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Help Not Wanted

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Moisés Naím / *New York Times*

My friend was visibly shaken. He had just learned that he had lost one of his clients to Chinese competitors. "It's amazing," he told me. "The Chinese have completely priced us out of the market. We can't compete with what they're able to offer."

There's nothing surprising about that, of course; manufacturing jobs are lost to China every day. But my friend is not in manufacturing. He works in foreign aid.

His story is about Nigeria's trains. The Nigerian government operates three railways, which are notoriously corrupt and inefficient. They are also falling apart. The World Bank — where my friend works — proposed a project based on the commonsense observation that there was no point in lending the Nigerians money without also tackling the corruption that had crippled the railways. After months of negotiation, the bank and Nigeria's government agreed on a \$5 million project that would allow private companies to come in and help clean up the railways.

But just as the deal was about to be signed, the Chinese government offered Nigeria \$9 billion to rebuild the entire rail network — no bids, no conditions and no need to reform. That was when my friend packed his suitcase and went to the airport.

It is not an isolated case. In recent years, wealthy nondemocratic regimes have begun to undermine development policy through their own activist aid programs. Call it rogue aid. It is development assistance that is nondemocratic in origin and nontransparent in practice, and its effect is typically to stifle real progress while hurting ordinary citizens.

China is actively backing such deals throughout Africa; its financing of roads, electrical plants, ports and the like boomed from \$700 million in 2003 to nearly \$3 billion for each of the past two years. Indeed, it is a worldwide strategy. Beijing has agreed to expand Indonesia's electrical grid in a matter of months. Too bad the deal calls for building several plants that use a highly polluting, coal-based Chinese technology. No international agency would have signed off on such an environmentally unfriendly deal.

In the Philippines, the Asian Development Bank, which lends money at low interest rates to poor countries, had agreed to finance Manila's new aqueduct. It, too, was suddenly told that its money was no longer needed. China was offering cheaper rates, faster approval and fewer questions.

What's behind this sudden Chinese drive to do good around the world? The three short answers are money, international politics and access to raw materials. China's central bank has the world's largest foreign exchange reserves, totaling \$1.06 trillion. Beijing is increasingly leveraging this cash to ensure its access to raw materials and to advance China's growing global influence. What better than a generous foreign-aid program to ensure the good will of a petro-power like Nigeria or a natural-resource-rich neighbor like Indonesia?

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Today, the projects of organizations like the World Bank are increasingly inspected by watchdog groups. Although the system is far from perfect, it is certainly more transparent than it was when foreign aid routinely helped ruthless dictators stay in power.

Nor is China the only regime offering rogue aid. President Hugo Chávez has not been shy in using his nation's oil money to recruit allies abroad. Indeed, Venezuela's ambassador to Nicaragua, explaining his country's large aid packages in the region, bluntly announced, "We want to infect Latin America with our model."

Mr. Chávez's financial aid to Cuba far exceeds what the island used to get from Leonid Brezhnev during the heyday of Soviet communism, and it has dashed hopes for Cuba's opening as a result of Fidel Castro's demise and the island's bankruptcy. Because of Mr. Chávez's artificial lifeline, Cubans will be forced to wait even longer for the indispensable reforms that will bring their society opportunities for true prosperity and freedom.

Iranian aid to Hamas in Palestine and Hezbollah in Lebanon may have increased Iran's influence in the region, but it is damaging to the people in those countries for the same reason that Venezuelan aid hurts Cubans. The same can be said of Saudi Arabia's sponsorship, in countries like Pakistan, of religious schools that fail to equip students with the skills they need to get jobs.

One could argue that students are surely better off going to any school than being in the streets. But why should these be the only options? Why can't the Saudis finance education, the Chinese pay for railroads and electric grids, and the Venezuelans help Cuba's economy without also hurting poor Pakistanis, Nigerians and Cubans? Because the goal of these donors is not to help other countries develop. Rather, they seek to further their own national interests, advance an ideological agenda or even line their own pockets. Rogue aid providers couldn't care less about the long-term well-being of the population of the countries they aid.

States like China, Iran, Saudi Arabia and Venezuela have the cash and the will to reshape the world into a place very unlike the one where we want to live. By pushing their alternative development model, such states effectively price responsible aid programs out of the market exactly where they are needed most. In place of those programs, rogue donors offer to underwrite a world that is more corrupt, chaotic and authoritarian. That sort of aid is in no one's interest, except the rogues.

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