

Mini Simulation

Economic Statecraft: Foreign Assistance

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Overview

Economic statecraft describes the various economic tools countries use—such as lending, foreign assistance, [sanctions](#), and trade agreements—to advance their foreign policy priorities. In this hypothetical scenario, the United States needs to decide whether to help a country in crisis. If they decide to do so, policymakers will have to decide how best to employ a specific tool of economic statecraft: foreign aid.

The Situation

First, cover the fundamentals of this foreign policy tool with the CFR Education resource, [What Is Economic Statecraft?](#) Then, put these principles into practice with this simulation's hypothetical decision point below.

Decision Point

Drought and flood cycles caused by climate change have ravaged Durhan's most important crop, corn. This crisis has devastated life in Durhan. Farmers have lost their livelihoods. Near-famine conditions have consumed many parts of the country. Moreover, the nation's GDP has declined sharply. Although Durhan's economy is in shambles, its geographic location means that it could be a useful strategic partner for the United States. Durhan is positioned along two major trade routes. This location includes access to a crucial port, and it is near several countries that U.S. intelligence suspects of harboring [terrorists](#). The U.S. president has convened the National Security Council (NSC) to decide if the United States should provide foreign assistance to Durhan and whether to place conditions on it.

NSC members should consider the following policy options:

- Offer assistance to Durhan, but require security cooperation in return. The aid could include immediate humanitarian aid. This assistance could also include investment in developing drought-resistant farming and alternative industries. The security cooperation could include a refueling and resupply agreement for passing U.S. Navy vessels, the use of an airbase for [drone](#) flights, and intelligence sharing. Such an agreement could fulfill goals for both countries. However, Durhan may reject the proposal. This outcome could leave the United States looking uncharitable.
- Offer assistance to Durhan without requiring any conditions. The aid package could be similar to the previous option, but the United States would ask nothing explicitly in return. However, the goodwill generated could lead to security cooperation in the future. Such an offer would alleviate suffering in Durhan. However, this policy outcome does not guarantee any tangible benefit to the United States.
- Provide no assistance to Durhan, but encourage other countries or international organizations to send help. This option could allow limited government resources to be devoted to other priorities, such as research into developing new drought-resistant crops at U.S. universities. Although this option does nothing to alleviate immediate suffering in Durhan, it could lead to breakthroughs down the road. It also risks hurting the U.S. image abroad. This policy outcome also does nothing to advance U.S. strategic interests in the region around Durhan.

[A Brief History of U.S. Foreign Aid](#) CFR Education

[What Every American Should Know About US Foreign Aid](#) Brookings

[Why International Aid so Often Falls Short](#) Washington Post