

EU 'Global Player': EU North – South Policy Analysis

The changes in Central and Eastern Europe and the former Soviet Union as well as the subsequent reunification of Germany form the background to current EU foreign and domestic policy. The end of the division of Germany and of Europe has given the EU strength in the international arena that it did not have previously. The forthcoming enlargement of the EU will give added impetus. Moreover, the introduction of the Euro further advances the role of the EU as a global player. As Commissioner de Silguy stated:

“[B]y giving itself a single currency, Europe is also giving itself one existence and one voice on the international stage.”² (original emphasis)

However, although the EU is emerging as a global player in most policy areas, this is not the case with development co-operation. This is somewhat surprising since the EU contributes more than half of Official Development Assistance (ODA), and should thus have considerable influence in fostering policies conducive to developing countries. However, the EU is not operating with a single voice in development. On the contrary, many member states continue to prioritise the (re-)nationalisation of development aid.³

It is an important question as to why many member states continuously call for a reduction in the scope of the EC aid programme – in favour of national bilateral programmes – in an era in which the EU is increasingly becoming a global player. More and more policies are decided at European level and many of them directly affect the possibilities for sustainable and social development in the South.

2.1 Coherence with other policies

The Maastricht Treaty stipulated that all EU policies affecting developing countries must take development objectives into account. This is called 'coherence'. It means that all EU policies must consider the following objectives in relation to the South:

- promoting social and sustainable development;
- the campaign against poverty; and
- the integration of developing countries into the world economy.

People in developing countries are particularly affected by EU trading policies. As studies have repeatedly shown, many EU trade policies are not conducive to the needs of domestic producers in developing countries. The poorest producers, frequently women, are often the hardest hit by these policies. This is due to the fact that the EU trade policies are fundamentally contradictory. On the one hand, the EU is promoting trade liberalisation for the South and is pushing developing countries into negotiations to achieve further liberalisation. On the other hand, the EU is continuing to protect interests of European farmers and exporters, most particularly in agriculture through the Common Agricultural Policy (CAP).

The CAP favours large agricultural producers in the EU. It has protected EU markets through price-subsidies. This has distorted markets in developing countries where agricultural goods subsidised by Europe are dumped.⁴ While the South is forced into liberalisation, EU protectionism is not dismantled. Rather than integrating developing economies into the world economy and combating poverty, producers in the South are forced out of the economy and these policies compound poverty. They do not contribute to social and sustainable development in the South.

The effect of EU policies on developing countries is the key issue of EU North-South co-operation. Unfortunately, the political debate regarding the effectiveness and usefulness of EC development co-operation is often merely focused on its aid programme. The political debate tends to focus on limited questions such as whether national aid programmes are more effective than EC aid; or whether national programmes are more poverty focused than EC aid. These questions are seldom put into an overall perspective.

In this book it is argued that an improvement to EU North – South co-operation requires:

- a comprehensive analysis of EU policies and their effects on the South;
- a critical assessment of the EC aid programme;
- an evaluation of the role of the different actors involved in EU North-South policies, particularly of the EU member states.

2.1.1 The interface between EU domestic and external policies

In order to analyse how an EU North-South policy can be improved, current trends in the political and economic aspects of European policies need to be understood. In such an analysis it is difficult to divorce external policies from domestic policies – to a large extent external policies evolve from internal interests. The evolution of EU policy is also dependent on the decision-making process and the roles that various institutions play in this. In the next section an overview of the policy issues resulting from the parallel processes of deepening and broadening

European integration will be briefly discussed, with special attention for the institutional setting of European decision-making.

2.1.2 EU enlargement: deepening and broadening

The economic and financial effectiveness of the EU at global level and in the context of European Monetary Union (EMU) demands a deepening of EU integration. It is not possible to create the macro-economic stability that will support the Euro, without creating further convergence in other policy areas. This will require further political integration, which may include employment policies, tax policies and a Common Foreign and Security Policy (CFSP), which should:

“promote the Union’s capacity to act as a more visible, unified and coherent, and hence stronger, entity on the international scene.”⁵ (original emphasis)

The process of ‘deepening’ EU integration goes hand-in-hand with ‘broadening’ the EU. In 1998 it was decided that negotiations on accession would begin with six candidate countries: Cyprus, Estonia, Hungary, Poland, the Czech Republic and Slovenia. An EU in which all the present 12 applicant countries were members would have more than 540 million citizens and a GDP of approximately 7 400 billion ECU. The enlarged EU would account for over 20% of world trade, the origin of 47% of Foreign Direct Investment (FDI) and the destination of 31% of FDI.⁶

2.1.3 Strengthening the Common Foreign and Security Policy

The Treaty of Rome, signed in 1957, established the European Economic Community (EEC) and the European Atomic Energy Community (Euratom). The Treaty of Rome, signed for an indefinite period, established the European Parliament and the Court of Auditors. The aim of the EEC was to establish a Common Market.⁷ The Common Market was created in 1986 with the Single European Act. It came into force in 1993 as a task of the European Community established by the Maastricht Treaty.

Due to a fear of losing national sovereignty within the EU, the face of the EU remains externally weak – even though it is a prerequisite for successful economic and financial integration. The Common Foreign and Security Policy remains within the competence of the member states and has been predominantly managed by the EU Presidency. The Commission has virtually no role in decisions concerning the Common Foreign and Security Policy.

In the Treaty of Amsterdam (1997) some measures were agreed upon to make the Common Foreign and Security Policy more effective. This includes a High Representative for Common Foreign and Security Policy, to be placed within the Council. Mr. Solana, the NATO Secretary General, has been appointed to this job.

The Treaty also foresaw the establishment of a Policy Planning and Early Warning Unit in the Council to develop and monitor policy initiatives. The Commission's role is to ensure the consistency of Common Foreign and Security Policy with existing EU relationships and agreements with third countries. A troika, consisting of the Presidency, the High Representative and the Commission will represent the EU. Voting rules in the Council on Common Foreign and Security Policy matters are now also on the basis of qualified majority voting. This could make EU Common Foreign and Security Policy more effective. Unfortunately, the role of the European Parliament in this regard remains limited to the right to be informed and consulted.

2.1.4 Agenda 2000: preparations for enlargement

Agenda 2000 was a comprehensive negotiating package put forward to "prepare the EU for enlargement."⁸ It included:

- pre-accession instruments;
- agricultural regulations;
- regulations relating to the structural funds and the Cohesion Fund;
- financial prospects for the EU in the years 2000-2006.

The financial perspective⁹ integrated the anticipated first wave of accession of five countries from Central and Eastern Europe (CEEC) together with Cyprus in 2002.¹⁰

2.1.5 Economic Cooperation: liberalisation and protectionism

When the EC was created, one of its key domestic interests was to secure and protect its agricultural production. This has not changed. While the EU has changed profoundly in recent years, agriculture still consumes half of the EU budget. It is not envisaged that this will change in the next decade. It is also expected that, for a number of decades to come, absolute amounts of spending on agriculture will further increase. This is despite reforms that may take place in order to render agricultural policies more consistent with WTO rules.¹¹

While EU agricultural policies are predominantly based on the objectives of protecting EU producers and ensuring surplus food production, the EU has been promoting trade liberalisation as a policy in relation to third countries. The EU is engaged in negotiations on 'Free Trade Areas' with a number of countries and groups of countries. The EU has now also introduced regional Free Trade Agreements (FTAs) in the negotiations on a successor agreement to the Lomé Convention. These are called Regional Economic Partnership Agreement (REPA).

The negotiations with South Africa on an FTA have demonstrated that, despite the neo-liberal rhetoric, 'free trade' in theory is not necessarily 'free trade' in reality. While liberalisation across the board could perhaps be beneficial to developing countries, particularly those heavily dependent on agriculture, agricultural products important to EU producers are excluded from negotiations on FTAs as 'sensitive products'. Whilst forcing the economies of the South to liberalise their economies, the EU has created market access for its products. Meanwhile it has continued to protect its own market from imports that it considers 'sensitive'.

2.1.6 EU integration with weak European institutions

In order for member states to compete effectively in global markets, the EU provides an increasingly important framework. While, consequentially, the EU is increasingly perceived as a global player externally, internal divisions continue to stand in the way of comprehensive EU policy-making. This originates from the strength of the Council in the EU, which tends to resolve differences by negotiating 'give and take' deals. In the last decades the 'presidency' of the member states has become so important that policy initiative has been taken away from the Commission to a large extent. This has undermined the original purpose of the Commission as a broker for European policies.

The Maastricht Treaty paid scant attention to the political and administrative management required by the integration process. It did not fundamentally revise the role of the different institutions or redefine the relationship between the national and the European political and administrative institutions. The Amsterdam Treaty (1997) proved unable to bring these institutional questions much further.

As a result of the unresolved questions concerning the administrative and political management of the EU, European policies often lack consistency. The European institutions with limited decision-making power are hardly equipped to ensure that policy decisions are coherent. Moreover, the European Parliament is hampered in its task of exercising democratic control over the decisions made by the Council and the Commission. The current institutional structure accords considerable responsibility to national leaders assembled in the Council. They are accountable to a national electorate and hence they are inclined to prioritise national interests.

It is clear that the benefits of economic European integration for the national economies produce constant tension for national leaders. Economic integration creates a momentum towards greater political integration of the EU. This is not necessarily in the interest of national political leadership.

2.2 Changes in EU North – South assistance

How has the development assistance programme been affected by the changes caused by deepening and broadening of EU integration? The following sections address how changes in Eastern Europe have affected the EC aid programmes. It will further assess the impact of the Maastricht Treaty on EC programmes for development aid and humanitarian assistance.

2.2.1 *Competition for aid to different regions*

After the end of the Cold War, the EU has done its utmost to assure the public that aid to Central and Eastern Europe would not be at the expense of the South. Yet, with Germany in the lead, the EU also wanted to ensure that the transformation taking place in the East would be successful. Meanwhile, the reunification of Germany proved very costly for Germany. The financial resources for this process had to be found in a climate where austerity measures in government expenditure were required in order to fulfil the strict criteria set for European Monetary Union.

Almost unavoidably, trying to reconcile all these different interests would lead to contradictions. Illustrative is the statement at the 1992 Rio Conference by the then Chancellor Helmut Kohl:

“We have an obligation to our 17 million fellow countrymen (...). Great efforts on our part are needed to achieve this. (...)

“Germany feels a special kind of responsibility towards its neighbours in Central, Eastern, and South-Eastern Europe. We support therefore the process of rebuilding democracy and the economy in these countries with an ambitious assistance programme.

“(...) in spite of these great efforts we are firmly determined to live up to our responsibility towards the developing countries. We are aware that this is also a contribution to securing our own future.

“We commit ourselves therefore to an increase in official development aid and expressly confirm the 0.7% target. As soon as possible, we want to see 0.7% of the GNP earmarked for official development aid. I should point out in this respect that Germany’s assistance to its neighbours in the East should be given appropriate consideration.”¹²

The objective of reaching 0.7% of GNP for Official Development Assistance (ODA) was not changed. However, former Chancellor Kohl’s aim concerned the question of which countries might be included as recipients of ODA had changed by giving it ‘appropriate consideration’.

In so doing Germany was not alone. Almost all the leaders of EU member states and the European Commission maintained that aid to Eastern Europe would not be at the expense of the South – nevertheless ODA flows to the South decreased.

2.2.2 *Different priorities: EC aid grows*

While the EU agreed on the need to maintain co-operation with the South, member states had differing views as to how this should happen. While Northern countries argued for increased aid to Eastern Europe, Italy and Spain argued that aid to Eastern Europe could not be increased unless co-operation with the Mediterranean countries was also substantially increased. In addition, Spain wanted an intensification of co-operation with Latin America. France and the UK urged the maintenance of aid levels to African countries. Scandinavian countries prioritised aid to the Least Developed Countries (LDCs).

Hence, during the negotiations in Edinburgh on the financial perspective of the European Community programme for external relations for the years 1993-1999, the allocations for EC assistance to all the regions increased dramatically. This contradicted the general expectation that aid to the South would simply decrease. While aid in many of the member states did diminish, the European Community programme increased. The EC programme became the fifth largest ODA programme. However, aid to the poorest countries in the South did not increase.

2.2.3 *Development assistance as an EC competence*

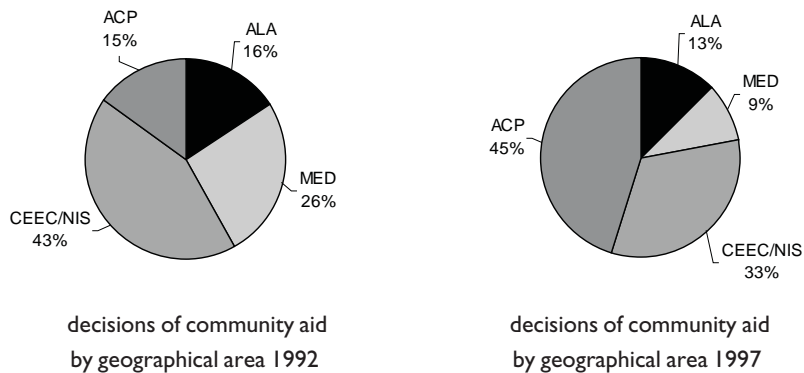
Only in 1992 was a legal basis for development co-operation in the EC created for the first time, within the Maastricht Treaty.¹³ Development assistance became a competence of the EC. It was not defined as an exclusive competence but a competence shared with the member states. The Treaty does not define the specific competence of the European Community vis-à-vis the member states. It is, therefore, a matter of political interpretation to define what should be done by the Community and what should remain the responsibility of the member states.

The principal guideline which is used for this is the principle of 'subsidiarity'. Originally a Catholic concept emanating from fundamental changes agreed by the Second Vatican Council in the 1960s, subsidiarity means that one does not appropriate to the centre activities which are most effectively conducted at national or local level. To give a concrete example in EU aid terms: the wide-ranging Lomé Convention would be impossible under a single member state's bilateral programme. Conversely, member states have their own programmes at national or regional level in the South which the European Commission should not seek to appropriate or duplicate. The key principles here are complementarity and consistency.

2.2.4 *Less funding to the poorest regions*

The Maastricht Treaty established that the objectives of aid will be to promote the campaign against poverty through sustainable and social development, and subsequent resolutions of the Council elaborated these aims. In reality the programmes for the Least Developed Countries have steadily decreased both in proportional and in real terms. This has happened despite the overall growth of the EC aid programme.

GRAPH I *Commitments made under the EC ODA (EU budget and EDF) 1992-1997 (in million ECU)¹⁴*



It is difficult to identify how the priorities in the commitment appropriations relate to development objectives of the Maastricht Treaty and this raises further questions about the planning and consistency of the EU aid programme.

2.2.5 *Competition over resources*

The resources for the European Community programme come from member states' contributions. This creates competition over resources between the bilateral programmes of the member states and the EC development programme. Member states' concerns that the expansion of the EC budget reduces the size and scope of member states' bilateral programmes have further resulted in rivalry between financing the budget proper and the European Development Fund (EDF) – the financial envelope to fund the Lomé Convention, which requires additional contributions from member states. The former chairman of the DAC, Mr. James Michel, observed:

“The Community's large aid program[me] is growing faster than the national program[me]s of its member states. Over 17 per cent of European Union member's total

ODA was channelled through the Community in 1994, a percentage that has grown from less than 7 per cent over the past 25 years.¹⁵

The European Community programme has grown in the last 25 years – if only because so many more countries became members of the Community. In the last decade member states allocations to the EC programme have continued to rise. This growth has not been translated into a rise of actual payments. In real terms, therefore, the EC has not consumed resources at the expense of the bilateral programmes.

The call for the re-nationalisation of the EC aid programme is based on perceived competition between the EC and member states' programmes. What causes these perceptions? This competition has occurred because the relationship and function of the EC programme in relation to those of the member states is not clearly defined. In order to build a consistent interpretation of the various channels, the principles of the relationship between the EC and the member states' development aid programmes need to be better understood.

2.3 The four C's

The Maastricht Treaty (1992) defined three principles on which EC development policy should be based:

- Complementarity between development policies of the member states and the European Community development programme in order to avoid duplication and to maintain the relevance of member states' individual programmes;
- Co-ordination between the member states and the European Community administrations at headquarters and in recipient countries to ensure effective operational implementation and avoid contradictions of programmes implemented by the EU;
- Coherence of all the Community policies so that they take account of development objectives in the South;

The Amsterdam Treaty (1997) added a fourth principle:

- Consistency of all external activities of the European Union in the context of its external relations: security, economic and development policies.

2.3.1 Complementarity: IS + I or I + IS development policies?

The concept of 'complementarity' is important to establish the 'added value' of the European Community programme. It helps to define how the EC programme is

related to the programmes of the member states. This is not just an academic question. It is a key concept for analysing the distribution of funding between member states' bilateral programmes and EC aid channels.

THE 'ADDED VALUE' OF THE CEC PROGRAMME

The fact that the CEC programme is defined as 'complementary' to the member states implies that it is not simply a mirror image of the member states' programmes. The CEC programme should contribute to the implementation of member states' policy objectives as an effective channel; it should not copy the programmes of the member states as if it were a sixteenth donor.

Through the European Council, member states have regulated what constitutes the EC aid channel. The legal regulations adopted by the European Council have defined what the Council believes should be the areas of focus for the EC programme on the basis of adding specific elements to the member states' bilateral programmes. This involves, *inter alia*, the following programmes: humanitarian assistance, the programme for Asia and Latin America (ALA), Central and Eastern Europe (PHARE), countries of the former Soviet Union (TACIS), Non-EU Mediterranean countries (MED), the Programme for Development and Cooperation with South Africa, food aid and NGO Co-financing. It also includes the successor agreement to the Fourth Lomé Convention.

2.3.2 *Co-ordination: the 'Horizon 2000' process*

In response to the Maastricht Treaty requirement to establish co-ordination and in response to the Commission's communication on this issue, the Development Council launched a group of co-ordination initiatives within a policy framework called: "Development co-operation policy in the run-up to 2000", more commonly known as "Horizon 2000". A number of resolutions aimed at enhancing European co-ordination were adopted in subsequent years (see annex 5).

Most resolutions adopted by the Council apply both to the European Community and the member states. While these resolutions are not legal instruments, they are an important expression of political intent. The Council has made efforts to translate the UN World Conference on Women, in Beijing 1995, and the UN World Summit on Social Development, held in Copenhagen 1995, into these resolutions, which have a particular emphasis on social development and gender.

2.3.3 *Coherence and Consistency in the EU policies*

In June 1997 the Development Council adopted its resolution on Coherence.¹⁶ This is one of the most crucial areas of European development policy. Though the Maastricht Treaty demands that all European policies that affect developing coun-

tries must take into account the objectives of EC development policy, the resolution only focused on four specific areas:

- peace building, conflict prevention and resolution;
- food security;
- fisheries; and
- migration.

The resolution noted that several delegations also specifically added the areas of agriculture, trade and the environment. This resolution was particularly important in its reference to the CAP, where it states that policy coherence must be enhanced by

“[e]nsuring that agricultural exports and food aid in kind do not damage the production capacity and marketing of developing countries.”

The principles of coherence and consistency create the basis for making community aid complementary to that of the member states since they ensure that EU policies are designed in ways that take development objectives into account. As an increasing number of policy areas are agreed and implemented at European level, it is critical for developing countries that coherence between development policies and other policies is achieved. In that sense the EC development programme has an added value over the development programmes of the member states.

IMPLEMENTATION OF RESOLUTIONS BY MEMBER STATES

Frequently governments attempt to influence what might be in the resolution, but do not follow up on the approved resolution. This seems to be predicated on a view of the EC development co-operation as an extension of the country's priorities. Danida puts the lack of progress made in the 'three C's' (Complementarity, Co-ordination, Coherence) as follows:

“[b]ehind the, at times theological, discussions of these topics lie genuine differences of attitude between the Commission and the member states and among the member states themselves, first and foremost on the interaction between the Community development assistance and the member states' national development programmes as regards extent, policy, geography, instruments and operation.”¹⁷

The Commission is requested by the Council in several of the resolutions to report on the progress made in the resolutions by the Commission and the member states. Regrettably these reports have not been prepared – with the exception of the gender resolutions, and, consequentially it is very difficult to monitor progress in the implementation of the resolutions.

2.4 Relevance of the CEC programme

The doubt consistently cast by member states on the effectiveness of the CEC programme ultimately leads to questions about the relevance of an CEC programme. Is there a need for a European Community development programme? If the CEC programme is so inadequate, why do member states channel increasingly large amounts of aid through the European Community programme? What is the added value for the member states of such a policy? An official of a member states' administration once expressed the view that:

"it is good when the programme of the European Commission is bad, because it makes the bilateral programme look good."¹⁸

This statement may contain an element of truth. First, member states transfer to the CEC activities that they consider necessary but they do not wish to do themselves. Secondly, the member states can use the EC to influence policies of other member states. Nevertheless, as more and more policies are transferred to the European level, it is politically important to have a European Community programme that focuses on the policies to the South as a means of creating coherence between the objectives of European development activities and other policies. The key question at this stage is not whether or not there should be an CEC development programme. The crucial concern is how a more effective CEC programme can be devised and how the bilateral programmes of the member states can contribute to achieving this.

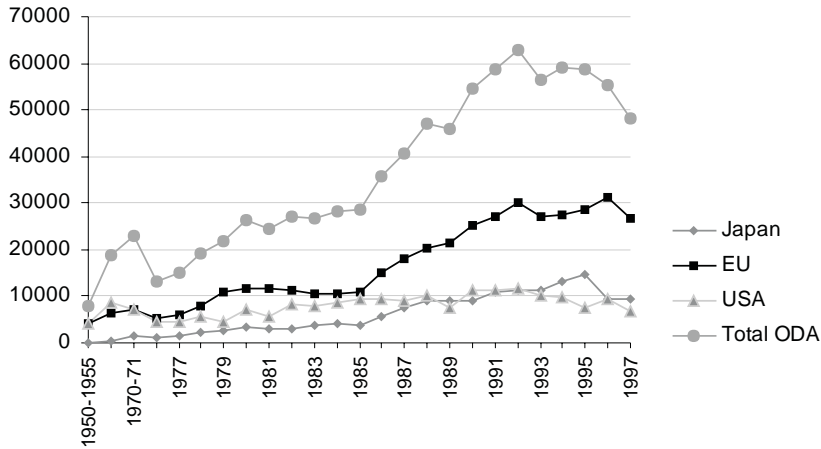
2.4.1 *Global player EU: more international political influence*

There is another reason why it is in the interest of the South to have an effective Community assistance programme. The EU, including the member states, provides by far the largest proportion of ODA. In 1996, 66% of total DAC ODA was provided directly by the Commission or the member states. Of the EC aid, almost 20% was channelled through the Commission. In Africa, not including its multilateral contributions, the EC provided 52% of the bilateral ODA. The EC also provided 54% of total humanitarian aid. The EC is the largest donor, and the European Commission the fifth largest single donor, after Japan, US, Germany and France.¹⁹ In 1995, EC net total bilateral ODA comprised 48% of total DAC ODA. In 1996, EC net total bilateral ODA comprised 51% of total DAC ODA.

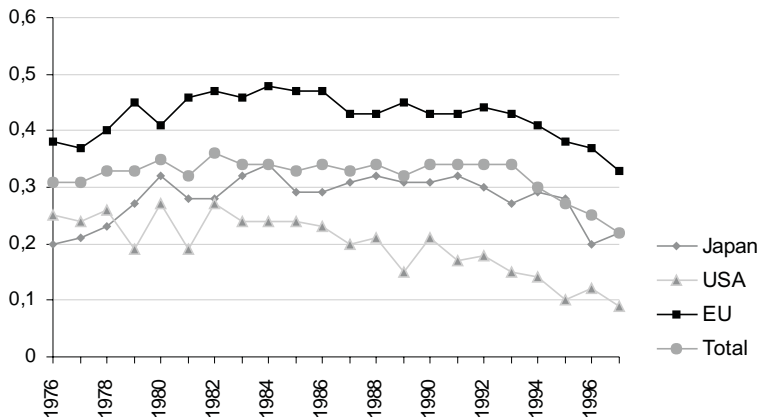
Equally, the ratio of ODA as a percentage of GNP is comparatively high for the European Community. In 1997 DAC donors provided 0.22% of ODA/GNP on average. The US spent only 0.09% of GNP and Japan 0.22% of GNP. Conversely, the European Community, including the member states, provided 0.33%. While this

is only halfway to the international standard of 0.7% of GNP, it is far beyond efforts of the other major donors.

GRAPH 2 ODA net flows 1950-1997, US\$ million²⁰



GRAPH 3 ODA as a percentage of GNP 1976-1997²¹



The level of ODA provided by the EU does not provide the EU with greater authority to determine multilateral policies towards the South. On the contrary, European co-ordination within the multilateral institutions such as the World Bank

(IBRD), the International Monetary Fund (IMF) and the World Trade Organisation (WTO) – extremely important for developing countries – is poor and in some of these fora the role of the European Community is limited. The previous Commission President, Jacques Santer noted just before the introduction of the Euro that:

“we do not have sufficient common positions in, for example the IMF, where the ECB’s [European Central Bank, MvR] observer status will be decided by default. (...) our voice is disparate, at times contradictory.”²²

The EU is now beginning to increasingly co-ordinate in the multilateral fora because its economic trade and monetary policies demand it. Conversely, re-nationalisation of development assistance will stand in the way of achieving more consistent and coherent external policies that are conducive to the South. This can only be achieved by an effective and comprehensive European approach.

2.5 Conclusions

EC development co-operation will only be effective if external and domestic policies are conducive to the eradication of poverty in the South. The European development programme must function as an anchor for accomplishing coherence. The re-nationalisation of development aid in the European Union is not desirable, as increasingly more policies are becoming an EC competence.

The EU is a global player and should thus assume its responsibility in development co-operation. As the proportion of EC aid has steadily increased and comprises around half of total ODA it is essential that the EU acquires and exercises more political influence in multilateral organisations. It is important that the co-ordination between the EC and the member states is intensified in order to play a consistent role at the global level. The modalities of EU aid set out in the Maastricht Treaty – (1) complementarity, (2) co-ordination, (3) coherence and (4) consistency – are therefore crucial pre-conditions for effective aid. In the following chapters the difficulties of an implementation of policies based on these principles will be addressed.