

“Trump 2.0 Shock” and Its Implications for International Development Cooperation: A Japanese Perspective¹

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Abstract

The re-election of President Donald Trump in 2025 and the subsequent dismantling of USAID and key US foreign aid mechanisms have caused significant disruptions to the global development landscape. This paper examines the implications of the so-called “Trump 2.0 shock” on international development cooperation and discusses the potential role of Japan. It analyzes financial, developmental, and geopolitical consequences of the US withdrawal from the aid architecture and argues that Japan—drawing on a long-standing philosophy of self-reliant development and partnership-based cooperation—is well positioned to help restore stability and confidence in global development efforts. The paper underscores the need to continue with ongoing ODA reforms for greater impact and proposes that Japan take a more proactive role in reinforcing multilateralism, mobilizing private finance, and engaging both “traditional” and “emerging” partners to rebuild solidarity and forge more resilient and inclusive development alliances.

Keywords

International development cooperation; foreign aid; Japanese ODA; USAID; Trump 2.0 shock; Global South

1. Introduction

The 2025 re-election of President Donald Trump has profoundly reshaped US foreign policy, particularly in international development cooperation, resulting in major disruptions to the global development landscape. Labeled the “Trump 2.0 shock,” this new phase of American disengagement is marked by the dismantling of the United States Agency for International Development (USAID), deep cuts in multilateral funding, and a broader ideological retreat from global agendas such as the Sustainable

¹ The views expressed in this paper are those of the author and do not necessarily reflect the views of affiliated institutions.

Development Goals (SDGs), Environmental, Social and Governance (ESG) standards, and Diversity, Equity and Inclusion (DEI) initiatives.

This paper begins by outlining the historical evolution of US foreign aid and USAID, then examines the consequences of “Trump 2.0 shock” from two perspectives: (i) bilateral cooperation, focusing on the dismantling of USAID, and (ii) multilateral cooperation, with particular attention to reduced US contributions to United Nations (UN) agencies. The paper concludes with a discussion of the broader implications for international development and the potential role Japan can play in responding to this shifting landscape.

2. The Origins of U.S. Foreign Aid and USAID

Historical Context

USAID was established by the executive order from President John F. Kennedy in November 1961 following the Foreign Assistance Act in September of that year. US foreign aid history traces back to the post-WWII “Marshall Plan” for European recovery (1947) and the “Point Four Program” (1949), which emphasized non-military support for developing countries. To implement the latter, the Technical Cooperation Administration (TCA) was established within the State Department in 1950, and elevated to the International Cooperation Administration (ICA) in 1955, and the Development Loan Fund (DLF) was created in 1954 to provide concessional loans to developing countries. USAID was founded as a comprehensive agency that consolidated these predecessor institutions to provide technical cooperation, loans, and grants (Note: loan functions were phased out in the 1970s).

The year 1961 also marked a turning point in the history of international development. Following President Kennedy’s proposal, the UN designated the 1960s as the “Decade of Development.” The international community agreed to promote the socioeconomic development of developing countries to resolve the North-South divide. This was driven by the Cold War and the development needs of newly independent states in Asia and Africa. As the leader of the capitalist and democratic block, the US believed development support would deter communism and serve its national interests. Thus, foreign aid became part of US foreign and security policy.

Institutional Features of USAID

Multiple agencies are involved in US foreign aid. Among them, for more than 60 years, USAID has been the central institution, managing over half of the US aid budget. Until recently, USAID operated in over 60 countries with 10,000 staff, two-thirds of whom were posted overseas (CRS 2025). Under the 1998 Foreign Affairs Reform and Restructuring Act, USAID is an independent agency within the executive branch, with its Administrator appointed by the President. At the same time, the Administrator reports to and under the

direct authority and foreign policy guidance of the Secretary of State (CRS 2025). The agency's organizational role and structure—whether to integrate it into the State Department or to strengthen its independence—has been the subject of recurring debates in Congress and among various advisory councils.

For example, the George W. Bush administration, in response to the 9/11 terrorist attacks, significantly increased ODA under the banner of "fighting terrorism and eradicating poverty." However, rather than strengthening USAID, it prioritized the creation of the Millennium Challenge Corporation (MCC) and expanded assistance to conflict-affected states through the Department of Defense. Furthermore, from 2006 onward, the Director of Foreign Assistance at the State Department concurrently served as USAID Administrator, weakening USAID's policy-making and budgetary functions.

In contrast, the Obama and Biden administrations emphasized foreign aid as a form of soft power and strengthened USAID's budget and policy capabilities. The USAID Administrator was elevated to a member of the National Security Council. The Biden administration positioned USAID as a core institution by implementing large-scale support in response to Russia's invasion of Ukraine and hosting the "Summit for Democracy" twice (December 2021 and March 2023).

The first Trump administration was generally skeptical of foreign aid, although Congress pushed back against major ODA cuts. In 2019, however, the administration established the U.S. International Development Finance Corporation (DFC) by merging USAID's credit programs (e.g., enterprise funds) with the Overseas Private Investment Corporation (OPIC). As a development finance institution, USDFC is mandated to mobilize private investment in developing and emerging economies.

Even considering the varying priorities attached to USAID's role under successive administrations, the second Trump administration's abrupt executive order to dismantle USAID—without broad consultation or congressional deliberation—is unprecedented.

Budgetary Aspects of USAID

In 2024, US ODA totaled USD 63.3 billion (grant equivalent, preliminary DAC data)—largest among OECD Development Assistance Committee (DAC) donors. The USAID spending amounted to USD 35.4 billion (FY2024 obligations)². The US foreign aid budget comprises various items, with USAID directly responsible for Development Assistance (DA), humanitarian assistance, and food aid (PL480, grant portion), while also implementing State Department programs such as the Economic Support Fund (ESF) and the President's Emergency Plan for AIDS Relief (PEPFAR). ESF provides strategic assistance to key countries of geopolitical importance, in the form of budget support, balance-of-payment support, and commodity loans. Recent major recipients include

² The US government's ForeignAssistnace.gov website.

Ukraine, Egypt, Jordan, and Iraq. PEPFAR, launched in 2003 under President George W. Bush, supports HIV/AIDS prevention and treatment through a wide range of implementing partners, including USAID, international agencies, and NGOs, under the guidance of the Global AIDS Coordinator at the State Department.

Most USAID funding was channeled through grants, contracts, or cooperative agreements with NGOs, universities, development consultants, and international organizations. In 2022–23, an average of 16.3% of US bilateral aid was channeled through NGOs—one of the highest shares among Development Assistance Committee (DAC) donors (by contrast, Japan’s share was just 1%) (Table 1). Universities also received substantial funding; for instance, Johns Hopkins University—renowned for its public health research, including its work on COVID-19—received over USD 800 million in USAID grants, which have now been suspended.

Table 1. Comparison of ODA: US, Germany, UK, and Japan

	US	Germany	UK	Japan
Volume (ODA/GNI) (2024 prel.: grant equivalent)	63.3 bn USD (0.22%)	32.4 bn USD (0.67%)	18.0 bn USD (0.5%)	16.8 bn USD (0.39%)
Bilateral vs. Multilateral ODA (2023: % of grant equivalent)	91% vs. 9%	72% vs. 28%	65% vs. 35%	82% vs. 18%
Regional distribution (2022-23 :% of total gross disbursement)	1. Sub-Saharan Africa (38.1%) 2. Europe (31.5%)	1. Sub-Saharan Africa (24.5%) 2. Middle East & North Africa (24.0%)	1. Sub-Saharan Africa (39.0%) 2. South & Central Asia (21.5%)	1. South & Central Asia (42.8%) 2. East Asia & Oceania (24.0%)
Major aid use (2022-23: % of total bilateral commitment)	1. Social & admin. infrastructure (42.0%) 2. Humanitarian aid (26.3%)	1. Social & admin. infrastructure (30.8%) 2. Economic infrastructure (18.1%)	1. Social & admin. infrastructure (28.8%) 2. Humanitarian aid (10.1%)	1. Economic infrastructure (51.4%) 2. Social & admin. Infrastructure (14.9%)
In-donor refugee expenditure (2023: % of total bilateral commitment)	15.0%	23.5%	46.2%	0.1%
Grant share (2022-23: % of total ODA commitment)	100%	78%	100%	37.7%
NGO/ODA (2022-23: % of total bilateral commitment)	16.3%	5.2%	7.2%	1.0%

Source: Elaborated by the author, based on OECD/DAC database.

3. U.S. Aid Retrenchment and Global Consequences

Upon taking office on January 20, 2025, President Trump issued executive orders reversing Biden-era policies, including one titled “Reevaluating and Realigning United States Foreign Aid” mandating a 90-day freeze on all aid projects to assess their continuation. Simultaneously, other executive orders mandated US withdrawal from the Paris Agreement and the World Health Organization (WHO), and restructuring and suspension of the refugee resettlement program. In February, the newly created Department of Government Efficiency (DOGE) forcibly shut down USAID offices and

repatriated staff. On March 10, Secretary of State Rubio announced that 83% of USAID projects would be terminated, and in April, Congress was formally notified of the agency's dismantling and partial transfer of its functions to the State Department. At the time of writing, the final legal ruling on the constitutionality of USAID's dismantling is still pending, but the current administration is unlikely to reverse its basic policy.

In fact, the FY2026 budget (covering October 2025-September 2026) proposal, submitted to Congress by the Trump administration in May, reflects an 85% cut compared to FY2025³. Most of the reductions target foreign aid—particularly in global health, democracy promotion, and humanitarian assistance—as well as contributions to multilateral organizations.

As the world's largest donor—accounting for roughly 30% of DAC total ODA—the US withdrawal has had massive ripple effects. USAID implemented over half of US aid and was the largest donor to Africa among DAC countries. The sudden halt in funding has severely disrupted development and humanitarian programs—both bilaterally and multilaterally—as discussed below.

Bilateral Cooperation—Impact of USAID Dismantling

More specifically, the administration's FY2026 budget proposal indicates that DA and ESF which were implemented by USAID would be eliminated and replaced with the America First Opportunity Fund (A1OF) (USGLC 2025). A1OF is expected to focus on “strategic investments” to make the country “safer, stronger, and more prosperous” (EOP 2025). The budget for MCC would be also reduced by 76%. Instead, USDFC would expand its equity tool, by receiving USD 3 billion in mandatory funds for a new revolving fund.

Figure 1 illustrates USAID spending by country, and Table 2 highlights the top 10 recipients of USAID assistance in 2024. These include countries of strategic geopolitical significance to US national security—such as Ukraine, West Bank and Gaza, Afghanistan, Yemen, Jordan—as well as five African countries, including DR Congo, Ethiopia, Sudan, Nigeria, South Sudan. According to the analysis of the Center for Global Development (CGD), USAID accounted for 20–40% of the ODA received from external partners in 2023 (Mitchell and Hughes 2025).

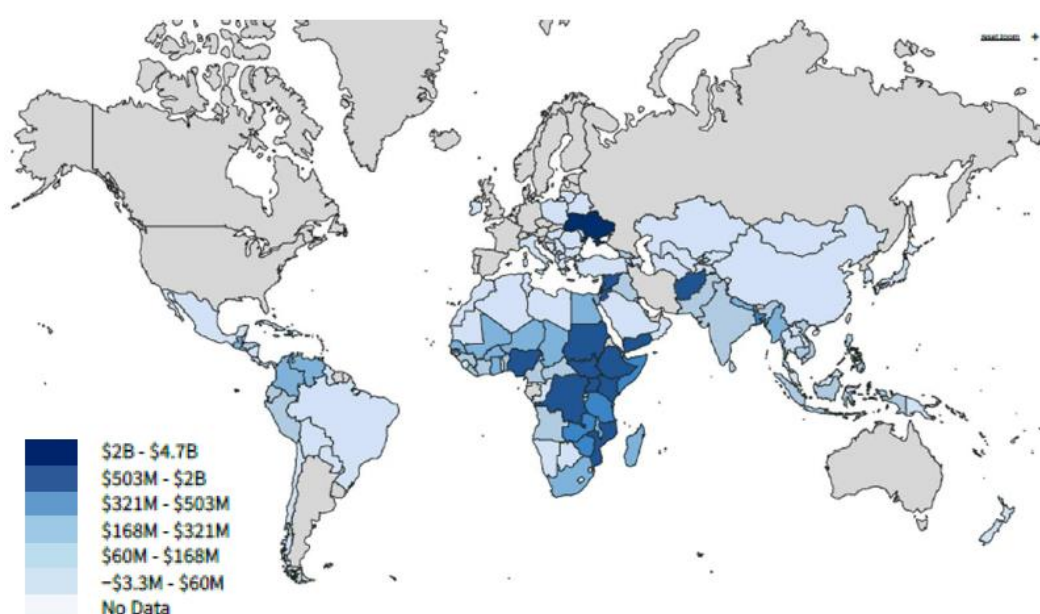
Figure 2 shows sectoral allocation of USAID spending, which has been heavily concentrated in humanitarian assistance, health, and governance. In health, substantial support has been provided for HIV/AIDS under PEPFAR. Jean Kaseya, head of the Africa Center of Disease Control, warns that about 30% of Africa's health expenditures

³ Devex newswire of June 5, 2025. <https://www.devex.com/news/devex-newswire-trump-s-2026-budget-slashes-more-than-30b-from-foreign-aid-110241>

rely on foreign aid, and US aid cuts could endanger 2-4 million lives annually and reverse two decades of maternal and child health gains.

Asia has not been spared either. In Vietnam, cleanup efforts for Agent Orange—sprayed by US forces during the war—have stalled. In Cambodia and Laos, landmine and unexploded ordnance clearance has been delayed. In Bangladesh, the amount of USAID's monthly food assistance for Rohingya refugees fleeing Myanmar has been sharply reduced. In May, Radio Free Asia's Burmese-language service—a vital source of information under tight censorship—was terminated (Takahashi 2025).

Figure 1. USAID Spending by Country (FY2024 Obligations)



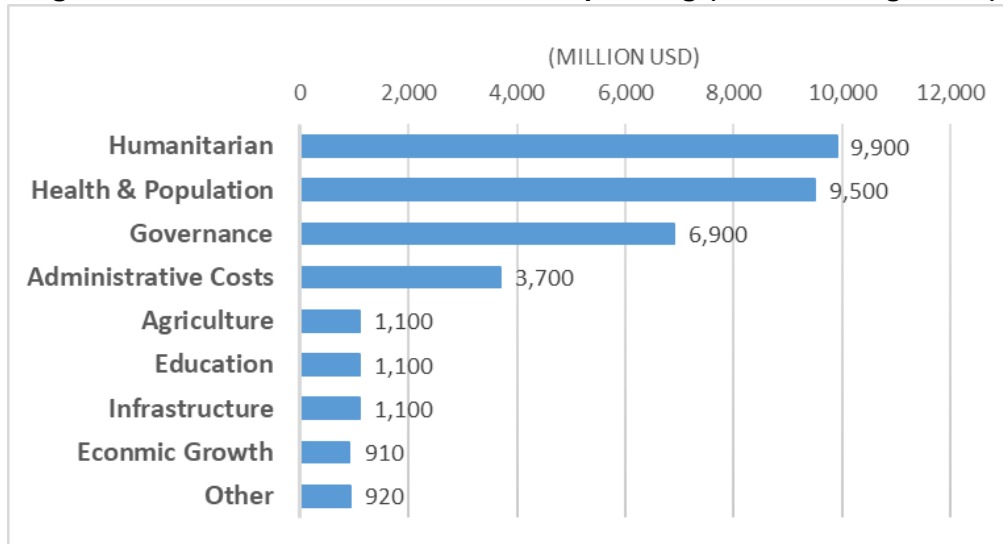
Source: ForeignAssistance.Gov website.

Table 2. Top Recipients of USAID Support (FY2024 Obligations)

1	Ukraine	6.053bn
2	DR Congo	1.343bn
3	Jordan	1.306bn
4	Ethiopia	1.209bn
5	West Gaza	917.6mn
6	Sudan	790.7mn
7	Nigeria	762.6mn
8	Yemen	753.4mn
9	Afghanistan	743.2mn
10	South Sudan	705.3mn

Source: ForeignAssistance.Gov website.

Figure 2. Sectoral Allocation of USAID Spending (FY2024 Obligations)



Source: Elaborated by the author, based on the ForeignAssistance.Gov data.

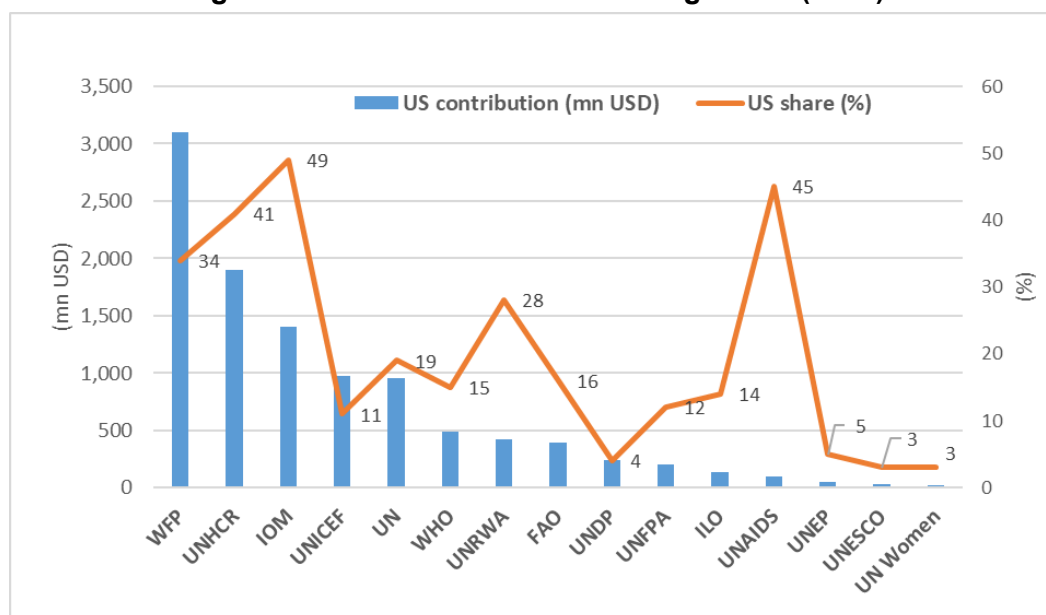
Multilateral Cooperation—Reduced Contributions to UN Agencies

Beyond bilateral aid, the Trump administration announced US withdrawal from the Paris Agreement, WHO (January 20), and subsequently from the UN Human Rights Council (UNHRC), reconsidered participation in the UN Educational, Scientific and Cultural Organization (UNESCO), suspended contributions to the UN Relief and Works Agency for Palestine Refugees (UNRWA), and issued an executive order (February 4) mandating a 180-day review of all contributions to international organizations based on US national interests. Some UN agencies have also been forced to halt individual projects due to the administration's anti-DEI stance.

Figure 3 illustrates US contributions to major UN agencies in 2023. These are particularly significant for humanitarian organizations such as the World Food Programme (WFP), UN High Commissioner for Refugees (UNHCR), International Organization for Migration (IOM), and the Joint United Nations Programme on HIV/AIDS (UNAIDS). Cuts in US funding are already forcing WHO and WFP to scale back operations. WHO is planning a 20% budget cut for 2026–27 (including 25% staff cuts), while WFP, UNHCR, and IOM may reduce personnel by up to 30%⁴. The US is also the top donor to Gavi Vaccine Alliance and the Global Fund to Fight AIDS, Tuberculosis, and Malaria, both of which primarily support Africa.

⁴ Sustainable Japan website, April 27 2025. <https://sustainablejapan.jp/2025/04/27/who-wfp-help-cut/112973>

Figure 3. US Contributions to UN Agencies (2023)



Source: Elaborated by the author, based on Haug et. al (2025)

Triple Shock and the Legitimacy of International Development

The sudden withdrawal of US foreign aid has delivered a triple shock to international development, leaving a major void in the global aid landscape.

First, the financial impact is substantial. US retreat affects both bilateral flows and the viability of multilateral institutions. Under growing defense pressures, even European countries (including the United Kingdom, Germany, France, Netherland) are scaling back ODA, widening the existing SDG financing gap—already estimated at over USD 4 trillion annually.

Second, the development and humanitarian fallout is severe. Countries and sectors heavily reliant on US assistance—such as Ukraine, parts of Africa, and areas including democratization, humanitarian assistance, and health—are experiencing sharp declines in support. The abrupt termination of USAID-funded technical assistance has likely disrupted core state functions, triggered job losses, and eroded trust in international systems.

Third, from a geopolitical angle, the US retreat has opened space for emerging donors—especially China—to expand their influence. This shift risks weakening the values traditionally promoted by Western donors, such as human rights, democracy, and sustainable and inclusive development, potentially eroding trust in Western-led aid.

4. Rethinking Development Cooperation in an Age of Aid Retrenchment

The “Trump 2.0 shock” can be seen as a symbolic sign of the end of “ODA centrality”—in which ODA held a central place in global development cooperation. This is both a wake-up call for developing countries to reduce their aid dependency and as a prompt for donors to rethink their approaches to development cooperation. In terms of volume, no single actor can realistically fill the “gap” left by the US withdrawal from global engagement. Effective collaboration among a wide range of stakeholders—governments, private sector actors, and civil society from both advanced and emerging economies—is more vital than ever. While China may step in to provide certain forms of support, it is unrealistic to expect it to fully replace the US. According to the researchers of AidData, China’s development cooperation tends to focus on infrastructure and resource-related investments through loans, in contrast to the US’s grant-based support in areas such as humanitarian, health, and governance (Custer et. al 2025).

Lessons for Developing Countries

This crisis highlights the risks of excessive aid dependency. As former Kenyan President Uhuru Kenyatta reminded African leaders, it underscores the importance of self-reliant development and domestic resource mobilization⁵. This requires investing in local capacities, building strong institutions, establishing sound fiscal frameworks and tax systems, and pursuing sustainable and inclusive growth strategies.

Lessons for Development Partners

Development partners also need to reevaluate their approaches to development cooperation. Long-term support for locally-led development—by strengthening the country systems, human resources, and capacity development—remains essential. As an African expert Usman (2025) notes, “global development has the best chance of surviving—and delivering results—if it is seen as more than just charity.” She also stresses the need for new professional codes and affordable development finance to support industrial transformation. In this context, greater engagement with the private sector, such as through blended finance, is crucial to mobilize additional financial resources.

In addition, there is an urgent need to address the weakening consensus around global public goods, including the SDGs, climate action, and inclusive development, and to rebuild the political will and shared norms necessary to sustain them, based on the spirit of multinationalism. To this end, there is a need for stronger collaboration with emerging

⁵ NTV Kenya, January 29 2025. <https://ntvkenya.co.ke/news/uhuru-stop-crying-over-us-aid-trump-policies-are-a-wake-up-call/>

partners.

5. Implications and the Way Forward for Japan

Looking back, 1961 marked an important milestone in the history of Japan's development cooperation. In a context different from that of the US, two key institutions were established during this period: the Overseas Economic Cooperation Fund (OECF) in 1961, responsible for ODA loans, and the Overseas Technical Cooperation Agency (OTCA) in 1962, tasked with technical cooperation. These institutions were later merged to form the present-day Japan International Cooperation Agency (JICA) in 2008. Japan also joined the Development Assistance Group (DAG)—the predecessor of today's OECD DAC—in 1960. It is worth noting that, at that time, Japan was still a recipient of World Bank loans, using them to rebuild its war-torn economy.

Drawing on its dual historical experience as both an aid recipient and donor, Japan has consistently emphasized the principles of “self-help” and self-reliant development, with a strong focus on human resource and capacity development. These core principles are embedded in successive iterations of Japan's ODA/Development Cooperation Charters. For example, the 2023 Development Cooperation Charter highlights the importance of human security through investment in people, self-reliant development, and co-creative partnership with developing countries as the basic policies of Japan's development cooperation (MOFA 2023). In line with this, JICA has adopted human security and quality growth as its organizational mission. Japan should have confidence in its development philosophy and cooperation approach, and actively contribute to shaping the global development architecture—reinforcing multilateralism and accelerating progress toward the SDGs.

In this regard, Japan should resist the trend of ODA budget reductions observed in the US and Europe. Instead, it should seek to sustain—or even expand—its ODA volume through efficient and strategic resource allocation, while remaining mindful of fiscal constraints. To ensure greater effectiveness and impact, it is essential that Japan continue with ongoing reforms to its development cooperation mechanisms and instruments. These reforms may include:

- (i) Enhancing the effectiveness of ODA loans (which are funded separately from the government's general budget) by expanding their application to social sectors and local financial institutions;
- (ii) Strengthening support for policy and institutional capacity development, including upstream policy dialogue that goes beyond individual projects; and
- (iii) Deepening partnerships with the private sector, philanthropic foundations, and civil society organizations.

Particularly with regard to the third point, the recent revision of the JICA law (in April 2025)⁶ marks a promising step toward better mobilizing private funds in support of sustainable development in partner countries. This revision equips JICA with greater flexible choices of instruments—for example, providing guarantee to local banks, acquiring bonds issued by companies in developing countries, and introducing outcome-based financing in its Private Sector Investment and Finance scheme. In parallel, Japan must enhance its engagement with grassroots actors. Currently, NGOs account for only 1% of total bilateral ODA commitment (Table 1), highlighting the need to better leverage their roles in community outreach, local empowerment, and social innovation. Domestically, it is also important to strengthen public communication on the significance of Japan’s global development engagement.

Furthermore, Japan should play a more proactive role in shaping the global development agenda and in forging new alliances that bring together both “traditional” donors and “emerging” (or Global South) partners around shared values and commitments. In this regard, Japan—alongside South Korea, where appropriate—is well positioned as an Asian DAC donor to serve as a connector or bridge, facilitating dialogue and cooperation among a broader range of actors, including emerging donors in Asia. Rooted in the reflection of its wartime experience, Japan has long sought to re-build its credibility in the international community as a non-military power, primarily through decades of development cooperation to the developing world including Asia (ISEAS 2025). It has restored international standing—combined with its consistent emphasis on self-reliant development—make Japan a relatively neutral and trusted partner, particularly in regions where US and European aid reductions are being acutely felt.

The upcoming Tokyo International Conference on African Development (TICAD9), scheduled for August 2025, presents a strategic opportunity for Japan to reaffirm its leadership in global development. As a trusted and neutral actor, Japan should use this platform to help bridge the widening divide between the Global South and traditional donors, and to contribute to the creation of a more inclusive, resilient, and cooperative global development architecture.

6. Conclusion

The US withdrawal has left a leadership vacuum in global development, with immediate financial, developmental, and humanitarian consequences. It also risks eroding the shared norms and political will that underpin global public goods such as the SDGs, climate action, and inclusive development.

⁶ For more details of JICA law revision, see: <https://sp.m.jiji.com/english/show/39376> and https://www.jica.go.jp/information/press/2025/20250417_12.html

For Japan, the “Trump 2.0 shock” presents both a significant challenge and a strategic opportunity. With its long-standing commitment to self-reliant development, human security, and multilateralism, Japan should step up as a mature and trusted development partner. Amid growing skepticism surrounding the legitimacy of foreign aid, Japan is well placed to help restore trust in global development cooperation. Drawing on its dual experience as both aid recipient and donor, Japan should assume a more proactive role—working with European and emerging partners to rebuild solidarity and forge inclusive, resilient development alliances. This will require continued ODA reforms, broader partnerships, and a renewed commitment to its development philosophy.

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