for socio-economic development. It is, therefore, not necessary to consider this approach counterproductive all the time. Nevertheless, on most occasions, for reasons whatever, the situation is quite downtrodden for most of the aid receiving countries. From the ancient period, world politics was determined and dominated by the imperialists expanding their territories and later the colonialists controlling the colonies. Till the end of World War II, the world has experienced it at different points of time. After the end of the Second World War, 'something' new was required to be established in the package of moral superiority. Hence, the inception of 'neo colonialism'. The paper tries to elaborate on this juncture of the post-World War II era and also aims to examine the possible intentions of the USA, China, India along with some other international organizations which are seemingly practicing neo colonialism in the garb of so-called 'assistance'. Meanwhile, it is true that all these states are too invested in the wellbeing of the world and great contributors in many positive ways. At the end of the paper, it is expected that a clearer vision will come out regarding the subject matter of the study.]

**Keywords :** [Neo colonialism, neo-colonial tool, foreign aid, dependency, economic assistance, influence, politics]

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**Introduction**

Whilst in this contemporary world, interdependence among countries is a natural occurrence and countries are relying on each other for various economic, political, and social reasons, it can also be noted that all the actors in the international arena are in continuous run to have superiority over each other. As a result, the weaker ones are in constant dilemma of whom they should turn to and whom they should not. For instance, the statecraft of Third World countries is highly dependent on foreign aid. Colonialists have used different tools from time to time to create complete domination over the desired parts of the world. Foreign aid has been considered as a noble tool which superpowers are intelligently using to hold their expansion and influence in place. Not necessarily there has been an ulterior motive behind every foreign aid. McKinley and Little (1978a, 1978b) analysed whether German, British, and American aids during the 1960s were given out of self-interest or to meet recipients' needs? Initially the mechanism was noble.

But later, not only the powerful states, but also some major financial organizations started following the mechanism for their own end. After the formation of the United Nations, there was a binding of providing aid. Later, in different names and forms aid was disbursed. Here comes the magical charm of foreign aid. From a humanitarian ground, foreign aid was turning out to be an effective tool of dominance and influence. Hence, in the paper, an attempt has been made to explain how the global powers extend their colonial intentions in new packaging named 'neo-colonialism'. Neo colonialism can also be the worst form of imperialism experienced. Because it grants power without responsibility for donors, and it grants exploitation without redress for the recipients. In the colonial era, the imperialists had the obligation to justify and explain their policies towards the colonies at home or to the parliaments to some extent. In the colonial age, those who served the ruling imperial powers enjoyed some immunities and protection from the activists. They used to have an invisible security umbrella. But in case of neo-colonialism, there is no definite protection. Here, the focus is not to glorify or to establish an ill relationship between foreign aid and development but to find a possible relation between foreign aid and neo-colonialism.

**Objectives**

The objectives of the paper are:

- To trace the colonial tool and define neo colonialism assessing its nature and functions
- To touch upon the evolutionary process from colonialism to neo colonialism

- To provide a theoretical explanation based on the strategy that the donor states adopt in the field of aid and assistance.
- To establish a correlation between foreign aid and neo colonialism in the post WW-II era

### **Literature Review**

Lahiri et al. (2007) conducted a comprehensive analysis of the conceptual development of foreign aid, exploring its relationship with local politics, corruption in aid management, and the collective impact of foreign aid. They also presented findings specific to the African context. Jakupcic and Kelly (2015) focused on various aspects of foreign aid within recipient states, including a critical analysis of the impact of aid on trade acceleration. They provided examples related to Official Development Aid (ODA) but did not address political aspects.

Riddell and Riddell (2008) posed the fundamental question of whether aid is beneficial or not and discussed the historical evolution of foreign aid. They examined the nature of aid as a duty or charity and concluded with a discussion on the impact and failures of aid. Shimomura and Ohashi (2013) provided an account of China's foreign aid in the Asian context, while Zhou and Xiong (2018) discussed Chinese foreign aid policies and mechanisms, particularly in the Latin American and Caribbean region.

Nkrumah, K. (2022) is credited as the first person to theorize and connect neo-colonialism with politics following Sartre's work. Fulgence (2016) focused on the core problems and potential solutions in the context of developing states. He argued that foreign aid, often exploited as a tool, sometimes exacerbated poverty, and had negative impacts on recipient states. Lancaster, C. (2007) presented a paradoxical study with ambiguous logic regarding foreign aid, showcasing the changing trends in US state policies.

Sumner and Mallett (2012) aimed to assess the future of foreign aid and its potential impacts on global poverty. They thoroughly discussed the relationship between global poverty and foreign aid. Brown and Grävingholt (2016) examined security-related trends in foreign aid, encompassing traditional security as well as non-traditional/human security aspects such as statecraft and gender equality.

The reviewed literature offers insights into the evolution of power dynamics, transitioning from colonialism to neo-colonialism. While the conceptual details of foreign aid and its impact on different regions are provided, the correlation between foreign aid and neo-colonialism remains largely unexplored. Therefore, this paper aims to delve deeper into this correlation as it is a subject matter that demands further examination. For example, through the Marshall Plan, the US government provided significant financial assistance to European states for reconstruction. However, we might question whether Europe

has been able to formulate its security policies independently since then. China's increasing involvement in providing foreign aid, similar to the US exporting the US dollar, and India's focus on neighbouring states through initiatives like Narendra Modi's "Neighbourhood First" also raise intriguing questions. The paper intends to explore the ongoing chaos in Afghanistan, the challenges faced by Pakistan, the power dynamics between China and India in Bangladesh, India's influence over US decisions, the significance of Nepal and Bhutan in regional politics despite their small size, the turmoil in Sri Lankan politics, and the limited political significance attributed to Africa despite its abundant resources. The relationship between foreign aid and these dynamics will be examined through rational explanations and factual analysis.

### Methodology

This research paper adopts a qualitative approach to thoroughly investigate the relationship between foreign aid and neo-colonialism, and to address the research questions. To achieve this, data is gathered from various sources, including reviews of relevant documents such as books, journals, and previous research papers, as well as statistical data, mass media products, web information, and historical records. The selection of these data sources is specifically tailored to ensure a comprehensive understanding of the dichotomous mechanism of foreign aid, which forms the central objective of the study. Each data item is analysed based on its content, encompassing information on international politics, the security dilemma, and the functions of international organizations, among other relevant aspects. The data sources were deliberately chosen to offer a wide-ranging perspective on the topic of foreign aid and its connection to neo-colonialism.

### Theoretical Basis

Theoretical frameworks play a crucial role in analysing the relationship between foreign aid and neo-colonialism in this research paper. Specifically, the study utilizes the **dependency theory** to describe colonialism, the **centre-periphery model** to describe neo-colonialism, and the **two-gap model** theory to explain foreign aid. In addition, other theoretical tools are employed to provide a comprehensive understanding of the subject.

Postcolonial theorists do not universally assert the complete demise of colonialism. Instead, they propose neo-colonialism as a new, revised, and somewhat moderated apparatus that powerful states have employed since the advent of the Cold War era. Unlike colonialism, which required direct and intense control over governmental bodies, neo-colonialism focuses on passive and refined control by utilizing local assets such as civil society, rebel groups, and politically ambitious elites who act as agents. Therefore, the primary objective of neo-colonialism can be identified as the economic domination that

satisfies the interests of a few, particularly the donor countries (Nkrumah, K., 2022).

Prominent scholars such as Robert Young, Bill Ashcroft, Gareth Griffiths, and Helen Tiffin concur that the concept of neo-colonialism emerged, albeit not explicitly articulated, with Kwame Nkrumah's assumption of power in Ghana. Nkrumah recognized the latent implications of African states' independence. Robert Young further advanced the concept by incorporating "development and dependency theory." Issues such as political instability, lack of adequate education, underdevelopment, and persistent poverty in third-world countries laid the groundwork for the developed world to engage in their affairs and practice neo-colonialism.

The centre-periphery model derived from dependency theory provides a solid foundation for understanding the paradox between foreign aid and neo-colonialism. The concept of "development" goes beyond purely economic aspects and necessitates comprehensive tools that encompass culture, gender, society, and politics.

### **Structure of the Paper**

Barring Introduction and Conclusion, the corpus of the paper consists of five consecutive sections, arranged in a logical and coherent manner. Section 1 entitled '**Foreign Aid – A Synoptic Outline**' discusses the following points: (i) Aid as an Altruistic Enterprise by the International Community (ii) Understanding the Genesis of Foreign aid (iii) Emergence of Foreign Aid in Contemporary International Relations with fresh nuances, distinct hues, and innovative manifestations (iv) Dive from Altruism to a Tool of Political Influence, Coercion, Persuasion, and Economic Exploitation. Section 2: '**Neo Colonialism : Theoretical Reflections**' brings within the ambit of discussion the following points: (i) A Prelude (ii) Evolution of Neo-colonialism Tools (iii) Paradoxicality of Neo Colonial Tools (iv) Actors of Neo Colonialism: A Demo of Economic Prowess (v) Victims of Neo-colonialism: Silentious Treasure of Wealth Section 3: '**The Post-Cold War Era: Transition from a Bipolar International System to a New Global Order and its Impact on Foreign Aid Section**' elaborates on the supremacy of the US and its allies in domain of foreign aid in contemporary world. The section also highlights some of the very noticeable features of foreign aid in a globalized world. Section 4: '**Dichotomies and Complexities of Foreign Aid Section**' deals with the (i) Essence of Donor-Recipient Paradox. Towards this end, some fourteen mechanisms find elaboration to explain the irony. The last section 5 entitled '**Withdrawal of Foreign Aid: A Dreadful Facet of Neo-colonialism**' deals with the twisting policy of the donors with respect to their aid disbursement to the recipients. This can be well captioned as the 'Whim and Caprice Policy of the Aid Disbursers'. A few cases cited in the section illuminate the point. Finally, the paper ends with a short conclusion.

### **Section 1: Foreign Aid – A Synoptic Outline**

The Organization for Economic Cooperation and Development (OECD) described foreign aid as the financial flow. It can be both monetary and technical assistance in nature. Any form of support from any donor state that is anticipated to be effective in the desired development of the recipient country is considered as foreign aid. This implies improving social infrastructure and services, including funding for education, health, and the promotion of civil society.

#### **Aid as an altruistic enterprise by the international community**

Foreign aid refers to the voluntary transfer of assistance from one country to another, encompassing various forms such as gifts, grants, and loans. Countries engage in foreign aid by providing capital, food, supplies, and services, including humanitarian aid and military assistance. This assistance often becomes crucial during times of natural disasters, conflicts, or economic crises, with developed nations extending their support to developing nations. The United States played a significant role in the post-war period through various initiatives such as the Marshall Plan, aimed at aiding Europe's reconstruction, and the establishment of the Bretton Woods Institutions, including the IMF, World Bank, and IFC. Additionally, defence alliances like NATO, ANZUS, SEATO, and CENTO were instrumental in shaping geopolitical dynamics. On the other side, the USSR's involvement was notable through initiatives like the Molotov Plan, which aided Eastern European countries, and the establishment of the WARSAW Pact. Furthermore, the Comecon (the Council for Mutual Economic Assistance) fostered economic cooperation among Soviet-bloc countries.

#### **Understanding the Genesis of Foreign Aid**

There is no gainsaying that foreign aid as a tool of foreign or national policy has a rather limited historical background. Looking back in history, one can identify instances of foreign aid in ancient Europe, where powerful empires and dynasties aided their vassal, client, satellite, and buffer states primarily for military purposes. Similar patterns emerged in 18th and 19th-century Europe, with dominant powers like Prussia offering aid to neighbouring countries for military and security reasons. Even during the interwar period, there is little evidence of foreign aid, even with the presence of the League of Nations, to address the economic collapse following World War I.

The outbreak of World War II marked a significant turning point with the initiation of the Lend-Lease program by US President Franklin D. Roosevelt (D. P. E., 1945) in 1942. This program stood out as a commendable intercontinental aid initiative, allocating more than 49 billion (US \$) to support nearly forty nations worldwide between 1942 and 1945. It aimed to extend substantial assistance to countries in need during the war.

**Emergence of Foreign Aid in Contemporary International Relations with fresh Nuances, distinct Hues, and innovative Manifestations**

During the post-World War II era, foreign aid became a prominent topic on the international politico-economic stage, driven by three significant contemporaneous developments that shaped its dimensions unlike anything seen before in world history. These developments were:

- (i) The establishment of the United Nations Organization, which mandated economically developed and advanced countries to allocate at least 0.7% of their gross national income to international aid (Kenton, 2021).
- (ii) The emergence of the Cold War, which intensified geopolitical rivalries and competition between major powers, leading to the use of foreign aid as a tool to gain influence and control over strategically important regions.
- (iii) The process of decolonization in the aftermath of World War II, as former colonies sought assistance from both Western and Eastern blocs to support their nation-building efforts and assert their independence.

Together, these three factors contributed to the transformation of foreign aid into a neo-colonial apparatus with far-reaching implications for global politics and economic relations.

**Dive from Altruism to a Tool of Political Influence, Coercion, Persuasion, and Economic Exploitation**

Several key factors played a pivotal role in shaping foreign aid from a noble and humanitarian element into a tool of political influence, coercion, persuasion, and economic exploitation. They are as below:

- i. The superpower Cold War competition for global supremacy and hegemony intensified the use of foreign aid as a means to gain strategic advantage and extend influence over other nations.
- ii. The ex-colonial countries, acting as appendages to the US bloc during the Cold War, played a significant role in channelling foreign aid to further geopolitical interests and reinforce existing power structures.
- iii. The adoption of new mechanisms, such as political devices, foreign aid programs, multinational corporations (MNCs), arms trade, and technology transfers (TT), enabled advanced nations to exert control and dominance over recipient countries.
- iv. The full manifestation of Dependency Theory shed light on the unequal power dynamics between developed and underdeveloped nations, reinforcing the neo-colonial nature of foreign aid relationships.

- v. Frustrated underdeveloped and poor countries of the global South attempted to counter the neo-colonial influence by establishing organizations like UNCTAD (United Nations Conference on Trade and Development) and NIEO (New International Economic Order). They also raised their voices at NA (Non-Aligned Movement) meetings and conferences to address issues of economic inequality and challenge the prevailing neo-colonial system.

## **Section 2: Neo Colonialism: Theoretical Reflections**

### **A Prelude**

Taking cue from the above discussion, in particular, the one entitled 'Dive from Altruism to a Tool of Political Influence, Coercion, Persuasion, and Economic Exploitation', the paper delves into a critical discussion on the problematic query of the paper, i.e., usage of foreign aid as an apparatus of neo-colonialism in post-World War scenario.

Neo-colonialism represents a continuation of the actions and mechanisms employed by colonial powers, albeit in a more moderate and passive manner, over their former colonies, all of which gained independence in post-World War II period. The factors and characteristics that were prevalent in the ex-colonized countries persist even in this so-called "liberal" era. It can be seen as a subtle form of imperialism, where former colonizing countries still maintain control over the economies and political systems of their former colonies.

The term "Colonialism" and "Neo-colonialism" were introduced by Jean Paul Sartre, a prominent French scholar, to describe the French influence over their recent ex-colonies, particularly Algeria. In the post-World War II era, as African states were primarily colonies of European powers, the term neo-colonialism gained widespread usage in African political philosophy. The All African People's Conferences (AAPC), an organization formed by several African states, officially defined neo-colonialism for the first time in their "1961 Resolution on Neo-colonialism." Kwame Nkrumah further theorized neo-colonialism in relation to contemporary development aid and the economic exploitation of African countries in his book "Neo-colonialism: The Last Stage of Imperialism" (Nnamdi, U. 2016).

It may be mentioned that the new political concept of 'neo-colonialism' found its fertile ground for germination more in Africa than in Asia or Latin American. Following the Second World War, the newly independent African states became direct victims of political, economic, social, military, and technological domination by the colonial powers, aiming to maintain their influence in a non-violent manner. Foreign aid emerged as a prominent tool of neo-colonialism, presented as a means to establish "stability and development" in the African region.



Neo-colonialism is characterized by the contemporary methods through which donor states and corporations continue to pursue traditional approaches of domination and influence. Under the Truman Doctrine, the U.S. government offered significant amounts of financial aid to governments willing to accept U.S. protection against communism, thus extending its sphere of influence, and sometimes gaining control over foreign governments. Furthermore, neo-colonialism can manifest as an indirect form of control, often exerted through economic policies, trade agreements, debt, foreign aid, political manipulation, exploitation of natural resources, cheap labour, and market dominance by dominant countries in former colonies. International corporations, and at times the IMF and World Bank, are also accused of intervening in recipient states' policies through the "conditions" attached to the aid they provide. Essentially, corporations exploit cheap labour while keeping the ex-colonies dependent on them, thereby perpetuating neo-colonialism in new dimensions.

#### **Evolution of Neo-colonialism Tools**

The evolution of neo-colonialism over the time has mostly been fashioned in line with the self-interests of the ex-colonial countries. Such interests reflect, in one way or the other, their West-centric superiority, opportunism, and undue expediency. It is very interesting to note that while in case of colonialism, the colonial powers zealously propagated on their mission to civilize and Christianize the non-European world, in post-colonial period, the same agents came with the noble slogan of 'educating the illiterate colonized people'. And, hence, the remark, "With no education, you have neo-colonialism instead of colonialism (Fred Hampton, n.d.)".

In effect, evolution of colonial tools essentially finds its genesis in much publicized Western slogan to enlighten the newly emerged peripheral countries. Here the concept of enlightenment is myopic in nature in the sense that enlightenment was equated with the knowledge about Western statecraft, power politics, new post World War II politico-strategic and economic imperatives etc. Modern state system and territorial sovereignty that derived from the European treaty of Westphalia, 1648 could hardly match with the political reality in post-World II period. With the emergence of a vast number of independent states after World War II that collectively constituted the new Third World, the international community was forced to shuffle its structure; and that the powerful states were forced to change their age-old directions.

Since national interest is the prime concern to every state, introduction of new techniques and methods was a must. Thus, the 'updated, furnished, civilized, moral' form of colonization was introduced, which is named –neo colonialism'. Interestingly, this reduced the responsibilities and liabilities of the colonial powers. Now, they could exploit without the hassle of responsibilities. For instance –the European Union (EU) supports a country

for a combination of reasons, including the donor's economic and political interests and the high standards of governance shown by the recipient (Hoang, H., 2014). Interestingly the 'the standard of the government' is defined by the EU as well.

Consequently, the ancient ill practice went unabated. While the mechanisms of the colonial tools, perhaps, changed, but the result became more fatal as neo colonialism's hideous intentions remained masked in most cases.

### **Paradoxicality of Neo-Colonial Tools**

From a critical analysis, it is found that the powerful donor states basically practice the below cited mechanisms to ensure their indirect influence over the targeted states. Even countries like the Netherlands officially announced its concerns in case of aid disbursement at international level this way – "we are pursuing three important aims. First, to eradicate extreme poverty; second, sustainable, inclusive growth all over the world; and third, success for Dutch companies abroad" (MFA, 2013). Although couched in noble words, this paper essentially found them as neo-colonial tools. In this connection, a few notable practices are - providing economic aid, interference in internal political structures, promotion of (pseudo) human rights, ensuring development program through international organizations, offering membership in well-designed institutions, military invasion in the name of peacekeeping, active presence to settle ongoing disputes, using corrupted/inside government personnel, using so-called local civil society and social elites, manipulation of media, national and international.

### **Actors of Neo Colonialism: A Demo of Economic Prowess**

Political history of the world presents us with two major events so far which led to the inception of a new approach of colonialism. The first one was the Berlin conference and second one was the Atlantic charter. Post-World War II started with the initial promotion of neo-colonialism in the name of neutralizing socialism, exporting capitalism, reconstruction of the national economy of the west and so on. It is often argued that, if there had been no cold war threat, the United States- the first and, for most years, the largest aid-giving country might never have initiated programs of aid (Lancaster, C., 2007). Post-cold war era started accelerating this process. For a short period, the USA remained the unilateral power, but soon it was accompanied by some other countries too. Although the USA remains at the centre of the whole system. Economic growth and technological strength provided the confidence as well as the urgency to set up a new market for their product. Considering this fact, we notice the following countries and institutions practicing neo colonialism- USA, UK, France, Germany, China, Russia, India, EU, IMF, World Bank, WTO, NATO, UNO.

### **Victims of Neo-colonialism: Silentious Treasure of Wealth**

The regions which are targeted for setting up neo colonies pose significant characteristics in broad line. Such as- abound with natural resources, relatively huge population, weak and corrupted administration, political instability, ethnic or racial conflict leading violence, severe violation of human rights, unmet basic human needs, impractical and superficial economic and political policymaking, inadequate technological advancement, weak military prowess, substandard Infrastructure

In the colonial age, colonies were not set up for economic reasons only, rather statecraft, prestige, glory, and political will played a huge role in undertaking such overseas adventures. However, in this modern age, in case of neo-colonialism, economic advantage is of paramount importance. The Inter-American Development Bank in its several studies and annual reports has indicated that the richer a country is in natural resources, the more likely they are to be poor (Acosta, A. 2013). To materialize, this economic aspiration, the powerful countries are trying different tools. Africa has, perhaps, been the most affected region considering both colonialism and neo-colonialism. China has successfully managed to set up her neo colonies there.

On the other hand, MNCs from the USA invested huge sums of money there in mining projects. A common allegation against them is- these MNCs finance local rebels for cultivating instability so that they can coerce the government to sell the resources comparatively at a cheaper rate. Twisting factor is, their mother country (the central country) again provides aid as well as assistance to the respected government (the periphery country/ the satellite country) for strengthening administration and securing human rights. This is the most common paradox in African states. If any leader denies preserving this absolute paradoxical vicious circle, military actions are taken against his country using international instruments. This harsh reality is a living feature of African politics in contemporary world.

### **Section 3: The Post-Cold War Era: Transition from a Bipolar International System to a New Global Order and its Impact on Foreign Aid**

The end of the Cold War brought about significant shifts in the global geopolitical landscape, influencing the nature and dynamics of foreign aid in the post-World War II era. It is needed to trace how the transition from a bipolar international system to a new global order impacted foreign aid practices, with a specific focus on the following key aspects:

#### **i. Unchallenged Supremacy of the US and its Allies:**

With the collapse of the Soviet Union and the disintegration of the Eastern Bloc, the United States emerged as the sole superpower in the world. This unchallenged US supremacy, catapulted further by its allies, allowed the US to

exert unprecedented influence over global affairs, including foreign aid policies. The dominance of the US in the post-Cold War era shaped the direction and allocation of aid, often serving its geopolitical interests.

**ii. The Third World Loses Leverages:**

During the Cold War, the competition between the US and the Soviet Union created opportunities for the Third World countries to leverage support from both sides. However, in the post-Cold War era, this leverage diminished significantly, as the focus shifted towards US-led aid programs and initiatives. As a result, many developing nations found themselves in a vulnerable position, with limited bargaining power in the allocation of foreign aid.

**iii. Several Conflicts of Internal Nature in the South:**

The post-Cold War era witnessed an increase in conflicts of internal nature within many developing countries, fuelled by various factors such as ethnic tensions, political instability, and socio-economic disparities. These internal conflicts posed challenges to effective foreign aid delivery, as humanitarian and development assistance often intersected with complex and volatile local contexts.

**iv. Pressure for Democratic and Free Economy Reforms:**

In the wake of the Cold War's end, the international community increasingly emphasized democratic governance and free-market economic reforms as conditions for foreign aid. Many donor countries insisted on recipient nations' adopting political and economic reforms to promote transparency, accountability, and sustainable development. This conditionality approach had implications for both the donors and recipients and shaped the nature of foreign aid interventions.

**Globalization: Reincarnation of Neo-colonialism**

Globalization has emerged as a contemporary form of neo-colonialism, deeply influencing the mechanisms of foreign aid in the post-World War II era. Several key factors contribute to this reincarnation. The impact of these factors on the foreign aid apparatus warrants a closer examination to understand how globalization perpetuates neo-colonial dynamics:

**i. Increasing Pressure from the West for Political and Economic Reforms:**

Globalization brings with it heightened demands from Western donor countries for political and economic reforms in recipient nations. As a condition for foreign aid, developing countries are urged to align their governance and economic policies with Western ideals, potentially compromising their sovereignty.

**ii. Integration with the Global Economy – In Other Words, West-led Economy:**

Globalization fosters the integration of economies into a global network predominantly dominated by Western powers. This integration tends to favour Western interests, shaping trade agreements, investments, and financial policies, leaving developing nations vulnerable to external economic pressures and exploitation.

**iii. Increasing Influence of Multinational Corporations (MNCs):**

In the process of globalization, multinational corporations (MNCs) wield significant economic and political influence worldwide. Often originating from the West, these corporations have the capacity to shape local economies and policies, leading to uneven power dynamics between host countries and the corporations (Riegert, J. (2019).

**iv. Increasing Importance of Global Financial Institutions led by the West:**

Global financial institutions, such as the International Monetary Fund (IMF) and the World Bank, hold considerable sway in the global economy. Their policies and conditionalities frequently align with Western interests, and their interventions may exacerbate economic disparities and reinforce neo-colonial structures in recipient nations.

**v. The Third World Countries Regain Leverage Due to the China Factor:**

Amidst the challenges posed by globalization's neo-colonial tendencies, the rise of China as a prominent player in the international arena has provided some developing nations with an alternative source of aid and investment. China's presence as a major economic power offers certain developing countries an opportunity to regain some leverage and diversify their partnerships.

**Section 4: Dichotomies and Complexities of Foreign Aid**

Foreign aid sometimes encourages 'rent seeking' behaviour or corruption in the recipient states. Foreign aid in Africa constituted even more than 50% of government revenue in the 30 most aid-dependent countries in 1970-1990. But aid could not really help the recipient countries in real life. Ernst, J., et al (2020) showed that, though billions of dollars of foreign aid and assistance programs, little improvements existed in the areas of social prosperity, governance, and security, which the Department of State and the USAID were responsible for evaluating. The phenomenon is not that linear as it seems. Any form of aid indicates more foreign currency inflow. This will obviously make the domestic products costlier and will increase the exchange rate. All these will finally slow down the export sector and the terms of trade will deteriorate for the recipient country.

Basically, foreign aid often comes with a price of its own for the developing nations which they need to pay back by compromising prestige, policies, and sometimes real sovereignty. Foreign aid can be used as a tool for political influence and interference. There remains severe pressure from the donors in every sphere of policymaking. Donor countries often attach complex conditions to their aid, such as requiring recipient countries to adopt more industrialist policies or to sign unequal trade agreements. This can damage recipient countries' sovereignty to a greater extent. It can potentially crowd out domestic investment and private sector development of the recipient countries. Often domestic industries and products cannot thrive under such circumstances. It becomes difficult for local businesses to compete with foreign aid-funded projects. Donor countries may use their economic influence or their funding to promote their own culture and values, which leads to the damage of local cultures and identities of the recipient countries.

#### **Essence of Donor- Recipient Paradox**

In the contemporary world, the states which have adopted neo-colonialism as a mechanism of extending influence are the contributors of maximum funding in the international arena. Again, some of them are the recipients of the maximum portion of loan from the world financial institutions. Interestingly, despite being the major borrower from China, neo-colonialism cannot be imposed upon the USA. The USA has had a continual trade deficit with China for several decades, and one obvious outcome of this trade deficit is that China owns a large amount of US debt, in the form of US Treasury bonds. The real paradox starts when – despite having that amount of debt, the USA intends to maintain influence around the world like in the Asian or Latin American region. The answer lies in the process of internationalizing the US Dollar.

Another common phenomenon which should be considered as an important part of this paradox is, the recipient must be associated with the donor countries in terms of national interests by means whatever. Iran, before the Islamic revolution of 1979, used to be an established ally to the US. However, after the revolution the scenario changed. Aids were stopped, sanctions were imposed. New doors opened for Pakistan or Afghanistan. On the other hand, India is one of the major borrowers from the World Bank group, but she practices 'thou shalt help thy neighbour' approach with the neighbouring countries. This unique approach enables the Donor countries aka the central states to never allow the recipients aka the satellite states to move out of their radar. If any imbalance occurs, then a severe international crisis may emerge. The situation of Greece, Ukraine or Sri Lanka might be the proper testament of this analysis.

### **Mechanisms Followed**

#### **Dependency on Donors**

The widely used mechanism at the very first stage, works like slow poisoning. At the initial stage, the sufferer state remains unable to grasp or consider the actual consequences coming in the nearer future. It seems that the receiving states become dependent on the donor states with a view to meeting budget deficit, infrastructural construction, initiating development programs and so on. A state in the grip of neo-colonialism is not a master of its own destiny. It is this factor which makes neo-colonialism such a serious threat to world peace (Nkrumah, K., 2022). Once the dependency starts, the recipient states are bound to adjust their policies as per the demands of the donors.

#### **Surveys**

Surveys constitute another noteworthy tool used by the powerful states. These surveys cover every sphere of state and are related to policymaking, such as – administrative fairness, corruption, human rights index, human development status, legal aid situation, priorities of the minorities, political stability, economic advancement, condition for living, investment scenario, environmental conservation status etc. The trouble is not that they finance and direct these surveys. However, they use these reports as a tool for their political and economic advantage from the respective states. For instance, before the fall of Gaddafi regime numerous western survey/statistical reports stated about the appalling scenario in Libya, but now? Undoubtedly, these reports and surveys must have positive impacts to a great degree. But our focus is on the other side of the coin.

#### **Intelligence Reports**

An intelligence report provides a comprehensive analysis of information gathered by mainly intelligence agencies. The report usually highlights key findings and recommendations and covers subjects like – political developments, military operations, economic trends, and social movements. Intelligence reports are regularly used by the superpower states which are the largest donors as well. CIA, Mossad, MI5, MI6, RAW are some of the state-run security service agencies, notorious for their wide range of activities including intelligence gathering. They normally provide classified information, so that the respective government can formulate policies regarding the targeted state. Developed countries always award resources to certain countries, and not to the others, based on their self-interests, and according to the nature of the recipient country. (Olivie, I., & Pérez, A., 2019, p. 180). It is known from the files from Wikileaks – how the CIA was directly involved in unethical electronic surveillance and cyber warfare.

**Control Over Resources**

Newborn states face different forms of shortage, crisis, and challenges. Securing the sovereignty and managing the resource resources – are such challenges. As these states have severe weakness in the administrative sector, political structure remains unsettled. Hence, the existence of rival groups within states poses great threat. The colonial powers take this opportunity. Sometimes they assist the ruling government in defeating the rival groups when the government provides them with the expected interest in case of resources. Opposite event also takes place when the government disagrees, and the rival groups agree. Aid is provided to the governments of raw-materials-producing countries (e.g., petroleum producers in times of scarcity and high oil prices) to create close relationships intended to ensure continuing access by the donor government to those raw materials (Lancaster, C.,2007). The incident of Banana government is a case in point. American involvement in African civil wars, arms business, and association of MNCs and mining companies with intra politics often point to this direction.

**Destruction of Real Resource**

Besides possessing remarkable economic and military capacities, the donor countries also possess large territories including land and maritime. They profit from there, too. They use it against the comparatively poorer and weaker states. For instance, Indo- Bangla water disputes. India, being the upper-riparian country, intentionally hinders the flow of natural river water, though this is not permitted by the international laws. Due to this tendency, a huge portion of fertile land in north-western region of Bangladesh is under the threat of desertification. Annual agricultural production collapsed in a noticeable amount. Again, India exports large quantities of agriculture-based products to Bangladesh. It ultimately tends to the neo-colonial mechanism.

**Man-Made Hazards**

Man-made (anthropogenic, or human-induced) hazards are on the rise. These include – chemical, nuclear, and radiological hazards, transport hazards originating from technological or industrial conditions, dangerous procedures, infrastructure failures or specific human activities such as –industrial pollution, ionizing radiation, toxic wastes, dam failures, transport accidents, factory explosions, fires, and chemical spills. Many times, donor states create this form of hazards to keep the recipient state feeble. In the case of Bangladesh, in the monsoon period India lets a maximum portion of water through rivers which often cause sudden floods. On the other hand, in summer, India holds off the natural stream of the river with the help of dam which leads to drought in Bangladesh. Then they aid so that Bangladesh may overcome the crisis.



Therefore, what we see through plain eyes does not always mean the truth. Stories behind demand critical re- thinking.

### **Providing Aid for 'Humanity'**

Humanity itself is paradoxical. Therefore, in a humanitarian crisis, many unpleasant events unfold. Politically speaking – all these events are quite typical. During any humanitarian crisis, the donor states come forward for the sake of humanity. But they also bring trouble with their aid. In the case of the Nepal earthquake crisis back in the year of 2015 –the eagerness with which India and China had reacted to the massive earthquake in Nepal indicated there must be something beyond just aid giving. That 'something' is nothing other than hidden neo-colonialism. The two Asian giants were striving for influence in the tiny, landlocked Himalayan country. Considering the US assistance in Latin America and in Africa, Scartelli, O. (2022) pointed out, superpowers initiate neo-colonial projects that produce structures of local inequality to benefit from their resources, and further economic interests. Therefore, the ' statement in favour of humanity' is just a façade.

### **Aid for Political Crisis**

When the western world came to aid during the Arab spring for the political recovery, was such a gesture was merely for political stabilization? Was the situation of Libya too desperate to improve all by themselves? If it were, then how would the western community define the current condition? Same question can be raised in the case of Egypt, Syria, Yemen and so on. The point is emergencies, whatever, give the neo-colonialist power-seeking states an open and relatively legal/pseudo legal opportunity to engage themselves into the internal affairs of the target region. As a result, democracy is always needed in Libya, not in the states where there are no natural resources. This clearly smacks of western hypocrisy.

### **Economic Assistance**

The provision of financial or other types of aid provided by donor states to countries that are experiencing economic hardship is economic assistance. It can take many forms such as – loans, grants, subsidies, tax breaks, and other forms of financial support. Donor countries and international organizations provide loans and technical assistance to developing/underdeveloped countries to help them build infrastructure, develop markets, and improve economic governance. However, some donors impose neo-colonial terms for aid; some institutions demand to shuffle the policies. Ultimately, they all push the recipient states towards a point, where they must obey the rules set by the donors. Trade liberalization and open economy sometimes push these states to misfortune. Even the World bank in its aid providing conditions, emphasizes on reducing the

subsidies in the agricultural sector. This is a clear indication that, World Bank wishes to change indigenous economic systems and trends of recipient states.

### **Interest Free Loan and Development Aid**

There is a widely used term – “interest free”. What is the definition of it? Does any donor provide interest free loans? Or does the interest refer to having blind faith in them? On many occasions, donors establish puppet governments in recipient states so that the reign of the donors sustains. Sometimes the donors help a particular party. In many developing nations, the ruling party is in obvious conflict with the opposition. Ruling party always tries to attract the voters by taking development programs. This brings forth the issue of foreign aid. Nobody thinks of the alternatives, in fact, they are not empowered enough to do so.

### **Education Assistance**

Education shapes the fate of any state. Proper investment in education benefits every country. For example, China pursued a vigorous education policy after the socialist revolution. But the developing portion of the world tries to manage and implement their curriculum in accordance with the developed world. Problem is that the developed world will never allow the support for free. They had to revise the curriculum and existing systems. When imbalance occurs, national productivity falls, the ultimate objective of education remains impossible to attain. As for Japan, after the Meiji restoration, they successfully managed to introduce an effective education policy prioritizing the education sector. This propelled Japan to become a super-developed country as it is now.

### **Military Aid**

Pakistan is the most spectacular example of how military aid becomes a liability with serious repercussion on the country. Developing state always has a desire for militarization. Achieving the goal is hindered because of insufficient resources and the technological inefficiencies. These leads to dependency on the donor states. Basically, aid has always been used by almost all the donor governments to ensure high-level access to recipient government officials (Lancaster, C.,2007). This is how the recipient states lose their voice in international arena. One country cannot vote against a country which provided the former with tanks and missiles.

### **Political Reconstruction Program**

In the case of the military regime that committed atrocities in Myanmar, why is the US government relatively silent now? China has a huge investment in Myanmar. If the USA speaks louder, the grip in this region might slip. In this

respect, the role of the US led first world countries in the Middle East, the World Bank and its concerned institutions in Africa follows the US line of thinking

### **Twisting Stage**

Twisting stage signifies the functions of the mechanism. Broadly, how the previously discussed strategies drive the recipient states towards neo-colonialism, will be explained here. It is obvious that national interests of donors prevail when it comes to the international allocation of aid (Olivier, I., & Pérez, A., 2019, p. 181).

### **Section 5: Withdrawal of Foreign Aid: A Dreadful Facet of Neo-colonialism**

It is the very first level of neo-colonialist strategy. The donor state withdraws the promised portion as well as stops providing the ongoing aid facilities to the recipient state if their interests are not met. In international relations study, it is often seen as the primary element of punishment. Pakistan is the second country which received remarkable military aid from USA. However, during the tenure of Trump administration, Donald Trump cancelled the promised amount of aid after Pakistan failed to meet the conditions. In this respect, some of the heinous tactics of the donor are the following:

#### **Pressure for Obeying Agenda**

No aid comes unconditionally. All the donors and funding agencies impose different conditions while sanctioning aid. Let us take the example of the World Bank. At present this institution emphasizes on the conservation of the environment all over the world. Irony is – China and the USA are the two most carbon emitting nations in the world. Development starting from low-base needs developing countries to use fossil fuel. Suddenly, these countries are villainized for relying on fossil fuel whereas the developed nations have already reaped the benefit. Another example of this kind is the Padma bridge project of Bangladesh, which is also the most colossal project ever for the country. The World bank stopped providing aid, accusing that there has been clear proof of corruption. At some point there was an imbalance between the world bank and Bangladesh regarding conformity of agenda.

#### **Embargo through Organization**

When any recipient state refuses to obey the imposed agenda or perhaps try to perform something alternative, at that time this mechanism is widely used. Since, the dominating position has always been seized by the donors, as they are also the highest contributor in all these organizations, so organizations will do what the donor intends. Factors behind aid may differ, but the goal is all the same. McKinlay, R. D. (1979) is arguing, in case of aid giving- the United States has been motivated by cold war concerns, the French by maintaining a postcolonial

sphere of influence in Africa. It means no recipient state may go beyond the radar of donor states. The European Union, WTO and even the United Nations are the global instruments which are being used to impose sanctions, embargo, restrictions etc. on uncompliant recipient states.

### **Urgency of Ensuring Stability**

Who in the world community delivered the authority to the USA to ensure stability in every part of the world? Has anybody ever asked the question? No. The Monroe Doctrine proclaimed that the USA would not tolerate European interference or colonization in the Americas. But that was before the USA itself rose to unrestrained military supremacy. The Monroe Doctrine has been invoked numerous times after WWII and the cold war period to justify American intervention in Latin America and the Middle East. The colonialism they tried to stop from encroaching their territory is the same colonialism they exercise everywhere in the world. The USA has tried to stabilize Afghanistan, Iraq, or the Middle East as a whole. Have they succeeded? No. In the name of fighting terrorism they set the legal and moral ground to intervene in the internal matters of the desired as well as the target states. China is engaging on the African continent, too. Presumably, not from any noble intention. Same can be stated for India's increasing role in the south Asian region.

### **Use of local talents and Influential**

Donors also intend to manipulate the intellectuals, use the civil society as an influential negative force, push in some latent tension into the society, promote rivals against statecraft, keep international communities in support using 'ill' influences

### **Notable Cases**

The features and mechanisms used by the donor states clearly point that it is the age of neo-colonialism. The above study has shed light on how some donor states are practicing neo-colonialism and using foreign aid as a tool for it. Perhaps the most influential or effective tool in contemporary world politics.

Europe is still the playground of the USA. The Russia-Ukraine war is a great example of it. The Europeans are the prime sufferer of this war. Considering the economic condition, it is only a textbook evident. Then comes the issue of the Ukrainian Refugee influx. Still, it is the USA who is perhaps leading another proxy war in the name of assisting Ukraine.

China and Sri Lanka have had close diplomatic, economic, and strategic ties for many years. China has provided military assistance to Sri Lanka in the past such as – during the country's civil war. China is one of Sri Lanka's largest trading partners and invested heavily in Sri Lanka's infrastructure, with projects including the Hambantota Port and the Colombo Port City. In 2017 Sri Lanka

handed control of the port to China to ease the country's debt burden. The long-term implications of Chinese investment have been raising concerns ever since for countries like Sri Lanka.

India is stepping forward sanctioning a large amount of aid keeping her own necessities aside because she does not want the desired states to go beyond the influence of her. India has successfully done it and is doing it in case of Bangladesh, Bhutan, Maldives, Nepal, and Sri Lanka.

The World Bank and such organizations are so eager to ensure development all over the world and to encourage shifting their age-old traditional economic structure towards a new direction. Because when the states do so, they are going to need the assistance of the World bank, and that is the trump card to extend the domination of such organizations.

The USA, the UK, and other Western nations are so concerned in exporting and establishing democracy in the Middle East but remain silent in case of Saudi Arabia. The case of Jamal Khasogi murder can be remembered here. In the same way these nations are very much concerned regarding the affairs of the South-Asian region. A study in 1967 showed that 90 percent of all the aid commodity expenditures went to U.S. corporations (Cox, R. 1994).

Perhaps, the straightforward statements are not so straight. The contradiction is obvious. The connection is forgone. Every powerful state is seeking to extend its power and expand influence no matter how much they preach about humanity. Nevertheless, no country is willing to be condemned and found guilty of this violation. Hence, foreign aid provides them the 'Noble' packaging, the mechanism to get away and get on with their colonial approach. That is why; it is named as 'neo colonial tool'.

## **Conclusion**

Studying all the machinations used and theoretical explanation of colonialism and neo-colonialism, it is palpable that the modern states are more innovative in achieving what they want. Through colonialism the control was often accomplished through force, exploitation, and cultural domination whereas through many indirect means the former colonizers continue to exercise economic, political, and cultural control over formerly colonized nations which we are calling neo-colonialism.

The most attractive feature of the neo colonialism approach is that the target country cannot fathom or consider the repercussions while striving to move forward with the pace of the globalized world. There is huge distinction between the 'version' they are now and the 'version' they want to be. And, often the definition of the so called 'version' is provided by the powerful nations who often fail to mention the ultimate cost of becoming the desired 'version'.

Another interesting piece of thought here is that the states which are accused of practicing neo-colonialism, sometimes are not even aware or

solicitous of their approach completely! Since, modern statecraft is more about superior lies than inferior truths, they comfortably prefer this a neo-colonial tool disguised as moral component called – ‘foreign aid.’

The recipient states need to be cautious in managing aid through maximizing the impact of aid, reducing misappropriation and corruption, building capacity, enhancing accountability, and strengthening partnerships for development. The recipient countries also need to adopt measures to reduce dependency on foreign aid such as – encouraging local investment in businesses and infrastructure; increasing exports by identifying export opportunities and improving product quality; developing local resources by investing in natural resources and developing human resources through education and training; diversifying and stabilizing the economy by investing in multiple sectors; strengthening state institutions by building effective governance structures, reducing corruption, and creating a stable political environment; building strategic partnerships with other countries and organizations by forming trade agreements and alliances with win-win outcomes.

States are competing against each other to achieve maximum advantage with minimum effort. Also, they are relying on each other for various economic, political, cultural, and social reasons. Hence, the competition affects all states. Any threat from outside cannot be deterred without strengthening own political and economic capabilities, increasing efficiencies, or participating actively in the international arena. Recipient states must bear this in mind.

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