

EU 'Global Player'

- The European Union (EU) has 36% of world GNP.
- EU exports 38% of the world market.
- The EU provides 51% of world Foreign Direct Investment outflows.
- The EU provides 56% of Official Development Assistance.
- EU member states make up 23% of the votes in the World Bank.
- EU member states make up 29% of the votes in the International Monetary Fund.
- The EU has the largest collective number of votes as a regional grouping in the World Trade Organisation.

EU 'Global Player'

THE NORTH – SOUTH POLICY OF THE EUROPEAN UNION

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Foreword

When the European Union is publicly discussed, the focus of the debate is mostly on monetary union, the reform of EU financing, the Common Agricultural Policy in the context of Agenda 2000, the enlargement towards the East, or on criticisms of the European Commission. In comparison to these issues the European North-South policy is on the margins, and is rarely seriously considered outside groups of 'insiders'. Only a few spectacular cases, such as the dispute over bananas between the USA and the EU, are broadly and more profoundly debated and analysed.

Meanwhile the EU's North-South policies are increasingly important for countries in the South. If one totals the Official Development Assistance of the fifteen European member states and the European Community, the European Union is the largest financier of development co-operation. In addition the trade and agricultural policies of the European Union have a direct impact on the economic livelihoods of people living in poverty. The policies of the European Union matter for developing countries. They matter a great deal.

The European Union tends to argue that it is bound by the rules and regulations of the multilateral system. In this way it waves away responsibility for the detrimental effects of international policies on developing countries. Yet, this argument ignores the great influence that the European Union has in the International Financial Institutions and the World Trade Organisation, institutions that determine the overall economic framework for developing countries. The European Union determines either actively as one of the most important players, or passively (by not acting) the general framework for development in the South. Increasingly the European Union is a 'global player'.

With the introduction of the 'euro' the necessity for co-ordination within the European Union becomes even greater. This is certainly the case in the International Financial Institutions. At the same time greater consistency in policies is also required within the EU itself, whether they concern economic, financial or social matters.

It is in the light of these developments, in which the EU is increasingly becoming a single global player, that the meaning of reforms of the European Union's development policies can be better understood. It is well known that European aid policies are seriously incoherent, and that there is a profound lack of any unifying

strategic concept on which policy can be built. The institutional and political responsibilities are split and the co-ordination between the Commission and the member states does not function satisfactorily. Often competition between member states and between member states and the Commission stand in the way of improving effective implementation of the EU's development policies.

Within member states there are many with political responsibility who complain about the lack of focus in European North-South policies and some argue for a re-nationalisation of development aid. Yet, it is the member states themselves who are first and foremost in charge of the direction of those policies. They are also responsible for the means and mechanisms for implementing the EU's development programme. The EU's co-operation under the Lomé Convention in particular remains under the substantial control of the member states. Implementation decisions require member state approval, and as it is funded from an intergovernmental agreement outside the normal EU budget it is excluded from the normal budgetary scrutiny of the European Parliament. Rather than floating options such as 're-nationalisation of European aid', the member states should place the objective of a coherent European North – South policy higher on the political agenda. It is in the interest of people living in poverty that European policies become more effective and more coherent.

A cynic might ask whether a coherent EU development policy is perceived by the member states as in their interest. Among the findings of the studies presented in this book the author calculates that € 3 billion is annually lost to development due to insufficient co-ordination of aid activities between member states and the European Commission. Such resources would be sufficient to resolve the debt problem of the Least Developed Countries. Equally the study demonstrates convincingly how the Common Agricultural Policy seriously hampers the realisation of fair and level deals which will promote economic opportunities for people living in poverty in the South.

Next year it is five years since the member states of the European Union pledged solemnly to implement commitments towards sustainable social development at the UN Summit for Social Development. Progress in implementing these commitments will be reviewed in the year 2000. In that year the EU will also conclude negotiations on a successor agreement with the countries of Africa, the Caribbean and Pacific. The findings of the studies presented in this publication raise questions as to whether European development policies will reflect the commitments made in Copenhagen in 1995.

This study has been produced by *terre des hommes* – Germany, the Transnational Institute, WEED and EUROSTEP in order to generate a broader debate on changes that are needed to achieve a fundamentally different and more coherent

European North – South policy framework. In March this year the German Minister for development, Ms. Heidemarie Wiecek-Zeul, stated in the Bundestag that there was much need for a European “development policy from one watering can”. This study aims to present practical recommendations on how this objective can be achieved.

On behalf of terre des hommes – Germany, the Transnational Institute and WEED,

Simon Stocker

Director Eurostep

Brussels, April 1999

Acknowledgements

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I would like to sincerely thank Guggi Laryea, Policy Assistant in Eurostep, who kindly helped in the research undertaken for this publication. He is the co-author of the sections on the Trade Facilitation Action Plan of the Asia-Europe Meeting in chapter 7 as well as chapter 10 on political co-operation between the EU and the ACP. I am grateful to Eileen Sudworth for helping in research as well as for her editorial assistance. She assisted in the writing of chapter 8 on investment. I am also very thankful for the editorial support of Abrehet Goytom, who went meticulously through the manuscript during a ‘holiday’.

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concentrate my attention some time of the day on the matters discussed in this book without worrying.

This book is dedicated to Peter Bastogi, who died on the 10th of November 1998. He was a great inspiration for many 'observers' of EU North-South policy, not only for his professional accomplishments, but perhaps even more so for his personal qualities. Many of us living in Brussels working in the area of European development co-operation miss him dearly for his constant encouragement and his warm support.

Many close friends contributed to the thinking in this book, coming from all parts of Europe and from the rest of the world to visit Brussels as the 'European Capital'. Sharing their views and concerns is a constant reminder of the effects of European policies on the lives of other people elsewhere. The confrontation with other realities is always enlightening as well as thought provoking. The poem published in this book, written in Eritrea, is witness to this effect.

Continuous contacts with officials from within the European Commission, the European Parliament and the Council, from government diplomatic missions in Brussels and from different European capitals have been instructive and has allowed me to develop further in-depth analysis of EU policies. My supervisor for my Ph.D. research, Professor Jan van Deth from the University of Mannheim, Germany, has given me wonderful advice over many years in developing my work. My thesis is forthcoming under the title: "*The Logic of Coincidence. A reconstruction of EU agenda-setting on development aid (1990-1995)*." It will examine in more detail the factors that determine European policies towards the South and the East.

I am deeply indebted to Simon Stocker who has supported me on developing the content of this book and the ideas expressed in it. He has given me all the support that was needed to finish this book. And finally there are my children to acknowledge: Misha, Naomi and Joëlle. Joëlle was born just two weeks before I embarked upon the journey of writing this book in January 1999. The three of them are the source of my inspiration and fill my days with joy and happiness. I am so grateful that they have come into my life.

Mirjam van Reisen
La Hulpe, Belgium
June 1999

Dedicated to Peter Bastogi † 10 November 1998

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List of Abbreviations

ACP	African, Caribbean and Pacific
AIDS	Acquired Immune Deficiency Syndrome
ALA	Asia and Latin America
AFTA	Asean Free Trade Area
APEC	Asia Pacific Economic Cooperation
APRODEV	Association of Protestant Development Organisations in Europe
ASEAN	Association for South-East Asian Nations
ASEM	Asia Europe Meeting
AEBF	Asia Europe Business Forum
AUT	Autriche (Austria)
BNLS	Botswana, Namibia, Lesotho, Swaziland
BEL	Belgium
CA	Commitment Appropriations
CACM	Central American Common Market
CAP	Common Agricultural Policy
CARE	Co-operative Assistance for Relief Everywhere
CARICOM	Caribbean Common Market/Caribbean Community
CEC	Commission of the European Communities
CEECs	Central and Eastern European Countries
CEMAC	Communauté Economique et Monétaire de l'Afrique Central
CFP	Common Fisheries Policy
CFSP	Common Foreign and Security Policy
CGM	Consultative Group Meeting
CHE	Switzerland
CIS	Commonwealth of Independent States (ex-Soviet Union)
CLONG	Comité de Liaison des ONG EU or NGDO – EU Liaison Committee
COMESA	Common Market for Eastern and Southern Africa
COREPER	Committee of Permanent Representatives
CSC	Central Steering Committee
DAC	Development Assistance Committee
DEU	Deutschland (Germany)
DFID	Directorate for International Development (UK)

DG	Directorate General of the Commission of the European Communities
DNK	Denmark
EAC	East African Cooperation
EAEC	East Asian Economic Caucus
EC	European Communities
ECB	European Central Bank
ECHO	European Community Humanitarian Office
ECU	European Currency Unit
EDF	European Development Fund
EE	Eastern Europe
EIB	European Investment Bank
EP	Parliament of the European Union
EPRD	European Programme for Reconstruction and Development for South Africa
EPZ	Export Processing Zone
ESCC	Education Sector Co-ordinating Committee
ESP	España (Spain)
EAGGF	European Agricultural Guidance and Guarantee Fund
EU	European Union
Euratom	European Atomic Energy Community
Eurostat	Statistical Office of the European Communities
EUROSTEP	European Solidarity Towards Equal Participation of People
FDI	Foreign Direct Investment
FIN	Finland
FPA	Framework Partnership Agreement
FPI	Foreign Portfolio Investment
FRA	France
FTA	Free Trade Area
FTAA	Free Trade Area for the Americas
G-7	Group of seven most industrialised countries
G-8	G-7 and Russia
GATT	General Agreement on Tariffs and Trade
GBR	Great Britain
GEIS	General Export Incentive Scheme
GDP	Gross Domestic Product
GNP	Gross National Product
GRC	Greece
GSP	General System of Preferences

HAC	Humanitarian Assistance Committee
HICS	High-income Countries (and territories)
HIPC	Heavily-indebted Poor Country
HIV	Human Immunodeficiency Virus
IBRD	International Bank for Reconstruction and Development (World Bank)
IDA	International Development Association
IFIS	International Financial Institutions
IMF	International Monetary Fund
IPAP	Investment Promotion Action Plan
IRL	Eire (Ireland)
ISCA	International Save the Children Alliance
ITA	Italy
LDC	Least Developed Country
LMICS	Lower Middle Income Countries (and territories)
LRRD	Linking Relief, Rehabilitation and Development
MAI	Multilateral Agreement on Investment
M&AS	Mergers and Acquisitions
MECU	Million ECU
MED	Mediterranean countries
MED	Mesures d'accompagnement en faveur des partenaires méditerranéés
MEP	Member of the European Parliament
MERCOSUR	Southern Cone Common Market
MNC	Multinational Corporation
MP	Member of Parliament
MSF	Medecins Sans Frontières
n.a.	not available
NAFTA	North American Free Trade Agreement
NAO	National Authorising Officer
NGO	Non Governmental Organisation
NGDO	Non Governmental Development Organisation
NIC	Newly Industrialised country
NIP	National Indicative Programme
NIS	Newly Independent States (ex-URSS)
NLD	Netherlands
NOR	Norway
OA	Official Assistance
OCT	Overseas Countries and Territories

ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PA	Payment Appropriations
PACP	Pacific ACP
PHARE	Pologne-Hongrie Assistance à la restructuration des économies (includes all Central and Eastern European countries excluding former USSR members).
PRD	Programme for Reconstruction and Development
PRT	Portugal
RAO	Regional Authorising Officer
RELEX	Relations Extérieures / External Relations
REPA	Regional Economic Partnership Agreement
RIP	Regional Indicative Programme
RSA	Republic of South Africa
SACU	Southern Africa Customs Union
SADC	Southern African Development Community
SAF	Structural Adjustment Facility
SAP	Structural Adjustment Support
SCE	Service Commun Extérieur; Joint Service for External Relations
SDP	Sectoral Development Programme
SME	Small and Medium sized Enterprise
SMP	Sector Management Group
SOM	Senior Officials Meeting
SOMTI	Senior Officials Meeting on Trade and Investment
SPD-ED	Sectoral Development Programme in Education
SPS	Sanitary and Phyto-Sanitary trade measures under the WTO
STABEX	System of Stabilisation of Export Earnings
SWE	Sweden
SYSMIN	System for safeguarding and Developing Mineral Production
TACIS	Technical Assistance to the Commonwealth of Independent States
TEU	Treaty on European Union
TFAP	Trade Facilitation Action Plan
TNC	Trans National Corporation
TNI	Transnational Institute
UDEAC	Union Douanière et Economique de l'Afrique
UEMOA	Union Economique et Monétaire Ouest Africaine
UK	United Kingdom
UMICS	Upper Middle-income Countries (and territories)
UN	United Nations

UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Fund
US	United States
USA	United States of America
USAID	United States' Agency for International Development
VAT	Value Added Tax
WFP	World Food Programme
WID	Women in Development
WTO	World Trade Organisation

End of Year by the Sea

On the other side of the mountain
not too far
from this tranquil place
where we forget
good and bad,
where we learn
simply to be,
the young are dying.

The promise made to them
has been shattered.
It doesn't matter if by
another's hostility
and aggression,
or even, betrayal.

This is not the peace
for which the others
– too many of them –
gave their youth
and
– too many of them –
their life also.

This is the bitter truth
about our life today.

Did we not love them enough –
our young?
Did we not long
to build for them
a place of wisdom and laughter?
Each and every loss
is one too many.

It shatters
piece by piece
the hope which once
nurtured our dreams.
Is this to be our legacy,
the pain in their eyes
from seeing too much horror,
from inflicting pain on another?

War is evil.
Why should we hesitate
to say so?

This calm place cannot
heal our pain.
It too has known war,
and the sorrow of war.
It begs us not to forget.
It asks us to stop
before
madness engulfs
us all.

AGP

Massawa – Eritrea
December 26, 1998

Notes on Terminology

The Treaty on European Union (TEU) established the European Union (EU). It was first signed in 1992 and ratified in 1993 as the Maastricht Treaty. It was amended in 1999 by the Amsterdam Treaty.

The TEU defined a legal basis for development co-operation to be a competence of the European Community (EC). Title XX, articles 177-181 of the Treaty in European Union amended by the Treaty of Amsterdam set out the objectives of European Community development co-operation, and the principles for implementing these. This includes the EU member states.

In this book the term EU will be used to refer to the EU in general, and EC in relation to specific competences, such as development, trade or agriculture.

In this book the terms 'developing countries' or 'the countries in the South' will be used to indicate the Least Developed (LDCs) and Middle Income Countries (MICs). Eastern Europe will be used as a generic term for the countries of Central and Eastern Europe and the former Soviet Union, unless it is specified in relation to other regions of the former Eastern Block. In the latter case it identifies the countries bordering the former Soviet Union of the former Eastern Block.

The euro (€) was introduced on 1 January 1999 and will be used in the text as of that date. Figures from before the introduction of the € will be indicated in ECU, or million ECU (MECU). One billion is equivalent to 1000 million.

Is the EU a Global Player?

The EU provides 51% of World FDI outflows;

EU exports of goods and services take a share of 38% of the world market;

The EU has a share of 36% of the World GNP;

The EU provides 56% of Official Development Assistance.

and

EU Member States make up the largest block in the Bretton Woods institutions with 23% of the votes in the World Bank and 29% of the votes in the IMF.

The EU has the largest collective number of votes as a regional grouping in the WTO.

Introduction

The objective of this book is to explore how a more effective European North-South policy can be achieved. In the first chapters the effectiveness of the EU co-operation programme will be assessed in terms of the EC's capacity to implement its stated objectives. In this part we will examine the European Non-governmental Organisations (NGOs) as important non-state actors in development. In the second part of the book, we will look at the coherence between EU aid and other policies, notably in the area of trade and finance. It is argued that aid cannot be effective without a macro-economic and political environment that is conducive to poverty eradication. The EU, as a global player, can be of immense importance in ensuring that macro-economic and political conditions are improved to enable the eradication of poverty. In greater detail the book is structured according to the following outline.

Chapter 2 will set out the main objectives and principles of the EU North-South policy, and assess their relevance in the broader context of political and economic European policies. Within the overall framework of European developments the chapter examines the value of the EC programme.

In chapter 3 the current trends in development co-operation between the EU and the South will be discussed, including the consequences of the changes in Eastern Europe for the European aid programme. This chapter will look into the various elements that are part of the aid programme, the organisational set up, and the capacity for implementing co-operation programmes.

Chapter 4 will look at EU aid in a comprehensive manner, inclusive of the EU member states. It will examine the issue of co-ordination at the European level, both in terms of achievements and failures.

After having discussed the national and multilateral aid programmes in the EU, some attention must be given to another important channel of EU development co-operation: the Non-governmental Organisations. Chapter 5 will present the results of a survey, involving a hundred European NGOs. It examines characteristics of different strands of NGOs and the connection of these with policy formation in the context of expanding their activities to Eastern Europe.

In chapter 6 the issue of the financing of external relations programmes will be discussed in the context of the contributions of the member states. The chapter focuses on the cause of the significant under-spending in the Community, amount-

ing to € 3 billion annually. The chapter will also examine the financial perspective for 2000-2006.

Having established the argument that development co-operation needs to deal with overall policy-making, chapter 7 will look at policy-based development approaches. In this chapter the coherence between co-operation programmes and financial policies will be discussed. This includes the debt problem. The chapter identifies what conditions should be met in order to move away from project support to more comprehensive policy approaches, which are more sustainable. It identifies the macro-economic and political environments that are required to facilitate and accelerate such an approach.

In chapter 8 the consistency of co-operation with the South will be assessed in relation to EU trade policies. In this chapter the current negotiations on reforming the Common Agricultural Policy (CAP) will be discussed and the potential impact of such reform on developing countries. The negotiations between the EU and South Africa on a free trade agreement (FTA) are examined. Reviewing the chain of events of these negotiations gives an excellent example of the outcome one can expect from trade negotiations between the EU and other countries in the South, particularly the African, Caribbean and Pacific (ACP) countries. By way of comparison, we will look into the negotiations on trade and investment between the EU and the Asian countries in the ASEM process. We will finally assess the feasibility of proposed free trade agreements in the context of Regional Economic Partnership Agreements (REPAS) between the EU and ACP regions/countries.

Chapter 9 will analyse the European investment policies in the context of the financial crises in South-east Asia (1997), Russia and Brazil (1998). These financial crises are far from being remedied, as many a politician would like to argue, and will pose serious problems and challenges in the years ahead. It necessitates serious review of the direction of current international financial policies and puts in doubt the thesis that foreign direct investment is necessary for development. In the context of these policies the Investment Promotion Action Plan (IPAD), the financial instrument of Asia-Europe Meeting (ASEM), will be evaluated against the perspectives it offers for social development.

Chapter 10 addresses the question of political co-operation between the ACP and the EU. It examines how the political decision-making process can be made more accountable and transparent within the current structure of a contractual relationship between the EU and the ACP. The chapter also looks at ways in which greater participation and involvement of civil society can be achieved.

Finally in chapter 11 the conclusions of the different chapters will be presented, with recommendations for comprehensive and coherent European policies towards the South.