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A Realist Perspective on the Millennium Challenge Corporation's Aid Objectives in Nepal and Their Achievement

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Abstract. In recent years, the US Indo-Pacific Strategy has become the subject of rhetoric and apart from actively involving India in various versions of the cooperation mechanism, foreign aid has also become an important means of US involvement in the region. The Millennium Challenge Corporation (MCC) is one of the leading organizations implementing US foreign aid, billed as helping developing countries to fight poverty and achieve sustainable development. The MCC as a major participant in the Indo-Pacific vision, has been actively engaged in a pact with Nepal to provide assistance. Nepali society fears that acceptance of the agreement will lead it into a debt trap and hijack it as a military and security ally of the US Indo-Pacific strategy. This paper examines the political attributes and interests of the Millennium Challenge Corporation from a realist perspective, and analyses its role and characteristics within the framework of US foreign aid policy in the light of the new direction of the Biden administration's foreign policy.

Keywords: Foreign aid; Nepal-US relations; Nepal; United States; Realism

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Перспективы и достижения корпорации «Вызовы Тысячелетия» в оказании помощи Непалу (взгляд реалиста)

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Аннотация. В последние годы Индо-Тихоокеанская стратегия США стала предметом обсуждения. Помимо активного вовлечения Индии в различные варианты

механизма сотрудничества, иностранная помощь стала важным средством американского участия в регионе. Корпорация «Вызовы Тычелетия» (Millennium Challenge Corporation – MCC) – одна из ведущих организаций, оказывающих американскую помощь, которая помогает развивающимся странам в борьбе с бедностью и достижении устойчивого развития. MCC, будучи одним из основных участников реализации индо-тихоокеанской концепции, активно участвует в заключении соглашения об оказании помощи Непалу. Непальское общество опасается, что принятие соглашения приведет страну в долговую ловушку и превратят ее в союзника по вопросам военной безопасности в рамках Индо-Тихоокеанской стратегии США. В представленной статье рассматриваются политические атрибуты и интересы MCC для решения проблем с реалистической точки зрения, анализируется роль и характеристики в рамках иностранной помощи в свете нового направления внешней политики администрации Байдена.

Ключевые слова: Иностранная помощь; непальско-американские отношения; Непал; Соединенные Штаты; реализм

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Introduction and Materials

On 27 February 2022, Nepal's House of Representatives passed the five-year US Millennium Challenge Corporation (MCC) agreement. Although the agreement was passed in a tug-of-war, the controversy did not stop there. According to the agreement, the MCC will take precedence over Nepal's domestic law once it comes into effect, and the final audit authority will be vested in the US without Nepal's participation [1], which is considered an infringement on Nepal's constitution and sovereignty. Nepalese society fears that the adoption of the agreement will trap it in a debt trap and abduct it as a military and security ally of the US Indo-Pacific Strategy. In fact, the MCC's consistent foreign aid practices suggest that this fear is not superfluous.

There is a general and fundamental consensus among realist international relations scholars that foreign aid is an important tool of the foreign policy of the donor country. Hans Morgenthau distinguishes between six types of foreign aid: humanitarian aid, aid for livelihoods, bribery aid, military aid, aid for economic development, and aid given to enhance one's own prestige. Morgenthau argues that even so-called humanitarian aid actually performs a political function [2].

This paper seeks to use this fundamental judgement as a basis for exploring two questions: first, what are the policy objectives of MCC's foreign aid in Nepal? Second, how does MCC achieve the acceptance of these policy objectives by recipient countries?

Results

The Millennium Challenge Corporation (MCC) is one of the leading organisations implementing US foreign aid, billed as helping developing countries to fight poverty and achieve sustainable development. The 2002 US National Security Strategy report noted that measuring the effectiveness of foreign aid in terms of dollar amounts alone, but not in terms of economic growth rates and poverty reduction, was a failed strategy [3]. The Millennium Challenge Corporation (MCC) was formally established in 2004 with a nine-member board of directors, including the US Secretary of State, the Secretary of the Treasury, the Commercial Negotiator, the Director of International Development, the Executive Director and four public representatives appointed directly by the President. directly appointed public representatives [4].

The MCC selects recipient countries based on eligibility criteria established in the enabling legislation to measure policy performance, scoring them on a 20-indicator scale, with countries meeting ten or more of these criteria having the opportunity to become candidates, all using data from independent third-party institutions. After screening for relevant indicators, candidate countries are ranked through a country scorecard and categorised into two categories of aid participation: the Compact and the Threshold [5]. The former, which 'meets' the criteria in each of the evaluations, is offered the opportunity to enter into a compact programme and receive substantial financial support for five years, while the latter, which comes close to but does not achieve a passing score and pledges to commit to national policy reforms in the indicators thereafter, is offered the opportunity to participate in a threshold programme and receive a small amount of aid.

Table 1.

Evaluation Indicators for MCC's Selection of Recipient Countries

Politics	Economy	People's livelihood
Civil Liberties	Credit	Children's health
Controlling corruption	Entrepreneurial opportunities	Girls' education rate
Freedom of Information	Fiscal policy	Health Care Expenditure
Government effectiveness	Inflation	Vaccination rate
Land rights	Trade Policy	Conservation of natural resources
Political rights	Quality Control	Primary education expenditure
Rule of Law		Equality between men and women

In addition to this, even after a country has been selected for eligibility, the MCC regularly reviews the policy performance of its partner countries throughout the development and implementation of the agreement. Selected countries that do not meet the criteria in the compact in a given year, exhibit policy reversals or patterns of behaviour inconsistent with the eligibility criteria, may be warned by the MCC or even have their assistance suspended or terminated [6].

MCC's Policy Objectives in Nepal

MCC's foreign assistance to Nepal has generally been guided by three criteria: maintaining US national security strategy, influencing geopolitical relations in South Asia, and promoting US-style democracy.

Maintaining the US National Security Strategy

The US national security strategy mainly consists of building or maintaining alliances to improve and supplement its military defence, acquiring military bases and maintaining regional stability [7]. Stimulated by China's "One Belt, One Road" initiative, the US proposed the "Indo-Pacific Strategy" in 2017 in an attempt to strengthen multilateral diplomacy, consolidate the alliance camp, and enhance military deployment in the "Indo-Pacific" region [8]. The

Indo-Pacific Strategy was launched in 2017 in an attempt to strengthen multilateral diplomacy, consolidate alliances and enhance military deployment in the Indo-Pacific region [8]. Nepal is located in the southern part of the Central Himalayas, bordered by China and Tibet to the north, and surrounded by India on the other three sides, and has great geopolitical value as a buffer zone between China and India. [9]. Over the years, US intelligence agencies have continued to support separatist activities in northern Nepal that jeopardise China's territorial security, and have sought greater military cooperation with Nepal [10], and now the signing of the MCC agreement has helped the US strengthen its presence in Nepal by allowing the US to station troops in Nepal to support its intelligence and military activities along the Sino-Nepalese border and to support "Tibetan independence".

Influencing Geopolitical Relations in South Asia

Foreign aid is an important means for the US to maintain world leadership and a policy tool for the US as an extraterritorial power to influence geopolitical relations in South Asia. India is an important ally of the US in the Indo-Pacific region, and India's dominance in South Asia has led to the exclusion of other countries from South Asia, and the two coincide in their efforts to contain China's influence. In terms of aid projects, the MCC agreement aims to provide assistance to Nepal in the areas of power transmission and road maintenance, including the construction of a 400kV transmission line of approximately 315km in length and three substations en route, as well as the maintenance of a highway linking the south of Nepal in an east-west direction. While this will facilitate connectivity and development in southern Nepal and enhance links with India, upgrading the transmission line will help Nepal export surplus electricity to India to generate foreign exchange and strengthen its economic dependence on India [11]. In terms of the form of the agreement, the MCC annex states that the agreement requires India's consent for implementation. The agreement divides the relationship between China and its neighbours, and while the relationship between China and Nepal is weakened by this, the development competition between China and India has escalated into a zero-sum game of extinction.

Advancing American-style democracy

In the Biden Administration's "Enhancing Democracy, Human Rights, and Governance" issue of the Seven Directions for Aid, the US government is said to be investing \$2.8 billion to address what it calls "global democratic regression", to tackle corruption, to expand support for human rights and the rule of law, and to strengthen cooperation with recipient governments to support democratic values and transparent political systems [12]. The U.S. government is investing \$2.8 billion to address the so-called "global democratic regression" by addressing corruption, expanding support for human rights and the rule of law, and strengthening cooperation with recipient governments to support democratic values and transparent political systems [12]. In other words, to promote the necessary political, economic and social reforms in recipient countries in order to establish a liberal democratic system that is "in the best interest of the United States". Wang Jing, an associate researcher at the Institute of Marxism of the Chinese Academy of Social Sciences, believes that the MCC is essentially a modern imperialist tool for the US to put strategic bait into developing countries and to engage in political manipulation, economic control and ideological induction [13]. It would then be difficult for the recipient country to maintain its political independence.

Discussion

Since the 2017 US-Nepal Millennium Challenge Agreement was proposed, there has been a wave of opposition and criticism in Nepal, with demonstrations erupting and conflicts between political parties intensifying and accelerating a renewed split between the CPN and the ruling coalition and society. Despite this, the agreement was passed within the last 48 hours of the deadline, and the efforts of the US, which has been using political pressure and economic inducements to force Nepal to accept this "gift" for years, cannot be ignored.

Political Pressure

In September 2021, MCC Vice President Fatima Sumar visited Kathmandu and pressured the leaders of Nepal's main political parties to adopt the agreement as soon as possible. Sumal made it clear that "Nepal must choose either to adopt the agreement as soon as possible or simply abandon the \$500

million grant. The US cannot wait indefinitely" [14]. In November of the same year the US Assistant Secretary of State for South and Central Asian Affairs, Donald Lew, and Deputy Assistant Secretary of State, Kelly Caderlin, visited Nepal to demand that the aid be passed as soon as possible, or the US would allocate the funds to someone else. In particular, Lew met with senior leaders, including Nepalese Prime Minister Deuba and Foreign Minister Kadirin, to discuss the implementation of the MCC agreement. Kadirin, on the other hand, was primarily responsible for holding meetings with civil society leaders to allay Nepalese society's concerns about the agreement [15].

At the same time, the US has actively infiltrated the Nepali media with millions of dollars in public relations for the MCC, attracting many media, academics and think tanks to wave the flag for the MCC. The English-language Nepali media campaigned for the MCC agreement, claiming that it was a deal for the welfare of the Nepalese people and that Nepal would suffer huge losses if it did not pass it, and that it would damage Nepal's national credibility and US-Nepal relations. They also used conspiracy theories to attack the Belt and Road Initiative and discredit China's role in the popular opposition to the MCC. The English-language Nepali media Khabarhub quoted political analyst Ganesh Mandal as saying: "If the Nepalese government does not want to accept the MCC agreement, it should withdraw from the Belt and Road Initiative [16]. initiative [16]."

Economic Incentives

Despite the pitfalls of the MCC agreement, the huge economic benefits are still attractive to Nepal. Firstly, the US\$500 million grant is the largest aid programme in Nepal's history and has an immediate positive impact on the Nepalese economy, and secondly, the aid is quite targeted, on the one hand, to promote connectivity and development in southern Nepal, and on the other hand, Nepal has been developing hydropower projects frequently in recent years, and has already transformed itself from a power shortage country into a power exporting country, so the aid will help Nepal export electricity to generate foreign exchange and reduce its high dependence on remittances. The aid will help Nepal to export electricity and generate foreign exchange to reduce its high dependence on remittances. Finally, Nepal's economy is heavily dependent on foreign aid, with about 1/5 of its budgetary expenditure coming from foreign

donations and loans, of which the US and Western countries are the main aid donors, and the US has threatened to lose all aid from the US and its Western allies if this agreement is not reached.

Now that the MCC agreement has been finalised in Nepal, how the MCC will affect Nepal's domestic politics as an important US foreign policy tool and what impact it will have on Sino-Nepalese relations needs to be further examined, but judging from the unpopularity of the agreement, it is unlikely that it will play the strategic role the US imagines it will play in the future.

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