Future fragmented: revisiting Cold War aid

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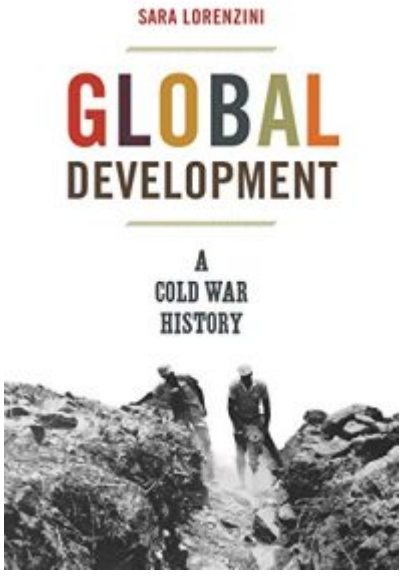

The *Australia in the World* "Year in Review" podcast recently identified "fragmentation" as its word of the year for 2023. Highlighting the impact of intensifying strategic competition on global trade, investment, and technology flows, host Darren Lim and former senior official and analyst Richard Maude canvass a world whose axis continues to tilt away from the seemingly inexorable globalisation, free trade, and economic integration agenda of the 1990s and early 2000s and further towards heightened concerns about the weaponisation of interdependencies, supply chain resilience, and geo-economic risk.

This fragmentation trend is also apparent in the world of aid and global development where strategic competition has become manifest in multiple and contending financing initiatives promoted by the West, China, and the big emerging market "swing states" like India and Brazil. Initiatives such as China's Belt and Road Initiative and Asian Infrastructure Investment Bank, the OECD's Blue Dot Network, the BRICS New Development Bank, the EU's Global Gateway, and the G7's Partnership for Global Infrastructure and Investment, among others, now co-exist and often compete with the plethora of existing multilateral and bilateral development agencies. And increasingly there are proposals for the creation of new development financing agencies and institutions, each with their own mandates, memberships, and modalities.

While there are important distinctions between the present and past, particularly regarding the extent of economic interdependence between China and the West, we have been here before. Indeed, the confusing collage that represents the contemporary global "aid system" was in large part created in a world dominated by great power competition.

This context is adeptly explored by historian Sara Lorenzini in her excellent 2019 book, *Global development: a Cold War history*. In addition to offering a political and intellectual history of the evolution of postwar aid and international development, Lorenzini's book highlights several key themes that remain relevant today.

The first theme, which could be characterised as "vertical fragmentation", describes the West's and the Soviet bloc's attempts to lock newly independent developing countries into their respective geo-political orbits through aid and development finance, as well as through security guarantees and more coercive and covert means. These efforts were often confounded by local elites who were able to play the superpowers off against each other in pursuit of their own development agendas or self-interests.

Formal groupings such as the "G-77" and the Non-Aligned Movement, as well as individual postcolonial countries like Indonesia, Ghana, and India, were able to manoeuvre between East and West, making the most of the leverage afforded by aid competition. By the 1960s, in the wake of the Sino-Soviet split, this competition also included Maoist China operating as a global development actor in its own right. Treatises such as the 1967 Charter of Algiers and the 1973 New International Economic Order (NIEO) proposal represented alternative expressions of the "solidarity" of Global South in opposition to the narratives the superpowers sought to impose.

The result was what Lorenzini calls a world of localised "multiple modernities"; one which accorded neither with traditional modes of market-led capitalism, nor with socialist visions of development. In the case of the NIEO, the blueprint was rejected by both the West (because it was too radical) and by the Soviets (because it conceded too much to capitalist models). Ultimately, it too would flounder in the face of local differences. As would appear to be the case today, pluralism usurped both geo-political polarisation and developing world solidarity and became the norm by default.

The second dynamic could be described as "horizontal fragmentation" – the proliferation of international development agencies, organisations, and institutions with increasing levels of specialisation, discrete mandates, and variations in membership. During the Cold War this proliferation was driven by geopolitical divisions — as the West and the Soviet bloc found it increasingly difficult to cooperate in various domains — as well as by the emergence of new development issues onto the global agenda from the 1960s through to the 1990s.

These issues included resource management and the environment, human rights, industrial policy, food security, population growth, and health security, each of which

demanded the creation of new international bodies with dedicated mandates and expertise, thereby compounding complexity and furthering fragmentation. Climate change and digital development present two comparable issues today. Regional organisations would also begin to proliferate from the 1960s, reflecting a view that these could be a more viable platform for consensus and cooperation on development.

Assessing the legacies of this fragmentation for aid, Lorenzini is unsparing: "politically and intellectually, aid was one of the greatest disappointments of the twentieth century, because it could never accomplish the many diverse goals all the different actors hoped for". The political and institutional strictures imposed by the Cold War meant that despite the well-intentioned efforts at reform, and numerous individual success stories, aid simultaneously dashed the (misplaced) hopes of those who believed it could secure alliances, result in more politically stable societies, and/or redeem colonial legacies and injustices.

Turning to the current day, Lorenzini concludes that the divisions between China and the West, coupled with the lack of consensus on global issues like climate change, portend increased fragmentation: "thirty years after the end of the Cold War, development, far from being a global project, is still closely bound to nationalist economic and political priorities".

Seen from this point of view, the post-Cold War era of aid and development in the 1990s and 2000s, marked by talk of enhanced "harmonisation and alignment", universal effectiveness standards, and cooperation between the West and China on development and climate change, might best be seen as an interregnum rather than the norm.

This is the second in a series examining the legacies and lessons of Cold War aid.

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