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Direction of America's Foreign Aids

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President Trump, who took the office with a slogan of “America First”, has been implementing his measures such as immigration order to suspend refugees and protectionist policies against its trading partners. The international society is worried about his attitude of such internal focus. The Trump administration published in March the outline of FY2018 Federal Budget in which they proposed an expansion of expenditures for the Department of Defense and the Department of Homeland Security in charge of border protection, while cutting the budgets for the State Department, the USAID and other government agencies that are involved in the administration of environment, healthcare, education and housing. Especially they proposed a 30% cut of the budget for the State Department and the USAID, expressing their intentions to deeply cut foreign aids while maintaining the level of the expenses for diplomats and diplomatic establishments abroad. In the following I will consider what effect the cut of the ODA¹ in the US foreign aids will have on the world economy and development and review the characteristics of the US ODA.

The net flow of the US ODA accounted for 23.6% of the total flow of DAC members in 2016, maintaining the top scale among the members as in previous years (Chart 1). However, its ratio to GNI (Gross National Income) amounted to only 0.18%, lower than the average of the DAC members. It is far below the development target of 0.7% set by the OECD. So it can be said that the US aids are rather small when we take into account its economic size.

Chart 1 Net Flow of ODA by Major DAC members (2016)

	ODA/GNI%	Share of Total ODA%
USA	0.18%	23.6%
Germany	0.38%	17.3%
UK	0.70%	12.6%
Japan	0.20%	7.3%
France	0.70%	6.7%
Sweden	0.94%	3.4%
Netherland	0.65%	3.5%
Total DAC	0.32%	100%

Source : Based on OECD, 11 April 2017

¹ ODA (Official Development Assistance) represents those aids and subscriptions (non-military) made by the donor governments and government institutions to developing countries for their economic development and improvement of social welfare.

The types and sector distribution of the ODA reveal that the US has a larger share in the social infrastructure and humanitarian aid like emergency and food assistance which mainly consist of grant element and technical assistance . (Chart 2) On the other hand, Japan emphasizes from a long-term standpoint the loans for economic infrastructure to help recipient countries become economically self-sustaining. So by utilizing export strategy for Infrastructure system, Japan tends to promote those which would facilitate trades and investments based on the Public-Private Partnership and with a narrowly defined national interest. Meanwhile, the US seeks for a broadly defined national interest with which it leads the development of an international order and maintain its leadership, and thus tends to organize foreign aids that would strike a balance between national security and foreign assistance.

Chart 2 ODA of DAC Members by Aid Type and Their Bilateral ODA by Sector (2015)

	Aid Type				Bilateral ODA by sector			
	Bilateral			Multilateral	Social	Humanitarian	Economic	Industry
	Grant	Technical Assistanc	ODA Loan	UN etc.	Infrastructure	Aid	Infrastructure	etc.
USA	83.9%	2.5%	0.0%	13.7%	48.4%	24.6%	5.4%	6.4%
Germany	33.0%	20.0%	27.6%	19.4%	30.1%	5.4%	12.1%	12.5%
UK	61.6%	13.7%	0.2%	24.4%	33.4%	16.4%	12.1%	13.3%
Japan	21.5%	11.7%	46.5%	20.3%	18.1%	6.1%	52.9%	12.6%
Total DAC	51.7%	10.4%	11.7%	26.2%	34.4%	12.2%	18.8%	12.0%

Source : DAC Statistics on OECD.STAT

In the 1960s, India and Vietnam were the major recipients of the US bilateral ODA because it was the main objective of the US to prevent the expansion of communist bloc. Since the 1980s, Israel and Egypt became the main recipients in an effort to promote peace in the Middle East. In the latter of 2000s most of the US assistance was directed to anti-terrorism and reconstruction of conflict-affected region with Afghanistan and Iraq becoming main recipients, and more recently assistance has been increasing to address poverty caused by civil conflicts and natural disasters in Sub-Sahara Africa as well as to such countries as Jordan and Syria to address Syrian refugees. (Chart 3) Since the major portions of the US assistance have been directed to the least less-developing countries (LLDC) or displaced persons who live a life similar to the people in LLDC because of natural disasters and conflicts, it is concerned that the possible reduction of the US foreign aids will adversely affect these poorest people.

In addition, the United States every year contributes more than 20% of the UN regular budget, which accounts for, according to the 2016 regular budget, the share of more than double of Japan, the second largest contributor next to the US. (Chart 4) The UN has been making efforts to address by 2030 a wide range of developments under its sustainable development goals (SDGs). However, the reduction of the US contribution could make it harder to achieve one of its efforts for SDGs, i.e., to “end poverty in all its forms and everywhere”.

Chart 3 Shares of Major Recipients in the US Aids

2005–2006		2009–15	
Afganistan	11.6%	Afganistan	6.6%
Iraq	7.7%	Jordan	3.7%
Pakistan	3.5%	Kenya	2.8%
Sudan	3.2%	Pakistan	2.7%
Gaza Strip	3.1%	Echiopia	2.6%
Echiopia	3.5%	South Sudan	2.6%
Haiti	2.7%	Syria	2.5%
Kenya	2.3%	Congo Rep.	2.1%
South Africa	2.1%	South Africa	1.6%
South of Sahara	29.1%	South of Sahara	34.9%

Source : Geographical Distribution of Financial Flows to Developing Countries 2017

Chart 4 Contribution Share to the UN Regular Budget (2016)

Aid Donor	Share
USA	22.0%
Japan	9.7%
China	7.9%
Germany	6.4%
France	4.9%
UK	4.5%
Brazil	3.8%
Italy	3.7%
Russia	3.1%
Canada	2.9%

Source : UN Library

It has been anticipated thus far that the United States will strengthen its internal focus under the Trump administration, but it carried out air strikes on Syria on April 6 from a humanitarian perspective. Thus there remain many uncertain aspects about the foreign policies of President Trump. Also the draft budget for the fiscal year 2018 that has been proposed needs to be finally approved by the Congress but again there is a possibility that the budget will be voted down by the Congress as in the case of Obamacare repeal bill which was pulled in March. It should be carefully watched in assessing the US stance on foreign aids to what extent Mr. Trump’s slogan of “America First” will be put into practice.