

AN ASSESSMENT OF THE BALANCING OF EU DEVELOPMENT OBJECTIVES WITH OTHER POLICIES AND PRIORITIES

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The aim and scope of the study

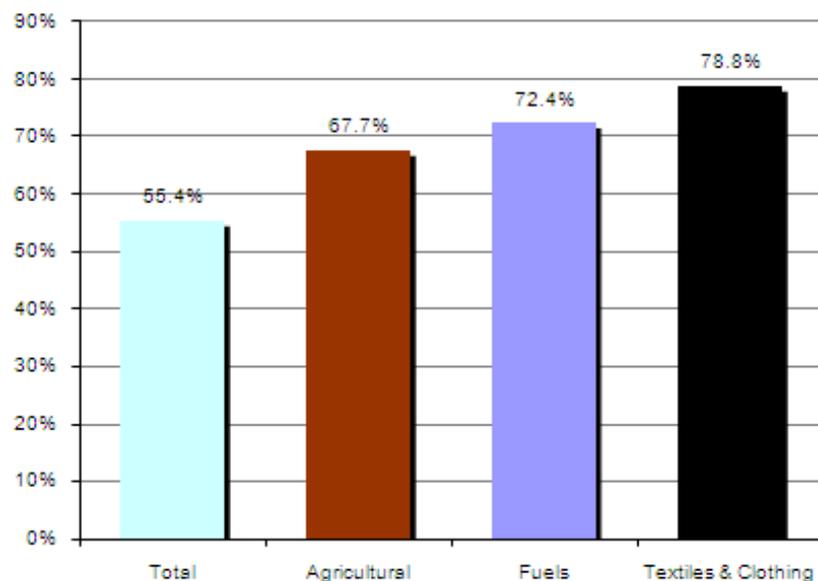
- To assess how EU policies interrelate with the EU development policy:
 - Trade
 - Migration
 - Climate change
 - Agriculture
- These policies were examined in terms of *both* positive and negative impact on EU's development goals

EU Trade Policy Tools for Development

- Doha Development Agenda
- Generalized System of Preferences (GSP)
- Economic Partnership Agreements (EPA)
- Aid for Trade

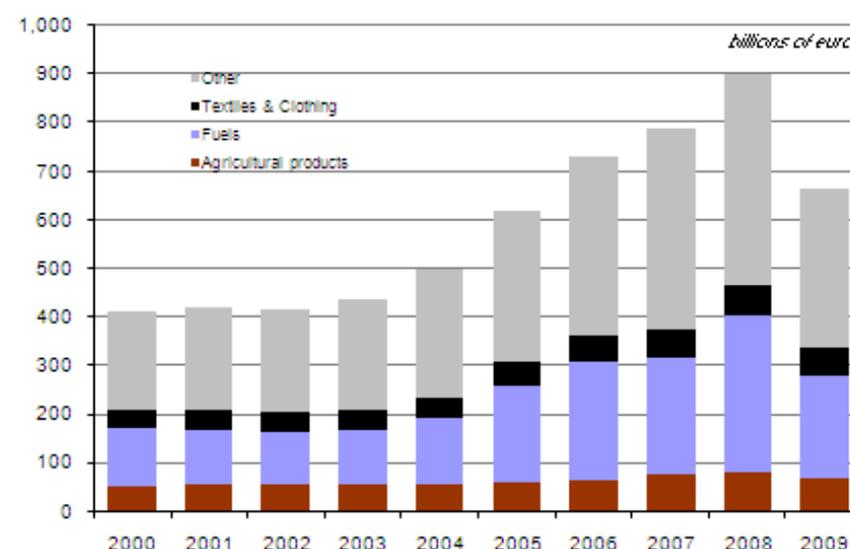
EU Imports from Developing Countries (DCs) and Least Developing Countries (LDCs)

DCs Market Share in EU Imports (2009)



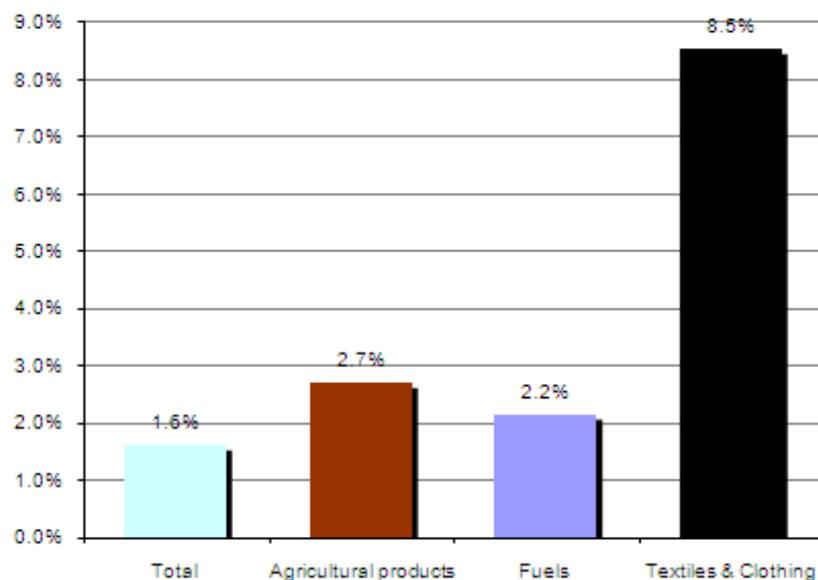
Source: Eurostat (Comext, Statistical regime 4)

EU Imports from DCs (2000-2009)



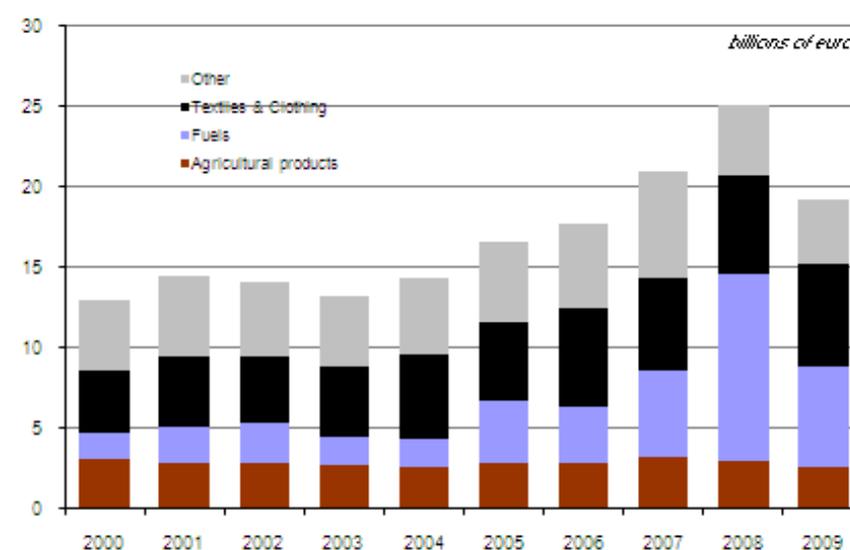
Source: Eurostat (Comext, Statistical regime 4)

LDCs Market Share in EU Imports (2009)



Source: Eurostat (Comext, Statistical regime 4)

EU Imports from LDCs (2000-2009)



Source: Eurostat (Comext, Statistical regime 4)

Conclusions on GSP

The EU imports from GSP beneficiary countries amounted to €68.8 billion in 2008. The value of EU imports under the GSP exceeds that of the US, Canada and Japan combined (Gasiorek et al, 2010).

- The GSP scheme may encourage growth in developing countries by increasing exports and by helping these countries to diversify their exports
- With the right domestic policies and safety nets in place, these schemes can help reduce poverty in the most vulnerable economies
- However, evidence on the development impact of GSP is ambiguous

Conclusions on GSP

Trade increased between EU and GSP countries

- But at the expense of Brazil, China, Colombia, Malaysia and Thailand (Evenett, 2008)
- The exports increased only in *existing* products, so GSP did not lead to export diversification (Gasiorek, 2010)
- Likely culprits: ‘sensitive products’ list, strict rules of origin
- Other issues: low utilization rates, preference erosion and legal certainty (Brenton and Manchin 2003; Eurocommerce 2011).

Recommendations regarding GSP

- High tariffs and 'sensitive' category undermines the development objectives → **Elimination of both would further encourage growth.**
- Less strict rules of origin. New rules implemented January 1, 2011. LDCs can outsource up to 70 % of inputs → **This is to encourage export diversification**
- Art. 220 II b Customs Code protects importers, the new Commission proposal of the 'list of registered exporters' undermines the Code → **Better legal predictability**

Conclusions on EPA

- The first EPA was signed with CARIFORUM in 2008
 - Encourages value added processing
 - Asymmetric and progressive obligations with longer transition period
- The asymmetry and transitional periods, as well as safeguard clauses on food security, are in line with PCD.
- Slow progress: Asymmetry in the economic impact both within region and intra-region
 - West Africa: Winners (Ghana, Nigeria) Losers (Cape Verde and Gambia)
 - Winners (Central Africa, COMESA, SADC) Losers (Caribbean and EAC) (Cali and te Velde 2006).

Conclusions on EPA

- Concerns over the capacity of sub-Saharan African countries not only to implement the agreements but also to negotiate them
- Division within the continent is exacerbated between countries with differing levels of income (i.e. LDCs vs non-LDCs). Progress in EPA negotiations and a successful outcome are to a great extent threatened by this divide
- Concern over services liberalization and brain-drain
- The development provisions strongly rely on financial and technical support to CARIFORUM countries to cope with the challenges posed by the EPA. However, there is uncertainty over the financial and technical support required and the means of delivery.

Recommendations regarding EPAs

- Ensure full country coverage for regional integration, sustainable growth and reduction of poverty → **otherwise EPAs can cause trade diversion**
- The gains from EPAs are maximised only when regional integration is achieved → **eliminate differential treatment of LDCs and non-LDCs**
- ‘Brain drain’ issues due to EPAs have to be addressed by emphasizing the proper functioning of ‘circular migration’ policies.
- Any misunderstanding that financial assistance are conditional on signing the EPAs should also be clarified.

Other

- Trade-distorting effects of agricultural subsidies:
 - Winners of status-quo: LDC exporters, non-EU consumers including net-importers of agricultural products e.g. China
 - Losers: net-exporting developing countries e.g. Cairns group as well as consumers in the EU. (e.g. Panagariya 2005; Anania 2009)
- EU Raw Material Initiative
 - concern over the EU imposing strict trade rules on African countries
 - the evidence shows that the main impact of this initiative falls mainly on China and Russia (OECD, 2010)

Conclusions on Migration Policy

- Conflicting objectives:
 - Development officials are interested in contributing to long term/sustainable development,
 - while immigration officials follow short-term EU migration consideration, mostly aimed at fighting illegal immigration.
- The rationale of EU migration policy still appears to be “how to prevent more migration”.
- There are some indications that the current initiatives of linking development and migration policy have actually translated in ‘misuse’ of development funds for strengthening border management and combating illegal immigration.

Recommendations on Migration Policy

- More transparency in the outcome of inter-service consultations
- Highlight the importance of institutional coherence both between the DGs of the Commission and importantly between field offices/ delegations and headquarters.
- To contribute to sustainable development in third countries the EU should encourage circular migration
- Caution with policies that attract highly skilled migrants → brain-drain

Conclusions on agricultural subsidies



- Export refunds have been substantially reduced over past few years (WTO commitments, world market prices)
- Overall producer support decreased considerably according to OECD estimate since mid-1990ies



- Lack of quantitative data, but individual studies show negative impact of EU agricultural subsidies on developing country farmers (export refunds and internal subsidies)
- BUT: different impact on different sectors and countries
- Development aspects not prominent in CAP reform debate

Recommendations on agricultural subsidies

- Strengthen development aspects in CAP reform debate
- Abolish export refunds
- Assess thoroughly development impact of future agricultural subsidies

Conclusions on Climate Change



- More policy documents and funding instruments deal with CC/development cooperation
- EU efforts to mitigate EU GHG emissions and constructive role of EU in international negotiations
- More, but not all country strategy documents include CC considerations



- More, but not all country strategy documents include CC considerations
- Level, predictability and monitoring of climate funding for developing countries insufficient
- EU funding for some projects with a dubious climate change record
- What is a good adaptation project in a developing country ?

Recommendations on Climate Change

- Promote inclusion of climate change into relevant strategy papers and profiles
- Ensure implementation of the EuropeAid Guidelines on „Integration of Environment and Climate Change in Development Cooperation“
- Ensure predictable climate funding for developing countries
- Monitor EU climate funding to developing countries
- Ensure that no EU or member states funding is provided for GHG intensive projects in developing countries

Thank you for listening

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