THE BUCHAREST UNIVERSITY OF ECONOMIC STUDIES

Council for Doctoral Studies

Doctoral School International Business and Economics

GREAT POWERS COMPETITION AND ITS INFLUENCE ON THE IMPACT OF DEVELOPMENT ASSISTANCE ON INCOME INEQUALITY IN THE INTERGOVERNMENTAL AUTHORITY ON DEVELOPMENT (IGAD) MEMBER STATES

Author’s Alula Nerea GEBREMESKEL

Academic advisor: Prof. PhD (Rodica ZAHARIA)

Bucharest (2024)

Table of Contents

[Abstract 4](#_Toc170048864)

[Rezumat 5](#_Toc170048865)

[Recunoaștere 6](#_Toc170048866)

[CAPITOLUL UNA 1](#_Toc170048867)

[INTRODUCERE 1](#_Toc170048868)

[CONTEXTUL 1](#_Toc170048869)

[ENUNȚAREA PROBLEMEI 5](#_Toc170048870)

[OBIECTIVELE CERCETĂRII 6](#_Toc170048871)

[IPOTEZA 7](#_Toc170048872)

[DECLARAȚIA DE CONTRIBUȚIE 7](#_Toc170048873)

[DOMENIUL DE APLICARE, DELIMITAREA ȘI LIMITAREA 9](#_Toc170048874)

[STRUCTURE OF THE PAPER 10](#_Toc170048875)

[CHAPTER TWO 12](#_Toc170048876)

[THEORETICAL BACKGROUND ON GREAT POWER COMPETITION, INEQUALITY AND FOREIGN AID 12](#_Toc170048877)

[INTRODUCTION 12](#_Toc170048878)

[Power in International Relations 19](#_Toc170048879)

[Power Cycle Theory 24](#_Toc170048880)

[Conceptual characterization of strategic power competition 26](#_Toc170048881)

[EMPIRICAL LITERATURE REVIEW 30](#_Toc170048882)

[The Intergovernmental Authority on Development (IGAD) 30](#_Toc170048883)

[Geo-strategic relevance of IGAD to US and China 31](#_Toc170048884)

[Income Inequality 33](#_Toc170048885)

[Measurements of Income Inequality 34](#_Toc170048886)

[Causes and Consequences of Income Inequality 37](#_Toc170048887)

[Economic Inequality globally and in Africa 39](#_Toc170048888)

[Official Development Assistance and Income Inequality 43](#_Toc170048889)

[An Eclectic typology of Foreign aid motivation and distribution 47](#_Toc170048890)

[US foreign policy objectives 49](#_Toc170048891)

[Foreign aid Objective and profile 50](#_Toc170048892)

[US Foreign policy strategy, Foreign aid & Conditionalities 52](#_Toc170048893)

[Chinese foreign policy objectives 55](#_Toc170048894)

[Chinese Foreign Aid Objectives Conditionality and Profile 57](#_Toc170048895)

[Conditionalities 60](#_Toc170048896)

[Chinese Aid Profile 60](#_Toc170048897)

[Empirical Evidence Of US-China Competition Through Theoretical Lenses 65](#_Toc170048898)

[CHAPTER THREE 68](#_Toc170048899)

[RESEARCH PHILOSOPHY, DESIGN, AND METHOD 68](#_Toc170048900)

[INTRODUCTION 68](#_Toc170048901)

[RESEARCH PHILOSOPHY 69](#_Toc170048902)

[POSITIVIST RESEARCH PHILOSOPHY 70](#_Toc170048903)

[Alignment with research objectives 71](#_Toc170048904)

[Alignment with research approach 71](#_Toc170048905)

[Alignment with Research techniques 72](#_Toc170048906)

[RESEARCH DESIGN AND METHOD 72](#_Toc170048907)

[Data Type, Sources and Collection Method 72](#_Toc170048908)

[Short description and measurement of variables 73](#_Toc170048909)

[Data analysis and techniques 75](#_Toc170048910)

[ECONOMETRIC MODEL 76](#_Toc170048911)

[Model Specification and Analysis procedure 80](#_Toc170048912)

[Moderated Multiple Regression (MMR) Analysis 80](#_Toc170048913)

[CHAPTER 4 86](#_Toc170048914)

[RESULT AND DISCUSSION 86](#_Toc170048915)

[INTRODUCTION 86](#_Toc170048916)

[DESCRIPTIVE ANALYSIS 87](#_Toc170048917)

[ECONOMETRIC ANALYSIS 92](#_Toc170048918)

[CHAPTER 5 110](#_Toc170048919)

[CONCLUSION AND POLICY RECOMMENDATIONS 110](#_Toc170048920)

[CONCLUSION 110](#_Toc170048921)

[POLICY RECOMMENDATION 113](#_Toc170048922)

[REFERENCE 116](#_Toc170048923)

[LIST OF TABLES 126](#_Toc170048924)

[LIST OF FIGURES 127](#_Toc170048925)

[LIST OF ABBREVIATION 128](#_Toc170048926)

[APPENDEX 132](#_Toc170048927)

# Abstract

*In today's interdependent world, foreign aid plays an important role in fostering cooperation between states in international relations (IR). In particular, development assistance has often been used for altruistic purposes such as reducing poverty and inequality. However, its application extends beyond altruist purposes since it is also used as a benevolent foreign policy instrument by donor states to protect and promote high-priority national interest by exerting influence on development assistance recipient countries. The current era of growing polarization, galvanized by competition for global influence between great powers (the United States of America and China), casts a shadow on the effectiveness of development assistance in curbing income inequality. Therefore, Primarily, the paper aims to investigate the conditional effect of the United States of America (US)-China power competition over global influence measured by Formal Bilateral Influence Capacity (FBIC) on the impact of Official Development Assistance (ODA) on Income inequality in IGAD member states. In addition, it investigates the direct impact of US and Chinese development assistance on income inequality in IGAD member states. The paper employed a Moderated multiple regression (MMR) and Random effect model on unbalanced panel data of eight IGAD (Intergovernmental Authority on Development) member states over secondary data gathered for a 20-year period of time. The results depict that the US-China global power competition affects ODA and has a widening impact on IIQ in IGAD member states. However, the direct effect of the Chinese development assistance resulted in the reduction of IIQ, while the US development assistance had the opposite effect. The study provides insight to policymakers on how great power competition affected the performance of ODA in reducing IIQ. Thus, it helps policymakers and stakeholders to design a regional response mechanism and collective policies that can reduce the challenge. Moreover, it may ignite the interest of other researchers to investigate various socioeconomic aspects and relationships in the context of current global power dynamics.*

**Keywords:** *US-China power competition, official development assistance, income inequality, international relations, Intergovernmental Authority on Development-IGAD*