

Introduction to the Geopolitics of Foreign Aid

Helen V. Milner and Dustin Tingley

Introduction: Geopolitics and aid

Foreign aid is an essential element of foreign policy for many countries. Since World War I, the richest states in the world have used transfers of goods, services, and funds as a means of interacting with other countries. Over time, increasing numbers of states have given increasing amounts of resources to other states. Aid has come in the form both of loans, often at reduced interest rates, and outright grants of resources. The latter form of aid, which has become an increasingly important one, is relatively new for states, beginning in mass after World War II. Furthermore, countries have employed aid to address a variety of different policy goals: some aid is military assistance, some provides humanitarian and disaster relief and some is geared toward economic development and long term change. Because aid resources are often fungible, it is hard to pinpoint which goals aid actually achieves. But aid has always had geopolitical ramifications.

While foreign aid has never represented a significant expenditure for donor countries as a percent of their total government budget, it is often a substantial share of the government budget and even the GDP of some recipients. Most donor countries have not reached the Organization for Economic Cooperation and Development (OECD) goal of allocating 0.7% of their GDP for economic development aid. Indeed, in 2011 the members of the OECD gave only 0.31% of their cumulative GDP in foreign economic assistance. This amounted to roughly \$135 billion. The US is the largest donor in absolute terms (about \$31 billion in 2011), but it is small in percentage terms (0.2% of GDP). The 27 member states of the European Union combined give a larger share: roughly \$75 billion in 2011, which was 0.42% of the EU's GDP. New donors have entered the field over the past two decades, including Arab countries and emerging market states like China, India, and Brazil. These new donors accounted for roughly 10% of total aid as of 2008, or about \$15 billion (UNDP, 2011, pg. 147) For recipients, aid can be a critical source of funds, however. In 2008, for example, close to 30 developing countries received more than 10% of their GDP from foreign assistance (UNDP, 2011, pg. 146), a statistic that would have startled world leaders in 1950. In the past sixty years, foreign aid has emerged as an important form of foreign policy.

The aid regime developed mostly during the Cold War years (1945-89) and has been undergoing significant changes recently. The first large-scale use of aid for foreign policy purposes was the U.S. Marshall Plan, implemented at the end of World War II to rebuild Western Europe's national economies. During the Cold War, the Western countries developed an aid program under the auspices of the OECD to help contain communism and promote Western values such as democracy and market economies. In response, the Soviet Union and its allies developed their own aid programs to foster the extension of communism. The end of the Cold War changed this duelling aid system dramatically. The Western countries became the main source of aid around the globe and they developed a code of conduct for giving aid, codified by the OECD. One question examined in the literature has been how much the end of the Cold War has changed the way aid is allocated. As a number of formerly impoverished countries developed economically in the past two decades, new donors have emerged and they have entered the aid business outside of the standard OECD framework. This has led to concerns that the OECD-led aid regime of the Western countries might be replaced with a new, more competitive regime that might pursue very different goals. In addition, the terrorist attacks on the U.S. in 2001 prompted a new appreciation for the value of aid, and the "war on terror" is often claimed to have significantly changed aid policies (Moss et al., 2005). The aid literature reflects these changes in international politics to some extent and tries to assess their significance for the aid system.

This volume is about the politics of aid, not just the economics of aid. In particular, it highlights the geopolitics of foreign aid giving. We purposely conceive of geopolitics in broad terms to include both the domestic and international politics surrounding aid. This conception includes the use of aid for political purposes as well as the consequences of aid for interactions among states. The economics of aid are important and they are dealt with well elsewhere (Burnside and Dollar, 2000, 2004; Collier, 2007; Easterly and Pfitze, 2008; Rajan and Subramanian, 2008). This volume examines the links between politics and aid, between political power and aid, between states (donors and recipients) and the use of aid, and finally between international institutions and the use of aid. We do not include work that is solely about the economics of aid. It has to have a political dimension, either domestic or international. Moreover, we discuss the internal politics of aid to the extent that it influences the politics between countries, the types of aid sent, and the affects this aid can have on recipients. As has become increasingly evident, the domestic politics of donors and recipient countries are tied to the international consequences of aid. There is much debate over the economic impact of aid. Most scholars, however, believe that aid is also given for political

purposes. While there is general agreement that aid is given to advance political goals, there remains much debate about whether and under what conditions aid is politically effective. We explore some elements of this debate. We have included *salient* articles from *different time periods* using *different methods* to assess the *different political aspects* of aid.

In one of the earliest quantitative studies of foreign aid, McKinlay and Little (1978, Chapter 14, Volume I) studied the allocation of aid and donors' goals. Noting that donors might have multiple goals for aid in mind, they argued that the characteristics of the countries receiving the aid could reveal what those goals were. This view has strongly influenced much of the empirical literature that followed. Moreover, McKinlay and Little defined a classification system for the goals of aid that has dominated the literature ever since. In their system, aid serves one or more of three goals: donor's geopolitical/strategic interests, donor's commercial interests, and recipient's needs. Over time, concerns about regime type (i.e., the quality of democracy) and human rights have joined this grouping. In addition, McKinlay and Little helped to define what authors meant by "geopolitical" or "strategic" in terms of donors' goals. Following their definition, this category has traditionally been reflected by characteristics of recipient countries such as their geographic location, strategic resources, political alliances, colonial relations, and geopolitical interest similarity to the donors as evidenced by UN voting records. Other goals like bilateral trade and foreign investment flows have more ambiguous codings in the McKinlay and Little system since they could represent domestic commercial interests as well as strategic ones. As many scholars have concurred, "In explaining aid flows, political and strategic considerations are at least as important, and arguably more important than recipient's policy or political institutions" (Alesina and Dollar 2000: 40, Chapter 2, Volume II). However, immediate questions arise: do these variables measure geopolitical interests only? Might other methods of classification be better able to capture such geopolitical interests? The literature, however, has tended to stick closely to the original approach of the early articles on aid.

There are many ways that aid can be analysed. One way is to look at aid as a policy instrument. This is the approach of Part 1 of this volume, *Aid as Foreign Policy Strategy*. Foreign aid can help donors achieve their foreign policy goals, including stemming the spread of communism and promoting the economic development of important allies. This literature assumes there is a domestic process that sets the foreign policy goals in the donor country. So in Part 2, *Aid and Donors*, we look at the politics within donor countries. Do domestic constituencies disagree about *whether* to use foreign aid or about the *type* of foreign aid that is used as a policy instrument? Does domestic politics in donor countries improve or impede the

use of aid as a foreign policy tool? Decisions about aid, of course, must consider the recipients themselves. In Part 1 of the second volume, *Aid and Recipients*, the literature focuses on issues involving who gets aid and the interaction between aid and politics in recipient countries. Over time, aid has transitioned from bilateral donor-recipient relationships to multilateral ventures involving large international institutions. Part 2 of the second volume, *Aid and International Institutions*, explores the role of these international institutions. Finally, in part 3 of the second volume, *Military Aid and Its Effects*, we focus on a particular type of aid, military aid, which has the closest connection to geopolitics.

Like many topics in political science and economics, the study of foreign aid has evolved over time. Early studies were largely qualitative and often drew on broad structural ideas that animated the literature of the time. Beginning with the waning of the Cold War, however, this started to change. Scholarly work became increasingly quantitative as higher quality data became available and more sophisticated statistical techniques were developed for dealing with complicated problems of selection bias and endogeneity. Aid faces selection bias because it is strategically given, not randomly assigned. Endogeneity is a concern since many of the conditions associated with aid-giving are affected by the receipt of aid. These two concerns make assessing the purpose and effect of aid very difficult, as the literature makes clear. One reason for the lasting contestation over the causes and consequences of aid is because of these challenging methodological problems.

The aid literature has also evolved as the theoretical orientation of international relations has changed. In particular, realism has become less dominant in the field, and institutionalism and neo-liberalism have become more prominent. Some of these changes paralleled changes in the delivery of aid, as institutions like the World Bank and the European Union became major players in aid delivery. The emphasis on the domestic politics in donor countries, while long present in the literature, has also developed steadily.

Section I: Aid as a Foreign Policy Strategy

Under what conditions can aid serve as a foreign policy instrument? Since the beginning of its use, aid has been viewed as more than a technique for economic development. It was always linked with political goals such as winning the allegiance or obtaining favourable treatment from the recipient country. The central question for politicians and scholars alike was, could a donor country rely on aid to accomplish these geopolitical goals? In world politics, where national security is always a concern, the transfer of resources from one country to

another is a risky act, as giving away resources would *a priori* seem to weaken the donor and thus hurt national security unless the aid advanced an important geopolitical goal. Moreover, the resources transferred are often fungible, so the donor must worry that the aid could be diverted to other purposes, even purposes that might ultimately threaten the donor. Tying aid to conditions for its use has thus arisen as a strategy for dealing with this problem, but one that is itself contentious. In addition, there is the traditional Samaritan's dilemma: aid might weaken the recipient government by making it more dependent, necessitating more aid and thus failing to help the donor in its quest for greater security. This moral hazard problem is a vexatious one. The issue of whether aid can actually enhance a donor's national security is thus not settled.

If foreign aid is to be used effectively as a policy instrument, then states should choose the appropriate type(s) of aid based on the specific circumstances of the situation. The type of aid matters because different types of aid are better suited to achieve different goals. Morgenthau (1962, Chapter 1, Volume I), for example, categorized foreign aid into different types according to the form of foreign policy it served: humanitarian, subsistence, prestige, military, bribery, and aid for economic development. Depending on the goals, different instruments should be used.

But the best laid plans of mice and men often go astray, and so how can donors ensure they get their way, even when the type of foreign aid is tailored to the goals at hand? After all, aid is a transfer of resources, and once given, can be difficult to control. One clear possibility is to make the transfers conditional on recipients adopting certain policies. Even in these early writings there was a concern that attaching stipulations to aid could backfire. This might happen by pushing recipients into the arms of the donor's political adversaries, as pointed out by Schelling (1955, Chapter 2, Volume I). But by not stipulating conditions, donors leave open the possibility that aid will flow to groups within the recipient country that do not need it. These themes, raised poignantly by Morgenthau, repeat themselves throughout the collection of articles.

Schelling also raises a question that has plagued scholars who think about aid as a policy tool: how fungible is aid? Can economic aid promote military goals, and vice versa? If so, then strategically choosing a specific type of foreign aid for the purpose of constraining the recipient to pursue certain policies might be ineffective. Similarly, attempts to influence recipient behaviour will depend on how substitutable one donor is for another. Crumm (1995, Chapter 4, Volume I) argues that aid from any country is less influential when the recipient has many choices of where to obtain resources. This point is particularly relevant today as the number of aid donors has increased dramatically over time. Many emerging market countries—such as

Brazil, India and China—are now providing aid rather than receiving it. These new alternative sources of aid have probably lowered the incentive value of aid from traditional sources, as Crumm suggests.

Thus donors face important constraints in using foreign aid as a policy tool: limited abilities to make aid conditional, fungibility, and competition among alternative donors. As such we should expect donors to give aid frequently and in a variety of ways. For example, Baldwin's analysis suggests that across many types of aid some degree of intervention by the donor in the use of aid was inevitable. Even aid channelled through multilateral institutions is liable to invite interventions to shape how the aid is used by recipients (Baldwin, 1969, Chapter 3, Volume I).

The tension between the foreign policy interests of a donor and the domestic political situation of foreign leaders is described in the starkest terms in the work of Bueno de Mesquita and Smith (2007, Chapter 11, Volume I; 2009, Chapter 12, Volume I). They explore how domestic politics affects the recipient country's use of the aid it receives. Assuming that leaders want to stay in power, they show how in political systems where a leader needs the support of only a small percentage of the public to stay in power, there is an incentive to exchange aid for policy concessions. However, as the size of this winning coalition increases, trading concessions for aid becomes more expensive and leaders will avoid concessions. These dynamics, they argue, condition which countries get foreign aid and how it is used. Ultimately, they argue that it is not surprising that aid often appears as though it does not produce economic development: it is not designed to. Rather, aid policies are designed by donors motivated by geopolitical goals to obtain policy concessions from recipient leaders who use the aid to help them remain in power.

Section II: Aid and Donors

Many of the studies in the section on aid and foreign policy take the motivations of donors as given. They assume a unitary executive in a donor country who is trying to use aid as an instrument of foreign policy. The articles in section II explore these motivations in two ways. First, they examine how donor motivations have changed over time. Second, they describe and theorize about the domestic politics of donors, examining the coalitions for and against the use of foreign aid.

The goals that donors seek to accomplish with foreign aid might vary over time if features of the international system change, producing new strategic problems. Changes in aid

policy could arise then as leaders respond to changes in the international system. The end of the Cold War was one major way in which the international system has changed since the introduction of foreign aid following World War II. For example, Bearce et al. (2010, Chapter 22, Volume I) argue that the single-minded strategic motivation of donors to use aid to contain the spread of Soviet influence was particularly strong during the Cold War. Thus, the effect of aid on beneficial policy outcomes such as economic development or humanitarian assistance was limited. This changed in the post-Cold War era because donors no longer needed to use aid as enticement to reject communism and hence could more credibly demand a more effective use of aid for development. Arguments of this type emphasize the role of structural variables, like balance of power and containment policies. Meernik et al. (1998, Chapter 15, Volume I) consider a similar question, and they find that countries bordering Communist countries were more likely to receive aid during the Cold War (see Dunning, 2004, Chapter 5, Volume II below as well).

Did the end of the Cold War mean that geopolitics and aid became superfluous? Fleck and Kilby (2010, Chapter 19, Volume I) show this is not the case, and that in the post-9/11 era US aid has increasingly been tied to geopolitical considerations. There are different ways to interpret results like this. One is that geopolitical motivations during the Cold War have simply been replaced by other geopolitical motivations due to changes in the external security environment.

A second approach to understanding the motivations of donors brackets the structural features of the international system and instead focuses on the domestic politics of donors. Who supports and opposes aid within a country, and what type of aid is supported? This literature has analyzed both cross-national data as well as single country analyses of legislative voting on foreign aid. One common theme has been the role of liberal vs. conservative ideologies. Therien and Noel (2000, Chapter 17, Volume I) suggest that the influence of government ideology affected aid budgets only indirectly through changes in a donor's domestic welfare regimes. Others find evidence of a more direct effect. For example, Tingley (2010, Chapter 21, Volume I) finds that changes in government ideology correlate with changes in aid flows, but only to certain types of recipients. Several studies focus directly on the US and they study roll call voting on aid policy rather than aid budget data in order to analyze the role of ideology at the legislative level. Milner and Tingley (2011, Chapter 23, Volume I) find a strong role of ideology in predicting roll call votes on different types of foreign aid, but show how this varies across types of aid. For example, conservatives are more supportive of military aid, but this reverses for development aid. Using a case study-based approach, Busby (2007,

Chapter 20, Volume I) shows that partisan preferences can be trumped by norms: Long-time aid opponent Jesse Helms was purportedly brought around on the importance of international development assistance by normative (religious) appeals from the Irish rock star Bono.

Another source of donor preferences is more material in origin. Both Milner and Tingley (2011, Chapter 23, Volume I) and Kilby and Fleck (2001, Chapter 18, Volume I) also investigate the role of domestic donor economic interests. While Kilby and Fleck do not find much evidence linking legislative voting to district-level USAID contracts, Milner and Tingley argue that broader economic interests are at work. Legislators whose constituents stand to gain more from economic engagement with the rest of world are more likely to support economic aid. Building from insights in the trade literature, they find that legislators in districts with a higher percentage of highly skilled workers (which the US is relatively abundant in compared to developing countries) are more supportive of economic aid. Hence domestic motivations for supporting foreign aid in donor countries include both ideological and economic variables.

Section III: Aid and Recipients

Perhaps the biggest debate in the foreign aid literature is whether or not aid actually improves the welfare of recipients. The literature addressing this question is easily the most expansive. Difficult theoretical, normative, and statistical issues arise in many of these debates, and to date there has been surprisingly little consensus.

While scholars have addressed these questions for years, our volume begins with a now-famous collection of articles by David Dollar and colleagues. Alesina and Dollar (2000, Chapter 2, Volume II) begin their analysis by asking the prior question, “Who gives foreign aid to whom, and why?” Their answer parallels much of the literature discussed in the previous sections. Donors give more to countries in which they have political or economic interests, rather than to countries that actually need aid or could effectively use it. Burnside and Dollar (2000, Chapter 1, Volume II) focus their analysis on actual growth outcomes and recipient country institutions. Aid, they show, can be effective for promoting development when it is given to countries with good fiscal and political institutions. The impact of this article on aid policy cannot be understated, even though many authors had discussed these issues in earlier work. The creation of the US’s Millennium Challenge Corporation (MCC) was in many ways a response to this line of evidence. These findings, however, have since come under much scrutiny and continue to be debated.

Subsequent work explores the various conditions under which aid might lead to economic growth or policy change in the recipient state. For example, Dunning (2004, Chapter 5, Volume II) argues, like Bearce (2010, Chapter 22, Volume I), that donor credibility to halt aid to uncooperative recipients was greater in the post-Cold War era than during the Cold War because of the decline in use of aid for strategic purposes. These authors find that the positive effects of aid on democracy promotion are confined to the post-Cold War era. Of course, in light of Kilby and Fleck's (2010, Chapter 19, Volume I) findings, one must ask whether this relationship will persist. Furthermore, Knack (2004, Chapter 6, Volume II) argues that aid has never had a beneficial impact on democracies, either pre- or post-Cold War. Morrison (2009, Chapter 10, Volume II) broadens the analysis by conceiving of foreign aid as simply another form of non-tax revenue. He finds that non-tax revenues decrease the taxation of elites in democracies, increase social spending in dictatorships, and in general lead to greater stability for both regime types. Bermeo (2011, *Editor, this paper needs to be move up to this section in the bibliography*, Volume II) challenges these findings, in part, arguing that aid from democracies can induce regime change towards democracy, while aid from autocracies can have a negative effect on democracy.

What is clear from all these articles is that no consensus exists on answers to the crucial questions that the authors pose. Disagreements remain about the type of data to use, the way to measure key variables, and the ways to solve the severe endogeneity problems evident in the data (e.g., Kilby and Dreher 2010, Chapter 11, Volume II). Better techniques and greater consensus on how to deal with these methodological questions would help advance this literature. Solutions to selection bias problems are also critical but they depend more on a theoretical understanding of the incentives and motives of the actors involved (e.g., see Steinwand, 2011, Chapter 24, Volume I).

Section IV: International Institutions

After World War II, the international system changed in profound ways. Interstate relations increasingly occurred in the shadow of international institutions rather than simply between governments (Keohane and Nye, 1977). Thus the role, and face, of geopolitics began to change. During this same period, foreign aid was institutionalized as a regular policy tool. At first most foreign aid was bilateral; that is, a donor country set its own policy and interacted directly with a recipient. However, after the emergence of the World Bank and International Monetary Fund (IMF), countries began channelling more and more aid through these

multilateral institutions than ever before. By 2009, multilateral aid was approximately \$36 billion. It has averaged around 30% of total economic aid since the 1990s. Since its peak in 2001, the share of multilateral aid has been relatively constant, or if anything has declined. The US has historically delivered a lower percentage of aid multilaterally (12%) compared to other countries (roughly 30%).

The relationship between aid and international institutions raises two central questions in our collection. One issue is whether aid flows are used to influence the relations among countries, especially their activities within an international institution. The second is the nature of multilateral aid flows themselves.

An older literature, not included in this volume, explored the correlation between voting in the UN and foreign aid flows (Wang, 1999; Wittkopf, 1977). Do recipients that vote similarly in the UN to a donor also receive more aid? Unfortunately, any such correlation could be the result of a number of different causally distinct mechanisms, from similarities in underlying preferences to outright attempts to influence UN voting. A series of articles in the present volume thus exploit the (seemingly) random variation of being assigned to a temporary seat on the Security Council. Nations that become temporary members receive more foreign aid and do so only for the period around their membership. Dreher et al. (2009, Chapter 18, Volume II) find that these temporary members are more likely to receive a World Bank project in this period, although the size of the project is not affected. Using a variety of geopolitical importance proxies instead of United Nations Security Council membership, Reynaud and Vauday (2009, Chapter 26, Volume II) argues that geopolitical factors, such as the oil and gas reserves or the number of US troops in a potential recipient country, influence non-concessional IMF loans, but not concessional ones. These studies are taken as evidence of political influence by donor countries both within the international financial institutions as well as within the UN. They also show how aid can be used for a wide variety of geopolitical purposes.

Why do countries choose to give aid to an international institution, rather than to distribute it themselves? And does the method of delivery matter? As noted above, the use of multilateral institutions to deliver aid is even newer than the systematic use of aid for policy reasons. And this multilateral aid has grown over time, reaching around 30% of all aid given. Some have argued that multilateral agencies can make aid work better since they can impose conditions more readily on recipient countries (Rodrik, 1996). Research, however, suggests that this might not be the case. Stone (2004, Chapter 23, Volume II; 2008, Chapter 24, Volume II), for example, shows that the IMF aid decisions are affected by its major donors and that they

regularly influence conditions on its aid to indebted countries in such a way as to undermine its credibility, thus weakening aid's impact overall. Others argue that multilateral aid is more about domestic politics in the donor countries. Milner (2006, Chapter 27, Volume II), for instance, sees multilateral aid as a strategy to tie the hands of donor governments so they devote more aid to economic development and less to donor interests, whether strategic or commercial. A number of studies have demonstrated that multilateral aid is allocated differently and more effectively than bilateral aid (Frey and Schneider, 1986; Maizels and Nissanke, 1984). Usually this implies that multilateral aid is less geopolitically driven, but as Stone's work, among others, shows, this does not mean that it has no geopolitical elements. Neumayer (2003, Chapter 22, Volume II), for instance, shows that multilateral donors are driven strongly by recipient needs, both in economic and human rights terms, but that they too share some of the biases of bilateral donors.

Section V: Military Aid

The final section of the volume is dedicated to military aid. While many of the previous articles touch on military aid, the volume's focus on the geopolitics of aid makes military aid especially important. Military aid can come in many different forms, from military hardware to military training. Interestingly, while there was significant scholarly attention to military aid in the 1980s, largely motivated by contemporary events in Latin America, there has been very little focused attention on military aid since then.

The same questions that animated the literature on other types of aid are also relevant to military aid: what drives donors to give military aid, and what effect does it have on recipients? Some have argued that national security interests guide the distribution of military aid to a much greater extent than they do other forms of aid, such as humanitarian or economic development aid (Milner and Tingley 2011, Chapter 23, Volume I). This is not to say, however, that the distribution of military aid is not influenced by other factors. For example, Poe and Meernik (1995, Chapter 28, Volume II) find that human rights abuses in a recipient country are often associated with decreased military aid from the US. However, the importance of human rights was marginal compared to other geostrategic pressures. With the end of the Cold War, many assumed that military aid might become less important. The terrorist attacks of 2001 and later the "war on terror" have instead revitalized the motivations for military aid, as a number of studies note.

Domestic factors in donor countries might also be at play in military aid decisions. For example, Easterly (2008, Chapter 31, Volume II) argues that the explicit linkage of foreign aid to national security has been growing and will benefit domestic groups. Easterly writes, “While foreign aid may be squeezed by the current financial crisis, the aid-military complex seems likely to thrive in view of the many threats to security in different parts of the world.” It remains to be seen whether academic studies can identify these changes over time and the role of domestic groups.

The next fundamental question to ask is what effect military aid has on recipient states. Bapat (2011, Chapter 34, Volume II) takes a game-theoretic approach to untangle the relationship between military aid, recipient governments, and terrorist organizations. His key finding is that military aid decreases the incentives of recipient governments to negotiate with terrorist groups. But because eliminating terrorist groups means reductions in military aid, recipient governments do not have an incentive to completely eradicate terrorist organizations operating within their territory. Sullivan et al. (2011, Chapter 32, Volume II) also point to the counterintuitive relationship between aid and recipient country incentives to adopt cooperative policies with the US: Because cooperation leads to reductions in US military assistance, the prospects of changes in recipient country policies are reduced.

Section VI: Conclusion

The articles in these two volumes represent some of the best research on the geopolitics of foreign aid. But the politics of foreign aid are constantly evolving, due to new global trends as well as changes in political and economic systems within both donors and recipients. In our conclusion, we chart out areas that we see as ripe for future research.

The geopolitics of the international system seem to be changing quite quickly. Countries that were not so long ago considered as poor have rapidly moved into the ranks of the leading world economies. China, Brazil and India are the clearest examples of emerging aid donors, but they are not the only ones; the oil producers in the Middle East, such as Saudi Arabia, Kuwait and the UAE, have also become wealthy enough to use their resources in pursuit of geopolitical goals. Meanwhile, the financial crisis of 2008 and its lingering effects on the developed world, especially Europe, have reduced these donors’ aid budgets and greatly slowed any expansion of their foreign assistance. It is likely that the relatively new donors do not share the same commitment to the practices enunciated by the OECD members, including limits on tied aid and donor aid coordination. But it is likely that all donor countries, both new and old, face the same

dilemmas as they try to craft a foreign aid policy that balances domestic economic advantages, geopolitical strategic priorities, and recipient needs.

Many scholars have worried that the introduction of these new sources of funds will undermine the effectiveness of aid generally as they allow recipients to play donors off one another and to avoid conditionality. Moreover, the concerns of the OECD donors about human rights, democracy, and the environment may not be shared by these new donors. As one study notes, “There are deep philosophical differences between the way traditional aid donors, specifically members of the Organization for Economic Co-operation and Development (OECD), and emerging countries perceive development and foreign assistance. Brazil, India and China provide aid under what they call South-South cooperation, stressing that assistance can be mutually beneficial and offered without the typical economic or governance-related conditions imposed by OECD....Critics, particularly in the West, fear that such aid will undermine the rules-based regime that developed countries have been moving towards over two decades—a framework intended to foster transparency and macroeconomic stability and protect human rights and the environment.”¹ On the other hand, recipients might see benefits from this change. Overall, we know that changes in the geopolitical environment will affect aid flows and their impact in the future, as they have in the past.

Another area warranting further research is military aid. Data on such aid is much more fragmentary and difficult to interpret than data on development aid. Furthermore, there is no political consensus among donors as to appropriate policies for deploying military aid, as there has been among the OECD countries for development aid (even if those have not been followed closely). And yet, with the global campaign against terrorists following 9/11, military aid has become more important as a foreign policy tool. Questions also remain about the role of development in the fight against terrorism. Controversy, of course, exists about whether development is a sufficient means to combat terrorism (Berrebi, 2007; Krueger and Maleckova, 2003; Sageman, 2004). But many believe that the grievances associated with terrorist activity can be ameliorated through economic development (Azam and Thelen, 2008) as opposed to military intervention (Azam and Thelen, 2010, Chapter 33, Volume II). In addition, the impact of foreign military aid on the development of recipient countries’ internal security and domestic peace warrant more attention. Overall, research on military aid is an important and understudied area, especially its connection to terrorism.

Finally, we feel that as new types of data become available, scholars will be able to ask new types of questions. For example, collaborative efforts like the AidData consortium are

¹ <http://www.safpi.org/news/article/2012/new-emerging-donors-rio>, accessed 8/31/12.

coding aid at the project level and even geocoding where the aid goes. This will allow researchers to differentiate foreign aid more finely, both by the type of aid as well as its spatial distribution. Furthermore, it is our hope that non-traditional donors like China will start to distribute accurate data on foreign aid flows. Not only will this permit greater collaboration on development activities with other donors, but it will also enhance the ability of scholars to understand the motivations and impact of flows of aid from a variety of different political systems.

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