Risk vs reward: middle powers in the new global aid landscape

by Cameron Hill

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MIKTA foreign ministers meet on the sidelines of the UN General Assembly in New York, September 2025
Photo Credit: X/SenatorWong

The blockbuster speech given by Canadian Prime Minister Mark Carney at the annual World Economic Forum meeting in Davos last month has generated more commentary, enthusiastic nods and chin-stroking appraisals than any other delivered in that exclusive gathering's recent history. Australia's Treasurer, Jim Chalmers, said the speech had been "widely discussed" and "widely shared" within the Albanese government, and he described its frank depiction of a broken global order as "stunning" and "very impactful".

Others are less convinced. Writing for the Financial Times, columnist Alan Beattie argues that the speech lacked reflection on the hard trade-offs required for the reinvigorated middle power cooperation that the Canadian Prime Minister envisages. Looking at aid and development, one can identify several "risk-reward" calculations that Western middle powers, like Australia, will need to weigh up in considering Carney's vision of a multi-layered, pluralist global order able to resist the great power predations of Russia, China and, increasingly, Donald Trump's America. Development cooperation has been a prominent example of the rupture of the rules-based order. Multiple economic and political pressures — from inflation to Russia's invasion of Ukraine to populist politics — could see Western aid fall by as much as a third between 2023 and 2026 as around a dozen OECD providers, including several of its largest, simultaneously slash development spending. These cuts, some of which preceded Trump's second presidential term, are unprecedented. Along with the rise of non-Western providers of development finance like China, they are reshaping the global development architecture.

The first question facing internationalist, Western middle powers is whether they are willing to take on the domestic opponents of aid spending in the face of dismal balance sheets, pressures to spend more on defence and anti-globalist grievance. The record to date has not been impressive. Carney's own centre-left government is currently cutting aid, as is the Starmer Labour government in the UK and several other, traditionally generous Scandinavian donors.

Australia stands out here as a non-cutter. This might, in part, reflect the fact that Australia made its big aid cuts and abolished its development agency over a decade ago. It also might reflect the fact that a majority of the Australian public are broadly supportive of aid. This public support has grown steadily over the last decade and, importantly, is not confined to those on the political left. But it is not guaranteed, particularly given the growing ideological fractures on the right of Australian politics. Aid, like immigration, could easily be drawn into these fractures. And while, at the elite level, worries about China's growing influence have been a powerful bipartisan driver of aid in recent years, this "cautious consensus" remains fragile. The Coalition went to the 2025 election promising to make significant cuts to Australia's aid budget and there is no sign that Labor is willing to increase it beyond 2.5% per annum (not necessarily even in line with inflation) given the government's other spending priorities.

A second question is how far Western middle powers that have traditionally relied on the US for their security will be willing to work together to resist not just China and Russia but also the Trump administration's attacks on development cooperation in areas like gender equality, climate change, public health and humanitarian need and neutrality. Here we have seen some examples of middle power cooperation to shore up support for the Sustainable Development Goals, sexual and reproductive health and rights and pandemic response in the face of explicit US opposition.

Australia has also been reasonably active in this endeavour, leading work in 2025 to develop a UN Declaration on the Protection of Humanitarian Personnel. This was despite the US failing to support the Declaration and voting against a subsequent UN resolution on the protection of humanitarian workers and UN personnel, citing the resolution's "performative" language and alleged advancement of "radical gender ideology". But Australia has been less inclined to directly criticise Trump's aid cuts to regional health, gender and climate aid. This likely reflects a "strength in numbers" calculation, a calculation that reflects the government's broader diplomatic approach to handling differences with an instinctively punitive Trump. As others have argued, however, this has also meant that Australia's red lines remain unclear.

A third, related question is how to tackle the collective action problem that middle powers confront in cooperating and coordinating to reform those multilateral development institutions they regard as worth salvaging. Here I assume that progressive middle powers like Australia and Canada share, in response to the US retreat, a stake in fortifying those parts of the development architecture that advance their long-term interests in areas like global health, humanitarian protection and climate change. However, in doing so they also each seek to minimise the political and financial costs to themselves, preferring that others incur these costs. For example, Australia's Foreign Minister Penny Wong has said recently that the

UN system “will have to reform to survive” and has previously warned of “zombie” multilateral agencies, “doomed to fail because they can’t deliver basic functions”. But despite this apparent existential threat, the government has not said what specific parts of the multilateral development system it is willing to fight and fund to help defend, nor where it might find the money to do so.

Indeed, in its 2025 budget, the government responded to the Trump aid cuts in the Pacific primarily through cuts to and deferments of multilateral funding (although it did also announce an increase to its support for the World Bank’s concessional financing arm). Australia is far from alone in taking this approach, illustrating the depth of the collective action problem middle powers confront as the US ungraciously exits much of the multilateral system it helped build and underwrite.

A final question is whether Western middle powers will be willing to work more with developing countries to build new coalitions that can buttress global development cooperation. This may mean expanding traditional definitions of which countries they regard as “like-minded”, as well as focusing more on specific issues and problems rather than universal global frameworks. Finland’s president has recently declared that “it’s the global South that will decide the next world order”, and that the West needs to collaborate more with developing countries in responding to the rupture that Carney and others describe.

Foreign Minister Wong has highlighted this as a feature of the government’s response to disruption, citing Australia’s recent work within the Pacific Islands Forum, ASEAN, the G20, APEC and “burgeoning minilateral groups” like the Mexico-Indonesia-Korea-Türkiye-Australia (“MIKTA”) grouping. Indonesia is a country with which Australia could potentially work on global health given its shift from a recipient to a funder of vaccination efforts in developing countries. But other coalitions might prove more awkward. Would, for example, Australia be comfortable working more with the Gulf states on humanitarian crises like the Rohingya situation in Bangladesh given that some of these countries stand accused of fuelling crises in other parts of the world such as Yemen and Sudan?

There is no denying that the Carney speech represented a powerful rallying cry at an important global moment. But in thinking through its implications for aid and development cooperation, middle powers like Australia will need to weigh up a range of risk-reward calculations — populism and anti-aid sentiment at home, the risk of offending a capricious US administration, the costs associated with salvaging flailing development institutions and the uncertainties around working with new and, in some cases, unfamiliar donor partners.

By the same token, as Carney’s speech made clear, there are also risks to not

acting. We may well find ourselves watching a similar speech making a similar case in front of a similar gathering in several years' time. Perhaps Australia's prime minister will deliver it. In the meantime, the outlook for global development will likely have gotten even worse.

24/3: Correction to reflect the fact that the US did not vote at the UN against the Australian-led 2025 UN Declaration on the Protection of Humanitarian Personnel. The Declaration was not subject to a UN vote.

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