NEW LANDSCAPE OF INTERNATIONAL DEVELOPMENT COOPERATION IN POST-COVID-19-IMPLICATIONS FOR NORTH-EAST ASIA COUNTRIES

LI Xiaoyun, JI Lanlan, LI Li, and ZHANG Chuanhong *

I. Introduction

The current development cooperation architecture has gone through transformation from mainly focusing on ODA provision to the inclusion of Other Official Flows (OOF), as well as trade and investment from both public and private sectors. The trend accelerates with the declining ODA in relative volume, rising contribution of South-South Cooperation (SSC) providers, and the global economic recession triggered by both economic, political and human crises. This global outbreak of the COVID-19 pandemic exacerbated the economic capacity of many development cooperation providers and make some developing countries, conflict-affected and aid-reliant countries in particular, more marginalized. All these lead to new calls for changes in international development cooperation architecture facilitated by new development knowledge and practical approaches to accommodate the new modalities of development cooperation and meet new development challenges.

Against this background, this paper will firstly trace the origins and evolution process of international development cooperation and explore the new development architecture in the post-COVID-19 era based on the observations of the impact of COVID-19 on the existing development cooperation architecture. The challenges and opportunities this new trend might bring for North-East Asia countries in regional and global development cooperation will be illustrated and better approaches will be proposed to promote the development cooperation of this region.

2. The evolution of international development cooperation architecture

Modern international development assistance system has three historical origins. The first is the relief aid provided by western churches with the mission of breaching Christianity starting from the end of 18th century. A large number of missionaries organized by

* College of International Development and Global Agriculture (CIDGA) at China Agricultural University (CAU)
various charitable organizations were provided in non-western areas in the form of health and medical humanitarian aid, which was regarded as the beginning of international aid. The second is the activities carried out by the Western colonialists in their colonies, such as the agricultural technology extension launched by Britain in East Africa and the corresponding education and medical projects related to social and economic development. Third, after World War I, under this framework of the Treaty of Versailles and the League of Nations, international economic cooperation was promoted by an economic committee. After World War II, the committees set up by the League of Nations gradually grew into different types of UN agencies, such as the Food and Agriculture Organization (FAO), and the World Health Organization (WHO). The idea of international economic cooperation was transformed into the idea of international development, and multilateral development assistance was gradually taking shape and becoming important. In a sense, the three origins of development assistance provide an important basis for the framework of contemporary international development assistance. On the whole, contemporary development assistance is mainly provided by multilateral development agencies, bilateral development agencies and non-governmental development institutions.

During the Cold War after the end of World War II, the two major camps of the United States and the Soviet Union used foreign aid as the main tool to expand international influence and strive for international morality. The former Soviet Union provided aid to support socialist movements while the United States provided assistance to confront the influence of communism on developing countries. Aid had been one of the most important geopolitical weapons till the late 1980s.

After the Cold War, international development cooperation has entered a golden age. The main reason is that the geopolitical instrumentality of international development cooperation has declined, and various countries has focused on the challenges and problems faced by all mankind. Since the mid-1990s, the global poverty issue has attracted the attention of all countries in the world, and a general consensus on poverty reduction has been reached in the field of global development. The OECD Development Assistance Committee (OECD/DAC) members provided free grants and preferential loans to poor countries through bilateral aid agencies and multilateral financing institutions such as the International Monetary Fund (IMF) and the World Bank (WB). This approach played an important role in maintaining the international political and economic order after World War II, and at the same time formed an international development cooperation architecture dominated by the Euro-centric values and characteristics.

However, although Western countries have invested trillions of dollars in developing countries in the past few decades, it is difficult to fundamentally change the poverty and backwardness of many developing countries. The Euro-centric development ideology based on promoting good governance, democracy and human rights and Structural Adjustment Programs (SAPs) led to the weak governance capacity of many developing countries. The “donor-recipient” cooperation model has been impacted by the South-South Cooperation (SSC) and Triangular Cooperation (TrC) models led by emerging economies. However, the trend of de-globalization and the COVID-19 pandemic have had a major impact on the existing structure of development cooperation combined by North-South Cooperation (NSC), SSC and TrC. The field of development cooperation calls for new ideas and a new development cooperation framework with human security as the core concern is being formed.

3. Changing development cooperation modalities: from divergence to convergence of NSC and SSC

The beginning of modern development cooperation was dominated by the development economics. One of the most controversial topics in the field of development economics is the discussion on the effectiveness of ODA, i.e., whether the state-led foreign aid could achieve the expected results. Looking back at the evolution process of international development cooperation since 1950s, we can find that foreign aid is the main channel for the externalization of domestic factors. There is a close connection between the effectiveness of foreign aid and the process of exploring domestic economic development paths. From the perspective of modalities, development cooperation has gone through the state-led development intervention based on Keynesianism to market-based approach based on Washington consensus.
Whether it is Soviet aid to Afghanistan, Turkey, China, and Eastern European countries, the "Marshall Plan" of the United States to revive Europe, the "Colombo Plan" of the United Kingdom in Asia, or the US President John F. Kennedy’s initiative in the Americas, The “Alliance for Progress”, the "Development Assistance Group (DAG)” (the predecessor of the OECD/DAC) initiated by Dwight David Eisenhower during his presidency, or the establishment of “Asian Development Bank advocated by President Andrew Johnson, these aids all emphasized that the state should have ownership of enterprises, banks and trading companies, adopt protectionist policies on productivity factors, and achieve industrialization and economic growth efficiently through continuous investment. It embodies the nationalist view of Keynesian macroeconomics, that is, the government must use fiscal and monetary policies to offset the negative impact of laissez-faire market "invisible hands" on employment and income\(^1\). Harrod (Roy F. Harrod) and Evsey Domar respectively applied Keynesianism to the development economic practice of foreign aid and formed the "Harrod-Domar Economic Growth Model" to explain the dominant thinking of development cooperation during this period.\(^2\)

The leaders of the Asian, African, and Latin American countries that received aid during this period (such as Tanzania, Mozambique and Ethiopia in Africa, India, Indonesia and Malaysia in Asia) were influenced by the Fabian School of Socialism when they studied in the United Kingdom. The leading role of socialization in the construction of the welfare state.\(^3\) Therefore, donors and recipients reached a consensus in the first stage of international development cooperation, that is, through planned capital accumulation and fiscal and monetary policy regulation, the economic development of recipient countries can be effectively promoted.

However, the practice of foreign aid in the 1970s and 1980s has made all parties aware that fiscal and monetary policies alone cannot resolve the crisis of balance of payments faced by developing countries but may cause a series of social problems. Donor countries make specific regulations on the domestic inflation rate, trade deficit, fiscal deficit, and other economic indicators of recipient countries, and use them as “conditionalities” for financial institutions such as the World Bank (WB) and the International Monetary Fund (IMF) for providing assistance to developing countries. In order to achieve the economic targets, set by the donors, under the condition of limited resource capacity, most recipient countries adopted the strategy of reducing the export price of their products through currency depreciation policies in order to expand exports and reduce imports, and to hedge trade deficits and fiscal deficits, at the same time, to stimulate domestic production. Unfortunately, the Structural Adjustment Programs through price leverage will still cause domestic prices to soar, lower labour incomes, and increase inflation. Without improving consumer purchasing power, it was not be able to stimulate domestic demand and boost growth vitality. Many countries had military coups due to dissatisfaction with the government’s economic policies. Countries such as India, Indonesia, the Philippines, Ghana and Tanzania all have similar problems to varying degrees.\(^4\) In response, African countries jointly issued the Lagos Action Plan on African Economic Development, emphasizing the external shocks and potential problems brought about by neo-colonialism, and striving to build an African economic community, through industrialization and self-reliance, to build a common market. This tit-for-tat position statement shows that both the North and the South had a certain degree of criticism about the relationship based on aid, but it also expresses that both sides are thinking about the mechanism, intensity, and distribution of foreign aid in the future. In-depth summary and thinking are being carried out on issues such as methods and industry investment.\(^5\)

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The fall of the Berlin Wall in 1989 meant the end of the Cold War between the socialist and capitalist camps. The rise of the export-oriented economies like "Four Little Tigers" in Asia has also stimulated development of other regions and countries in the world. All these created opportunities for developed countries and multilateral agencies to promote their development approaches featuring free market, democracy and good governance based on “Washington Consensus”. However, due to the large differences in the level of development of developing countries in the privatization of public facilities (especially energy, water conservancy, sanitation, communications, etc.), intellectual property protection, rule of law, and anti-corruption, many countries experienced deflation, civil riots and other issues in the mid-1990s. The international development aid based on "conditionality" and “selectivity” received many criticisms from both Northern and Southern world, leading to aid fatigue from both donors and recipients.

Since then, the convergence between the North and the South appeared in both discourses and practices. Discussions based on a more open and equal discourse contributed to a series of development agenda like OECD/DAC "Shaping the 21st Century: the Contribution of Development Cooperation" (1996)\(^6\), "Rome Declaration on Harmonization" (2003)\(^7\), “Paris Declaration on Aid Effectiveness” (2005), “Accra Agenda for Action” (2008)\(^8\) and Busan Partnership for Effective Development Cooperation (2011)\(^9\). The theme, topics and focus of international development cooperation are constantly adjusted in interactive practice, from improving the overall development goals of a sovereign state to focusing on meeting the needs of individual people in education, health, and social development and reducing poverty. Poverty alleviation has gradually become a new consensus in the previous stage of international development cooperation, and it has also become an important part of the United Nations Millennium Development Goals and 2030 Agenda for Sustainable Development.

While the issues of concern are becoming more consistent and coordinated, the interests of the North and South are also converging. Since the Paris Declaration and the Accra Agenda for Action, middle-income countries, emerging countries, non-governmental organizations, private enterprises, and other diverse actors have joined the traditional donors as development actors to provide development cooperation beyond ODA. The "Busan Declaration" proposed to transform the paradigm of international aid policy from "aid effectiveness" to "development effectiveness" and identified "prioritize the development of developing countries" as one of the evaluation principles and indicators and emphasized the increasing support of SSC and TrC to complement the North-South cooperation. This marks the gradual acceptance of developed countries in the North towards the development methods and demands of developing countries in the South. The tension between the North and the South is easing, and the consensus on foreign aid and development cooperation is strengthening.

4. The impact of COVID-19 pandemic on international development cooperation

The trend of de-globalization and the rise of populism have already threatened the international development cooperation before the outbreak of the COVID-19 pandemic. This is mainly manifested in the phenomenon of Britain’s “Brexit”, “America First” foreign policy of Trump administration as well as the proliferation of far-right forces in Europe. The root causes lie in the following two aspects:

First, high concentration of global value chains in developing countries has caused deep concerns of developed countries. From the perspective of the composition of the global value chain, developed countries control higher value-added capital and high-technology. The outflow of manufacturing industries from developed countries to developing countries led to the increase of unemployment rate in the developed countries. Moreover, the rapid development of China and other emerging countries, particularly in high-technology in recent years like 5G (5th generation mobile network) further threatens the dominant position of some developed countries in

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capital intensive industries. With the “Belt and Road” initiative, China’s international influence has further expanded. This has caused deep anxiety in developed countries that have enjoyed comparative advantages in the global value chains.

Second, the income redistribution system in many developed countries have not solved the problem of income-gap within the countries. For example, at the end of 2017, the Tax Cuts and Jobs Act (TCJA) was signed by US President Trump, which was regarded as the largest tax cut in the United States in the past 30 years. The reduction of capital-gains tax, payroll tax and Fed interest rate, as well as the income tax for low- and middle-level class, amount to about $1.5 trillion. Tax cuts were designed to stimulate domestic demand by stimulating investment, entrepreneurship, and consumption, increase employment rates, restore economic vitality, and reduce the United States’ dependence on foreign markets and capital. However, the tax reform policy has made the United States the country with the worst fiscal losses among the OECD countries. In 2019, the US fiscal deficit was as high as 960 billion U.S. dollars. Facing corporate bankruptcy and social unrest that may have been triggered by the debt crisis, relevant government departments decided to abolish institutions, reduce foreign aid, and lift agreements with international organizations at the international level to ease domestic economic pressure. In the last few years, US withdrew from more than 10 international treaties and organizations.

In the face of weak domestic policies and declining international influence, the social movements against wealth polarization in some Western countries will last for a while. The COVID-19 pandemic has further intensified the anti-globalization trend that has already begun to emerge. In June 2020, the UK government announced to merge Department for International Development (DFID) with the Ministry of Foreign Affairs (FCO), which also reflects the changing attitude of the British government on traditional development assistance. The disruption of global value chains and the dominant position of China and India in medical supplies production during the pandemic intensifies the worries of the developed countries. The moral basis of development aid based on “altruism” of developed countries will be challenged in this new scenario. At the same time, humanitarian assistance and cooperation in multiple directions (NSC, SSC, SNC, etc.) further accelerates the convergence of both discourses and interests between the North and the South due to the trend of de-globalization and COVID-19 pandemic.

The tension between China and the United States triggered by the COVID-19 and conflict in different areas has prompted some factors affecting unity and solidarity of southern countries. Nationalism and populism not only exist in the United States and the developed countries in the North, they have also become decisive factors for the development and cooperation of countries in the South. The technology transfer, international trade and investment, as well as development aid between developing countries and emerging economies will also be disrupted if they are politicized and if most countries are forced to take side. Fortunately, during the COVID-19 pandemic, many countries in development cooperation community as well as the global South have shown their persistent support to international cooperation and multilateralism. Notably, many southern countries started to provide humanitarian aid not only to other developing countries, but also to developed countries. However, their capabilities, especially those of emerging economies, were also heavily hit by the pandemic.

The changing global context provides mutual learning opportunities for both developed countries and developing countries. Triangular cooperation is considered an innovative mechanism to enhance the effectiveness of aid. It provides a platform for three parties to work together on their own advantages. Although compared with North-South cooperation, the scale of trilateral development cooperation is much smaller and it also faces the problem of higher transaction costs, yet it may bring substantial changes to international development cooperation in the future. However, due to the pandemic outbreak, trilateral development cooperation has basically stalled.

5. New landscape of development cooperation in the era of post-COVID-19 pandemic

The challenges mentioned above do not mean that we need to be pessimistic about the global development cooperation. Some encouraging factors need to be valued and promoted. European countries with a long tradition of humanitarianism and developmentalism are still important supporters of international development assistance, which is indicated by their
assistance to the World Health Organization and the global epidemic prevention work in the process of coping with COVID-19. Non-governmental organizations, such as Bill & Melinda Gates Foundation, has also played an important role in international development assistance, especially in the fields of global health and food security. Emerging countries have also increased their assistance to developing countries and even provided support to developed countries during the epidemic period. Therefore, the basic elements of solidarity in the international development assistance system still exist. Based on the analysis above, the post-COVID-19 development cooperation will have four characteristics:

First, the COVID-19 pandemic will inspire new vitality to deal with new challenges on a global scale, so that mankind has a higher ability to solve new development problems. The rapid spread and wide scope of the epidemic requires humans to fight side by side without prejudice. Whether it is from the perspective of capacity building or governance model, all parties need to unite and carry out more in-depth and innovative development cooperation practices. From the perspective of common security, cooperation is currently the only and most important choice for mankind.

Second, the focus of development cooperation in the post-pandemic era will shift to "human security." For more than 40 years after the Cold War, international development cooperation has mainly focused on issues such as good governance, anti-corruption, and economic growth within the country. The catastrophic consequences of the pandemic have gradually made countries around the world realize that global cooperation must shift its focus to human security. The transnational challenges, such as global health, climate change governance, agriculture, and food security, etc. will be the focus of development cooperation.

Third, the "donor-recipient" model promoted by the Development Assistance Committee of the OECD will experience major reforms. From the perspective of the structure of development cooperation, the one-way flow of assistance from the North to the South is problematic.

All in all, from the perspective of dealing with human security, a new structural framework for global development needs to be established. At present, there is resistance to achieving this goal. Only by calling for, advocating and supporting multilateralism, especially by recognizing the important role of the United Nations in development cooperation, can all countries, no matter they are developed countries, emerging countries or developing countries, break through obstacles and move forward towards the common and ideal goals.

6. Implications for North-East Asia Countries

North-East Asia holds a special position in the international development assistance system. First, there are two OECD Development Committee members in North-East Asia, of which Japan is one of the largest donors in the international development assistance system while Republic of Korea represents a model of best recipient as well as a new donor. Japan and Republic of Korea in North-East Asia play an important role in the international development assistance system. Secondly, China is the largest provider of South-South Cooperation in the world. Thirdly, Japan, Korea and China were all once the recipient of traditional aid. China was once the largest recipient of Japan’s foreign aid. Russian Federation used to be an important donor and now function both as a re-emerging donor and recipient country.

As the largest South-South Cooperation provider, in the past 70 years, China has provided support to many developing countries under the South-South Cooperation framework, China provided medical, education, climate governance, and agriculture aid to over 120 developing countries, by sharing development experience, spreading technological know-how, and debt relief for the least developed countries. To fight against the COVID-19 pandemic, China donated 83 batches of anti-epidemic materials to 150 countries and 4 international organizations, sending 34 international medical corps to 32 countries, organizing over 70 remote video conferences, and shared anti-epidemic experience with more than 100 nations and regions. Chinese medical teams working in 56 foreign countries also joined the anti-COVID-19 treatment. The hospitals, clinics, and Centers for Disease Control and Prevention that were constructed by China in partner countries played important roles in improving capacities to manage the outbreak of COVID-19 in the recipient countries.10 Till now, China

Maoyu, Vice Chairperson of China International

10 Quoted from the keynote speech made by Mr. Zhang Maoyu, Vice Chairperson of China International
has provided $50 million to the World Health Organization (WHO). The year of 2020 is the 70th anniversary of China’s foreign aid. President Xi Jinping announced that China will provide $2 billion in the coming 2 years after the epidemic, to support the states and regions impacted by COVID-19, especially the least developed countries, for their economic recovery.  

The Chinese government has clearly proposed to make vaccine as a global public good and officially joined COVAX facility to enhance the global capacity for development and production of the vaccine.

Republic of Korea has also enjoyed a special position in international development cooperation. It has successfully transformed itself from a developing country to developed country and accumulated rich experiences as both recipient and donor country in the last few decades. During the pandemic, Republic of Korea has not only set a good example for other countries to control the spread of the pandemic, but also actively participate in knowledge sharing and providing support to both developing and developed countries.

Japan used to be the largest donor and a long-term OECD/DAC member in the world, but its aid modality and principles has demonstrated more similarities with other East Asia countries than with other OECD/DAC countries. However, its technicality in providing aid and development cooperation through both bilateral and trilateral cooperation channels are worth to be learned by China and other countries in the region. During the COVID-19 pandemic, Japanese government also provided immediate support to other developing countries through COVID-19 emergency response package and also mobilized the private resources to participate in global efforts of fighting against Covid-19. For example, Ministry of health, Labor and Welfare supplied Avigan, an anti-flu drug developed by Fujifilm, to about 80 countries to test its effect on COVID-19 pandemic though UN Offices for Project Services.

Therefore, North-East Asia has rich experience not only in providing development assistance in accordance with western norms, but also in providing development assistance in the form of South-South cooperation and is sophisticated in receiving development assistance and successfully achieving economic development and reducing large-scale poverty. The lessons learned from the region, in how to use and provide development cooperation will have profound implications for both developed and developing counties. More importantly, the North-East Asia has enjoyed different stage of modernization (Japan-South Korea-China-others) and can share development experiences among member countries. Last but not the least, North-East Asia countries has enjoyed some commonalities in their development trajectories, which is led by developmental states and economic growth-based East Asian development model. These factors directly lead to the uniqueness and importance of North-East Asia in reshaping global development cooperation architecture even before the COVID-19 pandemic.

COVID-19 sparked both new challenges and opportunities for North-East Asian cooperation in terms of both capacity and modality. With the reversal of globalization and the outbreak of COVID-19, the economy of North-East Asia has also been affected. However, based on the performance of the four major nations (China, Japan, Russia and Korea) in the region, the region as a whole has not been negatively influenced by the trend of de-globalization and rise of the populism. The four countries all show their strong support to multilateralism and global solidarity during the global crisis, which is a good sign for successfully control the pandemic. If the four countries can work together, the region will play an extremely important role in conquering the pandemic as well as achieving economic recovery. The conclusion of Regional Comprehensive Economic Partnership is a good sign for the three nations to enhance their collaboration not only in economic term but also in other areas.

Concrete measures need to be taken to strengthen the development cooperation between the nations in the


First and foremost, North-East Asian countries should establish a dialogue platform to gather policymakers, academics and development practitioners from both donor countries and partner countries to have information exchange on the issues related to development cooperation in and beyond the region. The North-East Asia Development Cooperation Forum led by ESCAP has laid some foundations for such a dialogue platform with the involvement of the think-tanks from member countries. However, the capacity of the forum needs to be enhanced to attract policy-makers. It is necessary for the forum to establish a formal communication channel with national development agencies of the member countries through UN country office.

Second, the measures based on pragmatism rather than ideology should be promoted for the common good of the people of the region. North-East Asian countries have a lot to fill the existing international development knowledge gap as a model of developmental states that advocate pragmatism-based development cooperation focusing on economic growth-led and infrastructure-prioritized development trajectory. The arduous support of Agenda 2030 for Sustainable Development of the new government policies (the new 14-year plan of China, for example) in the region also shed new lights for the future development path of the region. As a Chinese saying goes, “Near neighbours are better than distant relatives.” This is extremely true during the pandemic.

Last but not least, the cultural proximity enjoyed by the region will form a natural solidarity within the region. If it can go beyond the political divide, it will release huge potential for the region both economically and in term of cooperation in other areas. For the policy makers of the respective countries in the region, promoting relevant experience exchange with and beyond the region, and to support cooperation in policy research and policy dialogue based on the experience exchange will be the first and utmost step to achieve the goals of development and common prosperity. Think-tanks from North-East Asian countries should work together to explore the experiences and lessons of the region. The governments in the regions should have one voice to advocate and support multilateralism, particularly the UN.

The North-East Asia Development Cooperation Forum is organized annually as partnership event among ESCAP East and North-East Asia Office and the four research networks in North-East Asia on development cooperation, namely, China International Development Research Network (CIDRN), Japan Society for International Development (JASID), Korea Association of International Development and Cooperation (KAIDEC) and Russian Association of International Development Assistance Experts (RAIDAE).

This policy brief describes research by the author(s) presented and discussed at the above-mentioned Forum. The views expressed in this brief are those of the author(s) and should not necessarily be considered as reflecting the views or carrying the endorsement of the United Nations. This brief has been issued without formal editing. For more information, please contact the ESCAP East and North-East Asia Office (email: escap-sronea-registry@un.org).