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**Evolution of EU's development
policies, what prospects for
future?**

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ABBREVIATIONS

AAMS: Associated African and Malagasy States

ACP: African, Caribbean and Pacific

ALA: Asia and Latin America

ASEAN: Association of South East Asian Nations

BWI: Bretton Woods Institutions

CAP: Common Agricultural Policy

CFSP: Common Foreign and Security Policy

DG: Directorate General

EC: European Community

ECHO: European Community Humanitarian Office

ECU: European Currency Unit

EDF: European Development Fund

EEC: European Economic Community

EU: European Union

GATT: General Agreement on Tariffs and Trade

GSP: Generalized System of Preferences

IFI: International Financial Institution

IMF: International Monetary Fund

LDC: Least Developed Country

MEDA: Euro-Mediterranean Assistance Program

NGO: Non- Governmental Organizations

ODA: Official Development Assistance

OECD: Organization for Economic Cooperation and Development

Stabex: System for the stabilization of the export earnings

TEU: Treaty on European Union

WB: World Bank

WTO: World Trade Organization

Introduction

During last decades industrialization accentuated with the globalization and information technologies have contributed to the creation of an immense wealth. The increase in the World wide capital has been guaranteed with the establishment of international institutions like WTO and IMF.

But the fact that these gains are not distributed equitably is in the middle of the international actors. The neo-liberal approach guiding the globalization process has aggravated the situation of Least Developed Countries (LDCs) increasing the gap between poor and rich. Some millionaires now own as much wealth as the world's poorest 2.5 billion people¹

In the millennium Summit UN have set out main problems of the developing and LDC countries and have put some targets for the year 2015 to achieve the goals.

These efforts are not only made by those institutions or persons sensible to poverty and its problems but there is an increasing importance of the development issues within the global context. It is principally due to the development of information technologies; the people are more and more open to the planet's problems and the views of famine or violations can mobilize World's Civil Society in seconds. These last words of the last sentence are another reason of increasing efforts in the area of development; the interest of Civil Society to the development. Development NGOs are actively in the field carrying information and making the world more sensible to what happens in these countries.

The growing concerns about security are also another highlighted subject of the world after Cold War. The fragile context of poverty and underdevelopment in many countries have provided field for development of many illegalities endangering world peace and security. What has been lived in Afghanistan has been an example of this situation with the extremists who took power and let terrorism grow. Beyond peace other issues like drug commerce and woman's situation is also endangering world security.

¹ Cavanagh, John and Anderson, Sarah; *World's Billionaires Take A Hit, But Still Soar*; The Institute for Policy Studies; 06.03.02

On the other side of the world the concerns are different. Africa has to fight with AIDS although most of the people are starving. Small islands of Caribbean and Pacific are fighting with natural disasters while trying to develop their small economies. But the efforts didn't help to stop their marginalization.

They are living difficulties with the international situation not really in favor of the development. Trade liberalization has become a keyword and they are obliged to give up the control of their economy. Balance of power works usually in disfavor of these countries. While developing world is making concessions the worlds leading powers like EU and USA or Japan are still keep on going with farm subsidies.

The failure in Cancun is a significant sign of what has been going on about these issues. But now with the efforts of attending the Millennium Development Goals a change in the vector of development is expected.

EU is a key actor in the change of the World's Development Policies for several reasons. Firstly it has historic relations with the developing world; most of the countries are old colonies of some member states and they are still bounded with some special bilateral agreements. Secondly the development policy of the EC is as old as the Community's history since Treaty of Rome. Thirdly Europe itself is a model for development. It is admitted that contexts are different but the evolution of European Community after World War II with the impetus of regional integration serves as a model for most of the development issues. Lastly European values are important for the expected change. Europe is a very good example of combining social and well fare governance models with market economy. Certainly this is a unique European experience due to historical reasons but if applied it can be very good option for the leading of these policies.

Europe has the tools and the ways to lead this development under these circumstances and can impose his view usually agreed by a majority of

states. It is the World's bigger trader with the 20% of global imports and exports.² And it is the World's biggest donor considering total of its aids.

This gives Europe as a whole saying in all international arenas.

But due to its internal developments EU had some problems to go out to the international arena for the leading of such global politics. The very essential problem is the divergence between member states. All member states have very different agendas and priorities and beyond all recent integration of relatively poor 10 countries to European Union, has complicated all plans for its policies. Concerns about its own internal policies have also created discussions not only in the Union but in international plan.

In this analysis the aim is to foresee the evolution of EU's development policy's future. For this reason the departure of analysis is the cooperation model with African, Caribbean and Pacific states called as ACP group by which a complete analysis of the whole evolution would be possible. Whole process of these development policies had passed its evolution in parallel to the globalization of EU process which extended the scope of policies to all developing or least developed countries.

To be able to do this analysis the factors influencing development policies will be given in the first chapter following a plan in which member states actions, the changes after Cold War and finally the today's context of globalization and trade issues will be evaluated.

In the second chapter other principal actors in global development policies having impact on European policies will be analyzed. The principal aim of this chapter would be to give a look at the interaction between international actors and where EU stands in this interaction.

Last chapter is an analysis of Cotonou Agreement prepared under the light of all actual developments in the world and which is a new frame for the formation of future development policies. This chapter aims to show broad terms and new outline of the reform of EU's development policies and by this way what EU can do in global politics of development. After a short historic of previous conventions and their contribution to Cotonou, the

² European Commission, Making Globalization Work For Everyone: The European Union and World Trade, Europe on the move series

actual outcomes and outlines of the last Agreement is given for at last arriving to the point mentioned as EU in global development politics. The aim of this research is not to define all details and all development relations of the EU but trying to find an answer if EU will manage to lead the future of global development policy and decrease the gap between the resources spent and the results obtained in this policy field.

1 Factors effecting European Development Policy

History of European Aid to development is longer than thought. It has always been an important aspect of foreign politics –under the influence of colonialist countries-, but also an important aspect concerning issues like trade and human rights. That’s why this fact has to be demonstrated by several factors who have contributed to its formation. Evolution of development policy of European Union is strictly related to the evolution of international environment and evolution of internal concerns within the EU’s own structures.

For an exact analysis of this evolution the fall of Berlin wall is an important point having consequences in both international arena and in the European continent. Europe has become an international power; as the first commercial power of world respected in international negotiations, as the first in development aid with a total of 70 per cent of contribution, as the first for humanitarian aid, decisive element for Kyoto Agreement on environment and finally with Euro, money internationally recognized. Those factors have increased its involvement more and more in foreign affairs which has also lead to the tasks on Common Foreign and Security Policy (CFSP).³

The choices made in this development process have also witnessed an evolution process underlining more and more the process of regionalization and regional integration by also the effect of economic liberalization in the world. With the Cotonou Agreement’s signature this process has been baptized.

³ *Unité de l’Europe: Un projet pour le 21e Siecle*” Jacques Delors’s Speech pronouncing “Lectio Magistralis” in the opening session of academic year 05/06 in European College of Parma, 05.11.05

During this analysis it is also very important to not to forget the influence of other international institutions, who are actors of great importance, and how they affect the evolution of European Development Policy.

Meanwhile in most of the researches the reaction to the evolution of this policy by the receiver of this European aid to development is underestimated. The transformation of all politics is highly related to the actions and steps taken by the beneficiary parties and it has become more important with the introduction of conditionality to the European aid with concerns of efficiency of international aid. Lately this word of conditionality is tried to be smoothed with the concept of contractility. But political conditionality persists as an important component of untying European aid.

Before any such analysis of the all stakeholders it is necessary to see the real factors that had real impact on the European policy of development. Analysis of tools or other concept constitute the more technical side and are far away to give a clear response to our questions. This is why they will all be treated in the context of their use.

Since the foundation of European Community there have been too many developments in international politics. The European Community's history has been the witness of the history of Cold War which has been shaped by ideological differences and under this ideological curtain all other aspects haven't been taken into consideration. The end of Cold War has been followed by intensification of all kinds of international relations. The problems of the poor and developing countries have become clearer in this international context. Increase of interdependence and interaction pushes all stakeholders to move on through actual problems of the planet. The Millennium Summit has very well put diagnosis on the current problems of the world and set important goals to be reached in 2015 for overcoming these.

Poverty, universal education, gender problems, violence and wars in poor countries are very important problems to be handled in the future of the world for a more secure and more human future.⁴ While security issues are discussed more and more, the casual connection between poverty and violence become more evident. This fact creates a motivation for the resolution of these problems.⁵

The reading of history after Cold War requires a high interest in economic developments as well as other aspects of this economic development. Globalization and the history of last decades constitute one of the principal elements of our context. Globalization is a concept that is vulgarly used possessing economic connotation as well as other many aspects concerning politics civil society sovereignty and etc. Context of Globalization pronounced here has to be kept in mind all along the lecture of this research.

This evolution in European politics can also be vastly explained by successive enlargements, differential rates of global development, the collapse of communist ideology in Central and Eastern Europe and the reorganization of international trade under the auspices of the World Trade Organization (WTO). As can be easily remarked the subject of development requires a multidisciplinary and deepened analysis of all facts contributing to its formation.

Staying in the European frame; one of the most essential aspects to be analyzed in this subject is the influence of member states and enlargements to the evolution of development policies. In parallel to this, end of bipolar system has been an important direction change in this evolution. Thirdly economic globalization has to be considered as an important component that designates in fact the general frame of all the developments.

⁴ <http://www.un.org/millenniumgoals/> accessed on March 1st 2006

⁵ Krueger, Alan B.; Maleckova Jitka; "Education, Poverty, Political Violence and Terrorism: Is there a casual connection?" Working Paper no: 9074 of NBER, Cambridge 2002 pp. 31.32

1.1 Members and Enlargements of the EU and its effect on evolution of EU development policy

Members have tried to oblige EC to be engaged in the politics of development since the very beginning. It is impossible to avoid noticing that these relations are still largely based on the ties established during the colonial period. France has close links with its francophone former colonies; the UK has developed its relations with former colonies within the fifty-member Commonwealth, and Belgium, Italy, Spain and Portugal similarly maintain special interest in their previous dependencies.⁶

The changes in EU membership that occurred over time have clearly influenced the geographical scope of, and political climate for, EU development cooperation policy.⁷

France initiated this most openly by lobbying for the association paragraph' of the

Rome Treaty, resulting the community development cooperation policy which says that signatory countries; *intending to confirm the solidarity which binds Europe and the overseas countries and desiring to ensure the development of their prosperity, in accordance with the principles of the Charter of the United Nations.*⁸

The newly established European Community became a kind of obligatory associate for Africa. In 1957 four of six signatories of Rome Treaty had overseas territories, mostly in Africa. Lately Danish integration to EU has increased this number.⁹

⁶ Lister, Marjorie. *European Union and the South : Relations with Developing Countries*. London, UK: Routledge, 1997. p 42.

⁷ Arts, Karin; Dickinson, Anna K.; *EU Development Cooperation, From Model to Symbol*, Manchester University Press, 2004, p.13

⁸ Preamble of Treaty of Rome, 7th point article 131 to 136

⁹ European Commission DG VIII, *The EU and the Overseas countries and territories*, Germany, December 1998 p13

Following that period Yaoundé has been signed. Yaoundé agreement period has continued till the 1975 just after United Kingdoms acceptance to the European Community. This period had lasted with the expansion of EC development aid to 43 African, Caribbean and Pacific countries with a new agreement; Lomé that finally was including 69 ACP states in its last midterm review on 4 November 1995.¹⁰

Even if the first efforts were concentrated on a limited number of ACP countries, in fact the process of Yaoundé and Lomé had extended its scope to other developing and least developed countries until Cotonou. This extension has changed direction with the admission to Union of countries that don't have any former colonies. The Globalization of Development politics according to other criteria like income is much related with the enlargements.

As Bettina Schneeweis Director of Development Policy Forum has said, *every enlargement of the EU has always given rise to new development policy approaches and encourages Community to stretch its activities to areas, which are more closely linked to the new member states.*¹¹

It is possible to make an analysis of each country but instead for a general view of the evaluation it is more appropriate and realistic to divide the analysis of countries in two; France and the others as a distinct separation of tendencies between two groups; the traditionalists and reformists.

The first analysis is on France because of its particular importance in European Development politics that will be treated in the next chapter. The contribution of other countries has been modifying the context that France has established since Treaty of Rome, so the second part of this chapter will examine what the enlargements have brought to the EU development policy under French influence.

¹⁰ European Commission DG VIII, *The EU and the Overseas countries and territories*, Germany, December 1998 p13

¹¹ The Enlarged EU, Partner of Developing World, Summary Report from the Conference of International Policy Dialogue, 7-8 April 2003.

1.1.1. France

France is the member of the Community which is most remarkable and committed about development policies because of its relations with mostly African countries and its efforts to maintain his influence on world politics.

The efforts of France for the implementation of a European development policy are usually explained as sharing the cost of maintaining its influence over African countries. It is, from another point, clear that French policy had also passed an evolution which can be easily explained with all the elements already given in terms of mobilizing factors which lead to change.

While France had to put distances with Africa because of some political and other internal reasons, it had to move towards Europe because of economic reasons. On the other side, its ambitions to carry on as a big international power and world power had always stopped him quitting Africa. Two-thirds of French bilateral aid goes still to Africa.¹²

French influence on the evolution of European Community Development Policy has been realized by several different means:

- *Finance:*

France has always been the main contributor of the European Development Fund whose structure and functioning is totally inspired by French style. The EDF is programmed for five years and does not belong to community budget. It is funded by national contributions of member states and it is managed by member states without the involvement of European Parliament. EDF committee is led by Commission and funding proposals are accepted by a qualified majority of representatives of member states.¹³

As a big contributor (24,3% of EDF in Cotonou) France lobbies usually for its privileged African partners. This is where the evolution had been

¹² 2005 France and the United Nations Development Peace Security Human Rights, Groupe Agence Française de Développement, Paris 2005 p.15

¹³ European Commission, European Development Fund in a Few Words, Belgium 2002, p.4

realized. France lobbied for the allocation of EDF to the best performing or promising countries during Lomé 1,2,3. This has changed with the influence of other member states, within the enlargement process and turned more and more into aid to the poorest.

Table no: 1 Official Development Assistance of France

Official development assistance						
source: DGPE (EUR million)	2003		2004		2005	
	amount	%	estimate	%	forecast	%
1. Bilateral aid	4 419	68.8%	4 441	65.1%	5 158	68.8%
Ministry of Foreign Affairs	1 005		1 211		1 238	
Ministry of Finance and AFD	1 741		1 483		2 145	
Other ministries and administrative expenses	1 673		1 748		1 774	
Breaking down as:						
loans	-143		-81		-230	
grants	2 719		3 066		3 138	
debt relief	1 673		1 577		2 258	
2. Multilateral aid	1 895	28.7%	2 181	32.0%	2 142	28.6%
European aid	1 130	18.1%	1 416	20.8%	1 413	18.8%
o/w EDF	446	7.0%	66	1.0%	694	9.3%
United Nations agencies	125	2.0%	136	2.0%	153	2.1%
Development banks and funds	520	8.1%	630	9.2%	575	7.7%
Total foreign governments	6 224	97.0%	6 623	97.1%	7 299	97.3%
GNI (EUR bn)	1 590		1 631		1 702	
ODA (ex French overseas territories) to GNI	0.40%		0.41%		0.48%	
3. French overseas territories (Mayotte and Wallis-and-Futuna)	195	3.1%	198	2.9%	201	2.7%
Total ODA (incl. French overseas territories)	6 420	100.0%	6 821	100.0%	7 501	100.0%
GNI (EUR bn)	1 590		1 631		1 702	
ODA (incl. French overseas territories) to GNI	0.41%		0.42%		0.44%	

Source: 2005 France and the United Nations Development Peace Security Human Rights, Groupe Agence Française de Développement, Paris 2005 p.14

- *French influence on organization of European development institutions:*

This influence has been constituted by the establishment of Commissions structures in the frame of French institutions and experience which is understandable considering the engagement of this country in the developing regions of the world.

The situation within the institutions has been maintained with the French civil servants existence in these posts. The Development Commissioner has always been French from 1958 to 1985 (Lemaigen, Rochereau, Deniau, Cheysson, Pisani) and they carried on strict relation with national representatives in Brussels.¹⁴

¹⁴ Claeys, Anne-Sophie; 'Sense and sensibility': the role of France and French interests in European development policy since 1957; EU Development Cooperation From Model to Symbol, pp.114,117; Manchester University Press, 2004

- *French attitude about context and extension of aid*

All among the evolution process of development aid the specific link to Africa has been kept with efforts of France. Even the Lomé convention, perceived as an important passage to the new system in conformity with International Economic Order, has some colonial basis.

When negotiations with UK have taken place in 1975, France accepted that some British colonies can join the Association, and it maintained that only African and Caribbean British colonies should become the signatories. The idea behind was keeping the privileged relation with Africa. The shift From Yaoundé to Lomé shows in fact the permanency of a regional approach defended by French against a more global framework for European policy as advocated by Britain, the Netherlands and Germany.¹⁵

1.1.1.1 Changing context and its reflections on the evolution of French policy of development

After the 1990s the relations with developing or the least developed world has changed context. Multilateral institutions started to play a greater role while ACP countries were marginalizing. Europe and certainly France had to change their priorities mostly concerning African cooperation.

The change of interdependence situation into a dependence situation of developing and least developed countries on industrialized ones is a major factor who led to these evolutions thus a very essential element of Lomé convention has disappeared.

The part of ACP countries in international trade has passed from 3 percent to 1,5 in 20 years period starting from 1970.

¹⁵ Claeys, Anne-Sophie; *'Sense and sensibility': the role of France and French interests in European development policy since 1957*; EU Development Cooperation From Model to Symbol, pp.114,117; Manchester University Press, 2004

The debt problem of ACP countries also contributed to a greater involvement of International Finance Institutions and France has come to points with these structures with its Abidjan doctrine by which the French loan was conditioned to a prior agreement with IMF or the World Bank.

This has also been an evolution on the policies of EU and the member states who have accepted the model of “Washington Consensus” instead of developing an alternative model.

On the period of passage to Euro the French policies generated a debate once again as some of African countries have been using CFA Franc whose currency had been pegged to French Franc. But with the positive opinion of Council given on 23 November 1998, France maintained these agreements.¹⁶

The changes after Post Lomé conventions:

The position of France evolved around preservation of a specific global agreement and a different trade regime with the ACP countries. France defended the regional based approach designed by the commission in order to create Regional Economic Partnership Agreements (EPA). The most important issue seemed to be trade and French wanted to avoid the standardization of the EU ACP relationship.¹⁷

The debate about including the EDF in the Community budget is relevant to understand France’s change of attitude towards the importance of the EU– ACP relationship. The French, the Danes and the Luxemburgers contribute proportionally more to the EDF than to the Community budget. France provides 24.3 per cent of the EDF while it funds ‘only’ 17 per cent of the Community budget. This position as first

¹⁶ Muller, Karis; *European Monetary Union in Africa*, paper presented to conference on The European Union in International Affairs, National Europe Center, Australian National University, 3-4 July 2002, pp. 7,8

¹⁷ Claeys, Anne-Sophie; *‘Sense and sensibility’: the role of France and French interests in European development policy since 1957*; EU Development Cooperation From Model to Symbol, pp.114,117; Manchester University Press, 2004 p.124

EDF contributor gives France a certain legitimacy among both donors and recipients of aid, as well as symbolic and political power. However, France has now been converted to the idea of including the EDF in the Community budget and tries to convince its reluctant partners. One can ask if France now thinks that, compared to its high financial involvement in the EU– ACP partnership, political feedback is insufficient. It appears that the economic rationale defended by the Ministry of Economy and Finances carries off the philosophy of the Ministry of Foreign Affairs. This example shows that French internal divergences have an impact on the definition of France’s official position towards European policy. In the Cotonou Agreement, the EDF is still based on state contributions but France has officially asked DG DEV to study inclusion of the fund in the Community budget.¹⁸

1.1.1.2 The reform in French and European development policies:

The essential aim here is to explain how the changes occurring in French policies will modify the role of France in the European development policy making.

Despite the French domination in development issues for a very long time, today the thought for development is AngloSaxon. This change has obliged the French to take part and evolve in some means like efforts for more participation and less hierarchy.

Haut Conseil de la Coopération Internationale has born for this purpose of filling the gap between the authorities and the civil society.¹⁹

Another constraint that both France and Europe have to face is the decreasing aid budgets and new priorities in development. The need for new approaches has been very well understood by France and on the

¹⁸ Claeys, Anne-Sophie; *‘Sense and sensibility’: the role of France and French interests in European development policy since 1957*; EU Development Cooperation From Model to Symbol, pp.114,117; Manchester University Press, 2004 p.125

¹⁹ Cumming, Gordon; *“Modernisation without ‘banalisation’: towards a new era in French African aid relations?”* Modern and Contemporary France; Routledge Volume 8, Number 3 / 01.06.00; pp. 359-360

Paris Conference she offered taxation of ticket planes for a globalization fund.²⁰

France is further critic in some points that European policy has come; lack of coordination and complementarity within member states, aid efficiency and evaluation problems are just some of them.

In conclusion, despite the important role of France in development issues, it is losing its influence day by day under the effect of its own choices as well as the international and regional developments. That fact can be explained by the change of priorities of France considering the increasing importance of European Union.

1.1.2 Other members and enlargements effect on evolution of European development policy

The reason of consecrating a special place to the France is evident as the country nearly founder of this policy and a very big contributor in this sense.

But the history of evolution of European development policies is also a history contributed by other enlargements and member states. Each state offered a new perception and new possibilities for the development of these policies.

“Today’s EU development cooperation is therefore very much a product of history and of the history of enlargement.”²¹

Enlargements had three effects on the policy evolution:

- 1 They modified the geographical scope of policies
- 2 They had important effects on the political priorities
- 3 They changed the substantive orientation²²

²⁰ http://abhaber.com/haber_sayfasi.asp?id=10429 accessed on 06.03.2006

²¹ Poul Nielson, Opening Adress in Development Policy Forum, The Enlarged EU, Partner of Developing World, Summary Report from the Conference of International Policy Dialogue, 7-8 April 2003

In this chapter only substantive and geographical changes will be treated as they both include the change of political priorities.

1.1.2.1 Geographical Changes:

Geographical changes have had occurred under three stimulus; firstly with the adhesion of colonial powers bringing into Community program their ex-colonies, secondly with the integration of countries who opened new borders with developing world, and thirdly with the integration of countries defending a more globalist approach of development that led finally to the extension of EU development programs to the planet.

United Kingdom's adhesion to the European Community is an important example of changes concerning geographic scope. When UK joined to the EC in 1973, the group of recipients the group of recipients of EC development assistance was expanded to include a large number of the UK's Commonwealth cooperation partners in Aglophone Africa, the Caribbean and Pacific.²³

Enlargement towards Spain and Portugal had similar effects about the geographical scope of the development cooperation.

Spain has reinforced cooperation with Cuba in 1980's and 1990's. And the efforts of two countries have resulted with the start and intensification of development cooperation with Latin America.²⁴

When we consider earlier integration of Greece in 1981 to the European Union together with Portugal's and Spain's adhesion in 1986, another channel of cooperation seems inevitable for the European Community with Mediterranean countries.

²² Arts, Karin; Dickinson, Anna K.; *EU Development Cooperation, From Model to Symbol*, Manchester University Press, 2004 p. 102

²³ Glaser, T (1990), "EEC-ACP cooperation: the historical perspective", *The Courier*, no. 120 p.26

²⁴ Ravenhill, John, *Back to the Nest, Europe's Relation with African Caribbean and Pacific Group*, Working Paper PEIF 9; 01.12.06 p.10

Once again Spain's efforts have been important in the intensification of relations with Mediterranean countries which can be easily understood from the name of process; Barcelona.

It is possible to say that adhesion of Spain and Portugal has had a two folded impact; firstly with their former colonies integration to the EU development assistance programs, secondly taking more attention to the Mediterranean.

Later enlargement with Austria, Finland, and Sweden brings a new dimension to the policies taking into consideration that these countries didn't have a colonial past. From one part their location seemed to accelerate the cooperation with Central and East Balkans, the other part lead to a more global policy not according to geography (motivated by historical reasons) but according to politics and visions.

For the last and bigger enlargement of EU with 10 countries, it is hard and early to predict what kind of changes will be analyzed. Financial structure of these countries are obviously not in the point of contributing to the instruments like EDF and more. As Poul Nielson indicated the membership these 10 countries have created new EU borders, and it is natural that these countries argue in favor of support for stability in Balkans, the Caucasus, and in the Central Asian Republics.²⁵

But one of the most difficult challenges will be the policy making on this issue as others because the mechanism of 15 is still in place for 25 countries with very different perspectives.

²⁵ Poul Nielson Opening Adress in Development Policy Forum, The Enlarged EU, Partner of Developing World, Summary Report from the Conference of International Policy Dialogue, 7-8 April 2003 p 20

1.1.2.2 Substantive Changes

The enlargements in process have transformed substantive direction and policy climate in EC development cooperation.

One important aspect is the engagement of countries like Germany, Denmark, Finland, the Netherlands, Sweden, the UK.

This group of countries has two sub groups; Nordic Countries and “Utstein” group –Germany, the UK, the Netherlands, Norway, the UK- and they work in coordination for their purposes with a larger budget in the field of development.

Their influence is great on the setting of new development agenda of EU by adding new issues like gender, debt relief, and efficiency of aid or poverty alleviation as well as making a more global policy.

The new adherents don't seem to have this positive effect on cooperation thus they themselves are in somehow process of development and haven't resolved all the problems of their transformation. This is one of the challenges of the European Union; last adherents to the Community would undeniably like to concentrate on their region towards Caucasus while old system would be defended by powers like France.

Financial support potentials and interest of new members seem to be another question for the future of these policies. Countries like Malta or Cyprus with a very small scope has no interest or intention in supporting such global activities.²⁶

A very important point discussed in this subject is the coherence and consistency of policies pointed out in several occasions. But as the evolution of process continues the challenges between member states will be solved according to international order's standards as it has always been in responsive politics of the European Union.

Another factor changing very significantly the vector of European development policies has been the end of bipolar world.

²⁶ Heidemerie Wiczorek Zeul's (Federal Minister for Economic Cooperation and Development) speech, Summary Report from the Conference of International Policy Dialogue, 7-8 April 2003.

1.2 End of bipolar World and its effects on EC development cooperation

Europe's enlargement history and the evolution of policies can't be read without an analysis of Cold War era and changes that have occurred just after this process.

Fall of Berlin Wall had put an end to bipolar world dominated by the war of ideologies and created hope that this occasion can now be a motor for development process. The result of those thoughts had been a big deception. The financial means previously tied up in the arms race couldn't be used to help the poor; the idea that aid would no longer be based on Cold War rivalries but on need had been misplaced.²⁷

The European aid in this period of Cold War can be however commented positively with large concessions but without concrete results, the Community offered itself to the developing countries as a being partner. It was to be a middle way, an alternative to the domination of the USA or the USSR²⁸

Furthermore, in an era of Cold War, Lomé aid was to be non-political in so far as it was to be made available to all ACP states, which covered a wide political and economic spectrum. This fact avoided also the establishment of conditionality in political priorities of EC.²⁹ Because before the Cold War any request in political means was evaluated as interference to a State's sovereignty.

Throughout the Cold War period, the ACP countries were at the top of the Community's 'pyramid of privileges'. Other groups of countries (the

²⁷ Arts, Karin; Dickinson, Anna K.; *EU Development Cooperation, From Model to Symbol*, Manchester University Press, 2004, p. 8

²⁸ Lister, Marjorie. *European Union and the South : Relations with Developing Countries*. London, UK: Routledge, 1997; p. 25

²⁹ Arts, Karin; Dickinson, Anna K.; *EU Development Cooperation, From Model to Symbol*, Manchester University Press, 2004; p.18

Mediterranean, Latin America, Asia) appeared further down, while the Eastern European countries were not even on the pyramid.

The pyramid of privileges has since shifted such that it is almost unrecognisable: the regions closer geographically to the Union have risen in importance.

The ACP countries are no longer privileged to the extent they once were.

The globalists have won the argument in that there is a wider EU role in the world, although the regionalist legacy remains in the EU's preference to deal with third countries collectively.³⁰

Peace and prosperity didn't start in Europe just after fall of iron curtain as it is expected by many people. On the contrary, instability and wars have taken place mostly in Central and East Europe because of disintegration of multinational states, and apparition of nationalism, and the hard passage to the market economy and democracy in the poor conditions left from their old system.

However, the end of the Cold War directly initiated a process of change in EU development cooperation. The changed geo-political situation that emerged during the 1990s had a profound impact on the European Union's external cooperation priorities.³¹ In this context, the EU's objective interests have led it to give priority to the stability and development of neighbouring countries and to aid for countries in crisis in the regions nearest to the EU.

The end of Cold War era has made Community realize its immediate environment in need for urgent assistance for them but also for the stability of the continent. The approach to them has been designated since the very beginning with clear declaration that all European states are clear

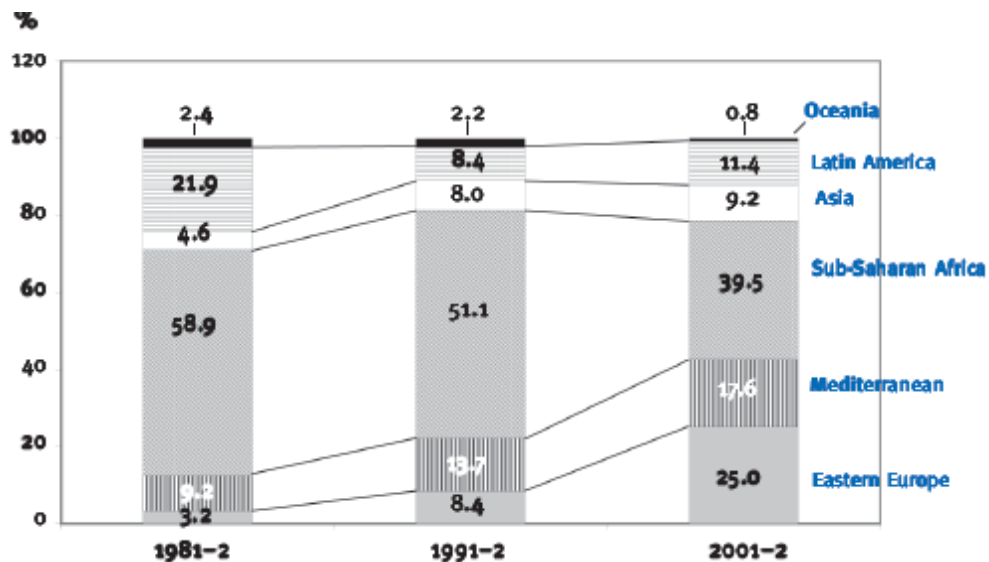
³⁰ Grilli, E. *The European Community and the Developing Countries*, Cambridge: Cambridge University Press, 1993 pp.150-151

³¹ Communication on the European Community's Development Policy', COM (2000) 212 final, Brussels, p.4

candidates, but beyond these declarations Community had no choice in economic and political terms. The problems in its immediate borders like the reunification of Germany, the disintegration of the Soviet Union and the outbreak of large scale armed conflict in, and the falling apart of, the former Yugoslavia further increased the weight of intra-European problems on the EU's agenda. This took away space that previously was available for addressing development challenges in other parts of the world and made Europe concentrate its efforts to itself.

As a direct result of the changing interests and priorities, the traditional developing country cooperation partners of the European Union, notably the ACP countries, have lost out significantly on their previously largely unchallenged share of structural European Community development aid. Between 1976 and 1997, Africa was still the largest recipient of EU aid, and aid to Africa even increased over this period, but by the mid-1990s it was clearly no longer the privileged aid recipient.³²

Table no: 2 Regional disbursement of ODA by the EC



Source: OECD/DAC 2004

³² Cox, A. and J. Chapman, The European Community External Cooperation Programmes. Policies, Management and Distribution, Brussels, 1999: European Commission, pp.2-4

As seen in the table, the share of sub-Saharan Africa in total ODA of EC aid has gone down from 58,9 per cent at the beginning of the 1980s, to 51,1 per cent at the beginning of the 90s, to some 39,5 per cent after 2000. In contrast, from 90s to 2000, the Central and Eastern European countries built up a share of 25 per cent of allocable Community ODA. Just after Cold War the trend had begun by the start of the PHARE programme in 1990 and rapidly extended thereafter. The share of Asian countries has also witnessed an increase with Mediterranean countries that had the third biggest percentage of ODA disbursement of EC.

Another major change that occurred in the 1990s relates to the issue of political conditionality of Community development assistance. Accordingly, from the early 1990s, human rights, democracy, and later also governance considerations, became increasingly important determinants in the European Union's external relations as a whole.³³

The reappearance of conditionality is also related to the end of Cold War thus the countries can no longer suppose that this is a political interference but sooner conditionality will continue its existence under different names.

Essentially, the developing countries claimed that such external support should be provided 'non-conditionally' and that to do otherwise would constitute unwarranted interference in their domestic affairs and would be 'neo-colonial' in character. Although largely unsuccessful at the global level, where Cold War considerations had a particular impact on aid allocations, such demands clearly had an impact in shaping the terms of the Lomé Convention.³⁴

³³ Arts, Karin(Editor). *EU Development Cooperation : From Model to Symbol*. Manchester, , GBR: Manchester University Press, 2004. p.9

³⁴ *ibid* p.19

1.3 Changes in Economic Structure; Globalization and the trade

The economic context has also profoundly changed in strict relation to political aspect and that had enormous repercussions on the evolution of European Policy of Development. This reality can be examined in two parts; liberalization of economy with globalization, and European response to this world in terms of trade to make a final analysis of its reflections on the developing or least developed countries.

1.3.1 Globalization

The process of globalization of economy is a phenomenon changing radically today's world. It is a vague concept that has too much confusion about its definition.

Lead by the dominant ideology of neo-liberalism, globalization concentrates the power day by day in the hands of big multinational companies that are managed by one impulse that of profit making despite the efforts of social responsibility.

Neo-liberal globalization as procured by the dominant ideology has effects like destruction and delocalization of services and industries, salary decrease, and other basic gains offered by economies.³⁵

This neo-liberal theory argues against two important assumptions of development theory: that the Third World constitutes a special case and should therefore be offered special concessions, and that the state should play a major role in economic development.³⁶

The actors in the World politics are in the position to support this process as seen in States by deregulations and privatizations of public services IFIs in their support to the situation etc...

³⁵ Definition by www.ecorpa.org/observ.htm

³⁶ Slater, R.; Schutz, B. and Dorr, S., Global Transformation and the Third World, Boulder: Lynne Rienner, 1993,

This world order has been accentuated by the gaining of power of international institutions like IMF, World Trade Organization, World Bank who act in conformity with the dominant ideology according to which the poor development performance is due to incorrect government policies not to the hostile international system.

Despite the critics, it is true that Globalization offers in fact great opportunities too. Increase of number of exchanges, new technologies, foreign investments, development of Medias and other communication channels have already contributed to the growth of World Economy but with one problem the disparities in the repartition of incomes. The world has become more fragile because of volatility of capital concentrated in the hands some important actors.

European Union under the influence of this process had to adapt to the context but not only for himself had it to adapt its responsibilities towards the countries in which it is in cooperation. But as Jacques Delors has said, *globalization requires contributions of Europe about its internal experience but also about the creation of new ideas...* Europe has a different and moderate approach to issues like free trade³⁷

1.3.2 Trade

The analysis of globalization leads automatically to the question of trade. Globalization inevitably requires as a precondition; opening of all closed markets which means important discussions in the core of World Trade Organization and other IFIs. As a very important actor in trade issues economic structure changes in the world requires a special focus on Europe and its trade policy.

Trade is a key concept in the realization of MDGs and for the commitments of EU for its development policy through which it contributes to these goals.

³⁷ “Unité de l’Europe: Un projet pour le 21e Siecle” Jacques Delors’s Speech pronouncing “Lectio Magistralis” in the opening session of academic year 05/06 in European College of Parma, 05.11.05

It is obvious that in nearly all fields of development policies there is a call for action in trade issue.

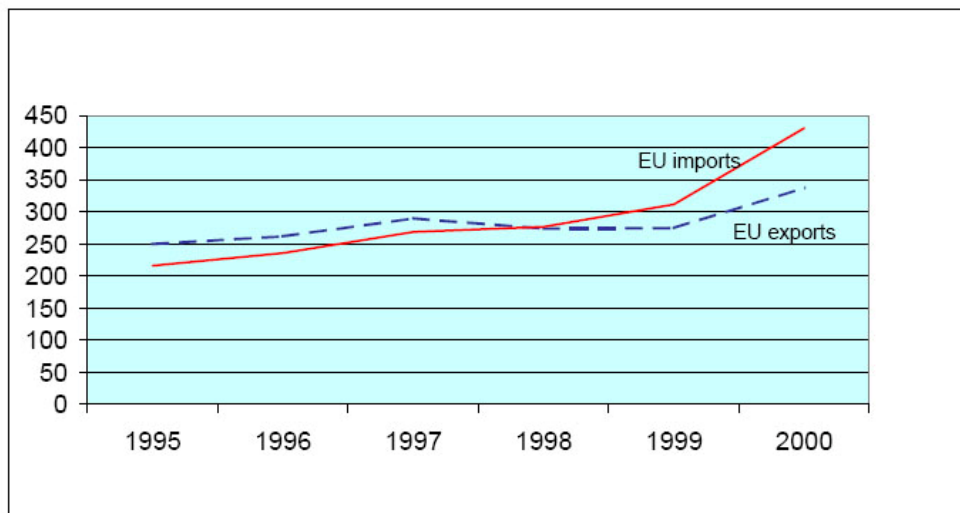
The aim of this chapter is not to define all trade relations of the EU and its partners but to redefine importance of the issue considering great links of trade with development.

EU is usually evaluated as a soft power and one of most important resources of this soft power is its great trade potential and its network of trade all among the world.

For some analyst trade is the most important policy area influencing the developing countries over which the EU has competency.³⁸

Trade between developing countries and the EU mirrors their increased integration into the world trading system. After several years of sluggish growth, developing countries' exports to the EU have increased by 15 percent per year on average since 1995 and their trade balance with the EU went into surplus in 1999. Developing countries as a whole now account for 42 percent of total EU imports, representing €432 billion in 2000.³⁹

Table no: 3 EU trade with developing countries 1995-2000 (billion €)



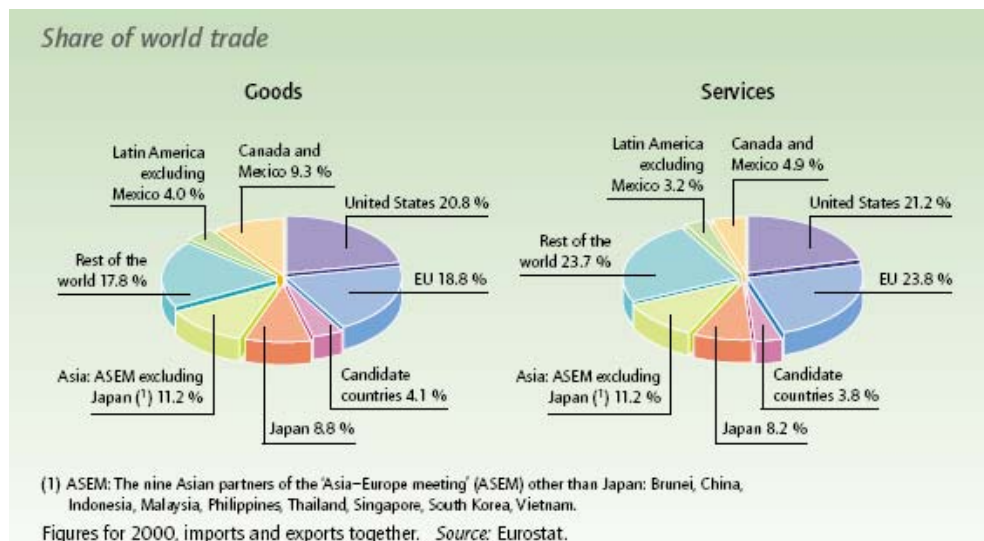
Source: European Commission Com 2002 513 final

³⁸Van Reisen, M. “EU ‘Global Player’: the North-South Policy of the European Union”, Utrecht: Eurostep International Books, 1999,p.129

³⁹ European Commission Com 2002 513 final, Trade and Development, Assisting Developing Countries to Benefit From Trade, Brussels/18.09.02

External trade in goods became an undisputed exclusive EU competence having a solid legal basis coming from treaties. On the article 133 of Consolidated Treaty all methods of decision making in this issue have been clarified. This legal authority is well used by European Community who is now totally responsible for negotiation in the WTO and other bilateral and multilateral trade relations.⁴⁰

Table no: 4 Share of World Trade



Another internationally important character of EU is its dominant presence in world trade. In 1997 the EU accounted almost 38% of the total of global exports with a good rate of profit.⁴¹ As the graphic above shows clearly after the enlargement of 2004 EU has become the biggest trade actor. That gives him a big saying in the international trade talks in the core of WTO. The problem with the trade in Europe is the incoherence of views among member countries. There are those who defend a liberalization of trade against those who are more protectionists and this conflict may have bad repercussions on the evolution of development policy. But it wouldn't be wrong to say that general tendency in the world had its way in EU policies toward a more liberal trade.

⁴⁰ http://ec.europa.eu/comm/trade/issues/newround/index_en.htm access on 24th of March 2006

⁴¹ Van Reisen, M. "EU 'Global Player': the North-South Policy of the European Union", Utrecht: Eurostep International Books, p.129

When talking about EU's trading relations with the developing countries it is possible to analyze a transition from particular and specialized arrangements to a contemporary approach to treat all countries as much as alike as possible, ignoring to large degree differences of geography. Treaty changes in 1990s, by which integrating the developing countries into global economic system is aimed had also that effect.⁴²

But a big problem persists about the changes in policies, that of decision making difficulties in the European Union despite the outside view that the Commission is the leading instance.

Article 133 of the Consolidated Treaty explains the decision making procedures in complexity. In practice the EU's decision-making process for international trade is dependent on an extensive consultation process between the Commission and the Council. European Parliament has no formal power under treaty provisions for trade policy, although its assent is required if a treaty or association agreement is involved or where budgetary issues or the co-decision procedure is required.

According to these procedures, whatever concessions or innovations with a third party remains subject to EU approval. And Commission cannot expect the Council to accept whatever deal it negotiates. This creates a coherence problem accentuated with the member states divergent views and agendas. The problem here is highly related to the dichotomy of the liberal economy supporter countries and the countries defending the protection of internal markets.

Such tension between two economic paradigms, leading to different practices at various policy levels creates contradictory policies that are incoherent with the objectives of the EU development policy⁴³

But some contradictions can be analyzed also through the measures taken as seen in example of Lomé that was aiming to promote trading relations and improve EU-ACP balance of trade by giving non-reciprocal preferential

⁴² Holland, Martin. *European Union and the Third World* Gordonsville, VA, USA: Palgrave Macmillan, 2002. p 140

⁴³ Van Reisen, M. "*EU 'Global Player': the North-South Policy of the European Union*", Utrecht: Eurostep International Books, 1999 p. 143

access to ACP countries. The result was an adjustment in trade balance but as a side effect the ACP dependency on raw materials has been promoted in exchange for importing primarily industrial goods from Europe.⁴⁴

As can be understood easily from the EU's trade with ACP countries has fallen while it has been increasing with other developing countries despite the Lomé Convention's privileges

In consideration with its policies two important fields are worth to be considered in detail for EU's trade efforts for a better development:

1.3.2.1 Trade relations with ACP in context of development

While talking about relation of EU's trade and development policies; it is important to have a look at its trading relation with developing countries.

In terms of trade relations, we can divide the developing world into two groups; ACP states and the non ACP, Least Developed Countries that at least until Lomé IV, benefited from negotiated trade preferences; and the other, all remaining countries that were subject to GSP regime.⁴⁵

ACP countries were in the top of pyramid of preferences created by EU in 1975, concerning market access to non-members thanks to Lomé who is a negotiated agreement contrary to the GSP given by the EU unilaterally.

Evolution of trade in the last quarter of 2000s had led the EU to adopt a system of trade depending on regionalization of external relations. This new system is very criticized on the issue of competition capacity of each country mostly the LDCs. But the EU has finally accepted the idea that non-reciprocity has to be rule for the LDCs. All other trade relations after year 2000 were to be based on reciprocity.⁴⁶

⁴⁴ Holland, Martin. *European Union and the Third World* Gordonsville, VA, USA: Palgrave Macmillan, 2002. p 147

⁴⁵ Ibid p. 143

⁴⁶ Ibid p. 145

Another important point is that 45 of ACP states are LDCs and there is a heterogeneous structure among these countries.⁴⁷ Only a small number of countries are doing more than half of the export of ACP countries.

Although this pyramid has changed too much in shape with the gaining power of liberal approaches, the ACP states keep being in the center of discussions. Many ACP states will have their preferences further reduced under Cotonou Agreement and will probably enter new reciprocal regional or sub-regional agreements by 2008.⁴⁸

1.3.2.2 Trade relations with Latin America (MERCOSUR) in the context of development

First trading relations with this region have been established in 1971 with the introduction of GSP provisions offering a prospect of a fair trade with Europe. But the privileged statute of ACP countries and member states politics inside the Community didn't permit development of these relations until adhesion of Portugal and Spain. Successive agreements signed have followed the years until the end 2000 when EU concluded a trade agreement with Mexico for the creation of continental-wide free trade area.

However, MERCOSUR, who comprises about 50 per cent of total EU exports to Latin America, has increasingly become the EU's preferred framework for relations arguably at the expense of the other Latin American cooperation agreements signed with the EU.⁴⁹

But for keeping connected with the reality MERCOSUR is composed of a group of economically metrical developing countries, with immature democratic structures and they have a vulnerable character against the mechanism of international economics.

⁴⁷ <http://www.un.org/special-rep/ohrlls/ldc/list.htm> accessed on May 30th

⁴⁸ Dickson, Anna K.; Arts, Karin(Editor). *“EU Development Cooperation : From Model to Symbol.”* Manchester, , GBR: Manchester University Press, 2004. p. 42

⁴⁹ Holland, Martin. *European Union and the Third World* Gordonsville, VA, USA: Palgrave Macmillan, 2002. p55

The relations with Latin America is not a privileged one for all member countries and poses some challenges; funds that shall be canalized in this process, coherence and coordination of EU donors, and offering more efficient aid to the region. Improving the dialogue with the regions countries also constitutes another important challenge.⁵⁰

Another problem concerning trade with Latin American region is that the agreements don't include Andean Community and Central American countries. They can only benefit from the General System of Preferences (GSP). And secondly these trade agreements don't deal with what Latin American Countries request; access to EU's agricultural market.⁵¹

Banana trade war has been an obvious example of difficulties of adaptation in agricultural policies and trade, against the USA. Since Lomé 1 ACP states have been given preferential statutes by the EU in the trade of bananas for some historical and developmental reasons. In the process of United States reclamation through the GATT talks, EU has been punished and has been asked to abolish the preferential statute of ACP states.

Banana Trade wars has taken an important place in the discussion of international trade and in EU-ACP relations.

EU had to then choose trade liberalization because of these external pressures as well as the resistance in the EU because of the failure of the existing preferences.

As a consequence of all EU has integrated trade to its implementation of development policies and the Commission has pushed the development agenda on that basis.

⁵⁰ Christian, Freres; *“European Union as a Global “Civilian Power” : Development Cooperation in EU-Latin America relations”*Journal of Interamerican Studies and World Affairs, Vol:42, No.2, Special Issue: the European Union and Latin America: Changing Relations summer 2000 p.80

⁵¹ Ibid p. 81

At Doha at the end of 2001 for the first time ever, countries reaffirmed development objectives as a main focus of the new WTO round –Doha Development Agenda (DDA)-. It was then recognized that development, peace and security were inextricably linked, and that trade generated income, created wealth and jobs and finally, contributed to narrowing the gap between developed and developing countries..... It is commonly accepted that free trade is crucial to enhancing the ability of developing countries to finance their own development.⁵²

Ove Ullerup in the same conference expressed that it is also necessary to go beyond technical assistance by doing comprehensive reviews of trade issues in developing countries, to come up with a plan for these countries that ensures there are no missing links regarding export issues.⁵³

As far as trade and development is concerned, market access alone is not a means for fostering development in developing countries. This is an experience which has been learnt from 25 years of the Lomé Convention where the ACP had the best market access granted by the Community to any third partner in the world.

⁵² Slovenia Minister of Foreign Affairs Dimitri Rupel's speech in International Policy Dialogue, Summary Report from the Conference of International Policy Dialogue, 7-8 April 2003 p 35

⁵³ International Policy Dialogue, Summary Report from the Conference of International Policy Dialogue, 7-8 April 2003p. 78

2 Global Context of Development International/ Cooperation for development with Other Actors

The analysis made till here was a Eurocentric one. It is also of great importance to add global context to the parties already treated to arrive a total view of evolution of EU's development policy.

For this perspective following this overview an examination of the international institutions who are working also on the subject of development will be given in relation to European Union.

EU's development policy is also changing according to the other actors in international arena and adapting itself to the conjuncture. It is often argued that EU's development policy is usually a responsive one constituted by the actual situation and under influence of different paradigms and concessions between member states instead of being planned in advance for more precise purposes. Lack of CFSP can be one reason of it and reciprocally the evolution in the development policies also lead formation of a CFSP.

As coherence is becoming one of the most discussed topics in the development policies the EU has to pay more attention on the coherence both intern plan and extern plan.

These actors are most importantly the International Financial Institutions in (IFIs) the UN system. An analysis on evolution of EU development policy requires only the analysis of some very important actors as UNDP, IMF, WB and WTO. NGOs are also important international actors in the formation of policies but of course their influence is to some extent as they are not in donor position or can redirect the change. The WB and the UN are the most determined institutions who have the development on the top of their agenda, but other institutions also have significant influence on development issues.

With the efforts of these institutions the increasing importance of development has attracted more attention followed by international

conferences. The most remarkable ones were the World Summit for Social Development (Copenhagen, 1995), Millennium Declaration in 2000 and Doha Development Agenda (November 2001), Monterrey Development Round (2002), World Summit For Social and Sustainable Development (Johannesburg 2002).

In order for the international community's commitment to attaining the MDGs and expanding world trade is to be reflected consistently and effectively on the ground, it is essential to strengthen coordination and cooperation between international organizations. This means not only avoiding wasting time and resources, but also pooling ideas and competencies.⁵⁴

In order to do this it is important to see with what international community is occupied.

WTO members decided the next trade negotiations after Doha, Qatar should be "Development Round" which should place developing countries interest for the future. But doubts have been raised after Cancun and Mexico.

Another important example initiative was the debt relief launched by IMF and WB in 1996 with the name of HICP (Heavily Indebted Poor Countries) initiative. The developed countries have committed \$41 billion for debt relief with a comprehensive approach

In this chapter firstly Bretton Woods Organizations which are World Bank and International Monetary Fund and their impact on EU development policies will be analyzed, secondly a closer overview of EU and WTO relations through liberalization of commerce and integration of trade to development policies would take place and lastly the EU efforts will be placed in the context of UN systems actions in the field of development.

⁵⁴ France and the United Nations Development Peace Security Human Rights, Groupe Agence Française de Développement, Paris 2005 p.15

2.1 Bretton Woods Organizations/World Bank-International Monetary Fund

These institutions were established just after WW I with the decision taken in Bretton Woods Conference for establishment and maintenance of the economic order after war. The Bretton Woods Institutions – the International Monetary Fund (IMF) and the World Bank – are powerful organisations whose potential capital base exceeds \$500bn and have a very different voting mechanism depending on financial contributions of the states.

Within the Bretton Woods Institutions (BWI), the EU stands somewhere between the United States as the dominant major shareholder and the large group of borrowing countries. With its economic clout and “soft power” credentials, it could and should play a much larger role in these powerful organisations.⁵⁵

2.1.1 World Bank⁵⁶

The mission of development banks like World Bank has to follow usually a frame with four aspects; promotion of socio-economic development, improving living quality, poverty alleviation, providing public goods to all worlds disposal.

World Bank created with a spirit of Marshall Plan occupies a central place concerning the aid to the developing countries. Essentially this financial aid took form of loans to be granted for infrastructure projects but soon turned into institutional reforms in favor of liberalization. It has five agencies, International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), International Development

⁵⁵http://europesworld.link.be/europesworld/PDFs/Issue2/EW2_1.3_Fischer_Why_Europe_should_spearhead_IMF_and_World_Bank_reform.pdf accessed 23.02.2006

⁵⁶ <http://www.worldbank.org/>

Association (IDA), Multilateral Investment Guarantee Agency (MIGA), International Centre for Settlement of Investment Disputes (ICSID).

The main responsibility of WB group is to help developing countries by Grants and Loans which are usually linked to certain number of conditions which are usually related to Western views such as free market. This approach is usually criticized because of perverse effects on development of countries that are not ready for the international competition of their own market.

WB is a part of UN system but with a different structure of governance. Plus the basic rights that all members have, the contributors gain additional vote right depending on amount of their contribution to the institutions budget.

The European Commission and the World Bank are strategic partners in the effort to eradicate poverty in the world. Both base their programmatic assistance on the recipient countries' strategies [such as Poverty Reduction Strategy Papers (PRSPs)], underlining the importance of the principles of country ownership, participatory approach and accountability.

Harmonization is a major part of the common agenda. The Commission works with the World Bank to increase aid effectiveness through closer alignment of implementation procedures with partner country systems. The Commission contributes to several multi-donor trust funds managed by the World Bank and regulated by a Trust Fund Framework Agreement, including funds for the Heavily-Indebted Poor Countries Initiative (HIPC) and Afghanistan and Tsunami reconstruction.⁵⁷

⁵⁷ <http://www.eurunion.org/legislat/EcFinIntlDevAid/IntlDevAid/IntlDevAidHome.htm>

2.1.2 IMF⁵⁸

The IMF is an international organization of 184 member countries. It was established to promote international monetary cooperation, exchange stability, and orderly exchange arrangements; to foster economic growth and high levels of employment; and to provide temporary financial assistance to countries to help ease balance of payments adjustment.⁵⁹

The IMF is the referee and, when the need arises, rescuer of the world's financial system. It was set up to supervise the newly established fixed exchange rate system. After this fell apart in 1971–73, the IMF became more involved with its member countries' economic policies, doling out advice on fiscal policy and monetary policy as well as microeconomic changes such as privatisation, of which it became a forceful advocate. In the 1980s, it played a leading part in sorting out the problems of developing countries' mounting debt. More recently, it has several times co-ordinated and helped to finance assistance to countries with a currency crisis.⁶⁰

The primary mission of the IMF is to provide financial assistance to countries that experience serious financial difficulties. In return, the countries are usually required to launch certain reforms, an example of which is the "Washington Consensus".⁶¹

Critics on IMF has focused on this issue because she got involved with many other issues which created problems for the evaluation of IMF's work.

After Latin America, another example of where IMF Structural Adjustment Programs aggravated the problem was in Kenya. Before IMF got involved

⁵⁸ <http://www.imf.org/> accessed May 2006, www.wikipedia.com May 2006

⁵⁹ <http://www.imf.org/external/about.htm> May 2006

⁶⁰ www.wikipedia.com May 2006

⁶¹ <http://www.uiowa.edu/ifdebook/> June 2006

in the country, the Kenya central bank oversaw all currency movement in and out of the country. IMF mandated that Kenya central bank had to allow easier currency movement. However, the adjustment resulted in very little foreign investment, but allowed Kamlesh Manusuklal Damji Pattni, with the help of corrupt government officials, to siphon out billions of Kenya shillings in what came to be known as the Goldenberg scandal, leaving the country in a state worse than that which it was in before the IMF reforms were implemented.⁶²

The International Monetary Fund is another important partner of the European Commission. IMF macroeconomic programs with developing countries are usually a condition for the disbursement of EC macroeconomic assistance. The IMF plays an important role in debt-reduction initiatives, improving public financial management and accountability, financial sector reform and the fight against money laundering.⁶³

2.2 World Trade Organization⁶⁴

As previously told Trade is a very key concept for EU's relation with third countries considering EU's high volume of trade and part in international trade system. This is why WTO is a very important institution having significant affects on the evolution of EU's development policies.

WTO is the fruit of negotiation cycles on international trade, and created upon the decision in 1994 and became operational in 1995.

WTO rules have to be taken as reference in the conclusion of all commercial exchanges and commercial agreements. This is also why EU had to act on Lomé convention which was not in conformity with WTO standards

⁶² Jan Joost Teunissen and Age Akkerman (eds.) (2005). *Helping the Poor? The IMF and Low-Income Countries*. FONDAD.

⁶³ <http://www.eurunion.org/legislat/EcFinIntlDevAid/IntlDevAid/IntlDevAidHome.htm>

⁶⁴ http://ec.europa.eu/comm/trade/issues/newround/index_en.htm

because of the fact that some of the preferences provided by EU are considered by some countries as discriminatory and non reciprocal.

Millennium Cycle is the WTOs most important effort stimulated principally by European Union in the subject of development.

The challenges of the millennium year have changed the priorities and ask for new thinking about solutions of some problems on the agenda.

Conciliation of demands on economic growth and integration of developing countries to international economics, protection of environment social rights and establishment of an international system of exchanges based on rules are some issues that have been problematically held in this cycle.

EU insisted on the integration of the developing countries to the global economy by making them participate more actively to the multilateral commercial system. Results are to be revised soon but it is clear that new commercial regime of WTO has too much influence on the relation of EU with developing countries particularly the ACP states.

2.3 UN Organizations and UNDP

UN contributes to the development efforts by many of its organs and activities. Principally the UNDP (United Nations Development Program) and UNCCD (United Nations Conference on Commerce and Development) but also United Nations Educational, Scientific and Cultural Organization (UNESCO), International Labor Organization (ILO), World Health Organization (WHO), Food and Agriculture Organization (FAO).

UNDP is the principal organ of technical assistance of UN for Southern countries created in 1965. Its aid, without serious imperative conditions on the contrary of IMF's Structural Adjustment Program, consists of formation of directors for development projects, establishment of cooperation between

countries of the same region, cooperation of different operational services of UN in the developing countries.

Contribution of UNDP to the evolution of development policies has been immense. The annual “human development report” is very important in this point of view. Another important contribution of UNDP is the concept of Human Development Indicator (HDI) which is used as an indicator of development situation in a given country taking into account principally life expectancy, education and income level contrary to Bretton Woods organizations who used to use only GDI as an indicator.

The other institutions indicated in the first paragraph carry on parallel and complementary activities to UNDP but their budgets and influence remain less significant and the WB and IMF.

3 The Road to Cotonou and Possible EU Contributions to MDGs:

3.1 Road to Cotonou

At last chapter we'll analyze the current development policy of EU in the light of first two chapters and with the most extensive development programs analysis. It is necessary to do this analysis within a historical perspective to see how and why Cotonou Agreement has come out as reformist development policy fruit. This historical approach can be divided in three big groups considering the Cotonou agreement as the new era, the years between 1996 and 2000 as the transition period for reforms, and the period before these reforms. The table below would let an easier chronological analysis of the period until 1996.

Table no 5 : Evolution of the EC-AASM/ACP relationship.

Year	Event	No. of AASM/ACP countries	No. of EC countries
1957	Creation of European Economic Community	-	6
1964	Yaoundé I Convention between EC and AASM	18	6
1969	Yaoundé II Convention, EC-AASM	18	6
1975	Lomé I Convention between EC and ACP group	46	9
1980	Lomé II Convention, EC-ACP	58	9
1985	Lomé III Convention, EC-ACP	65	10
1990	Lomé IV Convention, EC-ACP	68	12
1995	Lomé IV bis, EC-ACP	70	15

3.1.1 The period until 1996

This period starts just some year after Treaty of Rome and goes until 1996 where the need for reform has been really high and a return was exaggerated. It can be divided into three important periods in relation to radical changes in policies; Yaoundé I and Yaoundé II are in the first period starting in 1964 with a few number of countries, Lomé I, Lomé II, Lomé III are the conventions just after Yaoundé and created in a favorable climate to developing countries. Lomé IV has been different in many terms than the first three Lomé Conventions because it has been prepared under the influence of neo-liberal wave that caught EC policies.

3.1.1.1 Yaoundé I, II

This period has started with the formulation of Yaoundé Convention referred as Yaoundé I in 1964. It was signed between 6 member states and 18 Associated African States and Madagascar (AASM) who has 80% of their trade with EC and 98% of aid related to EC.⁶⁵

Then there is second Yaoundé Convention that enters in force in 1971. These two Conventions have possibly contributed to the relations between Associates and Community. The Conventions are subject to negotiation and requires ratification of signatory countries. These properties have led to the organization of AASM for the formulation of demands.

3.1.1.2 Lomé I, II, III

After second Yaoundé Convention, EC had to face with some external and internal challenges. The adhesion of UK to the Community and the record high oil prices who had important effects on the relation of North/South have changed the direction of EC policies.

⁶⁵ Grilli, E. *The European Community and the Developing Countries*, Cambridge: Cambridge University Press, 1993 p.15

The rationale behind Lomé I embraced all these changes and its provisions at the time were widely viewed as the most progressive in the world based, at least in theory, on partnership and solidarity.⁶⁶

Lomé has been formulated at this time in 1975 with 46 ACP states.

Lomé Convention has been an essential step for the changes in development politics with the innovations it brought out:

1 Requirement for the reciprocity in trade concessions was abandoned and all Community concessions are given unilaterally

2 Some measures are taken for avoiding bad impact of price fluctuations on export earnings in instable economies ACP states. The System for the Stabilization of Export Earnings (Stabex) has been established for this very purpose.

3 Special arrangements are made with the help of additional Protocols for some sensitive and strategic products like sugar, bananas, rum, beef and veal.

4 The concept of Partnership seems to be another particularity that has been evoked with Lomé Convention which means that ACP states are fully responsible from their internal policies and there would be no tied or conditional assistance.

The favorable climate that has contributed to the formulation of Lomé Convention hasn't continued too much and neo liberal thought on development as on many other issues has gained power also with the efforts of WB and IMF as well as other international actors. However these changes haven't resulted with a significant innovation in the Lomé II (1980) and Lomé III (1985).⁶⁷

⁶⁶David, D. (2000) '40 Years of Europe— ACP relationship', ACP— EU Partnership Agreement signed in Cotonou on 23 June 2000, supplement to The Courier (Brussels: European Commission), p.12

⁶⁷ Bretherton, Charlotte. *European Union As a Global Actor*. London, UK: Routledge, 1999. p 118

3.1.1.3 Lomé IV and Lomé IV bis

EC has witnessed other important events all along this period which took him to the formulation of Lomé IV with a different perspective. The Enlargements of Greece, Spain and Portugal who extended aid's geography as had been set in first chapter, the establishment of Single Market and increasing influence of liberalization in trade with GATT rounds are the main factors in that period going towards Lomé IV.

Lomé IV is of ten years duration with a mid-term review rather than full negotiation at the end of five years as has been the case in other Conventions.

Although the trade and aid approach has been continuing with some little revisions, a perceptible shift in approach to cooperation partnership had taken place with explicit political conditionality introduced for the first time. Political conditionality became an essential element of the new approach to development issues.⁶⁸

The change in economic terms can be read by adoption of WB and IMF programs and their insertion to EU development policies for the first time.

Lomé IV bis has come just after two important changes; the fall of Berlin Wall and the entry in force of TEU. This is why there are more indications on the "objectives and priorities of the Community's cooperation policy". There have also been important changes in the reimbursement and audit of financial assistance with the two tranche system of EDF. The amount of EDF contribution has been subject to discussions resulting with diminution in only UK's part.⁶⁹

Changes in EU policies and in the international position of Africa led to the increasing marginalization of the Convention. Nevertheless, there are also

⁶⁸ Bretherton, Charlotte. *European Union As a Global Actor*. London, UK: Routledge, 1999. p 119-120

⁶⁹ Bretherton, Charlotte. *European Union As a Global Actor*. London, UK: Routledge, 1999. p 121

significant sources of strength and stability in the Lomé relationship, which can be considered as both an alliance and an international regime.⁷⁰

3.1.2 The period after 1996:

The 1993 Treaty on European Union provided a general guide to the objectives of EU development policy with its article 130. Beyond this, several internal and external developments have heavily affected the relations of EC and developing countries. In response to all those the Commission of EU has issued its discussion Green Paper in November 1996 on the future of Lomé.

Green Paper has been the beginning of discussions about real discussions on the policies followed till then and the policies that will be followed on.

The challenges of Lomé were clear in many fronts. The majority of countries are still having serious economic and social problems and dependent on aid. This fact despite the aid flow had resulted with the conditionality increase and its possible use for future agreements.

Another important factor was the fall of Berlin wall that changed firstly the ideological perspective contributing to the allocation of aid on more objective values and secondly changed the geography of aid because of the need of aid in Europe's borders.

Parallel to all the factors above there is also the fact that parameters in the world order has also been transformed. With the technology and developing communication systems as well as globalization of trading and financial systems the world has become smaller in all means and this change supported by neo-liberal thought became the commonly accepted order of

⁷⁰ Lister, Marjorie. *European Union and the South : Relations with Developing Countries*. London, UK: Routledge, 1997. p 168

the world. So it has been more difficult for Europe to maintain special situations as has taken place in Lomé.⁷¹

Another related reason about the difficulty of maintaining privileges is the fact that it has become more difficult to maintain the relationship on the basis of post colonial ties and historical perspectives.

At the end group to group dialogues gained more weight on the international politics of the EC and the ACP states have lost a big part of their privileges.

There have been many important critics towards the EUs inner structures and decision making procedures in this reform process. It is obvious that in comparison to other donors EU has a great bureaucratic complexity.

Another difficulty is the difficulties of agreement between member states. There are usually big differences of vision and conception which leads to big discussions without result.

As a result Green Paper has come out with four propositions about the future of Lomé:

-The status quo: this saw the existing contractual system of non-reciprocal preferences maintained, if moderately reformed.

- GSP: a uniform application of the EU's Generalized Scheme of Preferences for the ACP states, thereby removing trade from any future Europe— Third World agreement.

- Uniform reciprocity: after an asymmetrical transitional period all ACP countries would be required to extend reciprocity to the EU in line with WTO rules.

-Differentiated reciprocity: in this option different groups of states or individual countries were to receive different reciprocal arrangements with the EU, again based on free trade arrangements.⁷²

⁷¹ European Commission. 1996. *Green Paper on relations between the European Union and the ACP countries on the eve of the 21st century - Challenges and options for a new partnership*. Brussels: European Commission

The first option didn't seem any longer possible and it was obvious that there was a will to change the policies in European side. But talking about other options, it was unclear what options the EU would choose.

At the end the Commission has drawn its policy guidelines after the evaluation of the Green Papers results. These policy guidelines will also be a basis for the negotiation mandate.

In summary these guidelines underline essence of poverty alleviation for EU development policies and introduce a stronger political dimension in parallel with an emphasis on conflict resolution and prevention. While security issues dominate EU's preoccupations with all its aspects, the preoccupation about poverty will be a key politics to be followed, set out also by MDGs in upcoming years.

Regionalization in economic cooperation has been proposed for further success of development that hasn't been appropriately achieved and the road to reciprocity has been put on agenda. A more balanced country specific partnership has been set as the direction.

So it can be said that in economic cooperation Commission puts growth, competitiveness, and employment to the top of its preoccupations. Regional integration is a main point in changing guidelines of Commission considering the scope and effects of these policies.

⁷² Holland, Martin. *European Union and the Third World* Gordonsville, VA, USA: Palgrave Macmillan, 2002. p 173

3.2 Cotonou Agreement

Cotonou Agreement signed on 23 June 2003 and entered in force in April 2003 represents a new stage in EU's cooperation policies for the future under the light of all discussions taken place in the reform period. Much of the general experience and acquis of the previous twenty five years of Lomé were retained. Reforms were made under the light of failures; but in particular the institutional and policy-making contexts of each ACP country were seen as serious and fundamental impediments to effective development. The failures in trade issue and declining economic weight of ACP countries was also one of the lessons of past experiences. That's why new Agreement had to be placed in an international context which embraces trade liberalization, democratic institutions, and rule of law.

The Agreement conceives the development of Africa a linear evolution towards a level identical to that of the European Union. This process is expected to pass in four stages: the programmed end of the unilateral preferences, the regionalization of the relations, the opening of the African market to the European products and services and insertion in the world economy, alignment with the rules of the World Trade Organization (WTO). Pursuing the application of Cotonou, bilateral economic partnership agreements (EPA) are being negotiated. Their exclusively free-tradist contents are unaware of the economic and political inequalities North-South. The EPA thus can increase the dependence and the vulnerability of the African countries.⁷³

The Agreements main objectives are poverty eradication, integration of ACP states into the global economy within the frame of sustainable development. These main objectives have led to the creation of three dimension of Agreement: politics, trade, and development. This time the agreement has been signed for 20 years expecting more stability will be obtained.

⁷³ Tshimbulu, Raphael Ntambue; « *L'Union Européenne Sous le Feu de Critique* », Résistances Africaines, Maniere de Voir 79/2005, p.43

In this chapter Cotonou Agreement will be analyzed as a new model of Development policy in its differences with Lomé Conventions.

Cotonou approach to development is both integrated and sectoral; operations should focus on a specific sector (health, transport, etc.) and combine many aspects of cooperation (economic, environmental, social, etc.) in order to ensure that aid is better targeted.⁷⁴

If this Cotonou approaches as a whole catch a success then it can be a real reference for global development policies increasing importance of EU in the international arena.

The partnership in Cotonou is based on five different pillars; political dimension, promotion of non-state actors, development strategies and priorities, a new framework, reform of financial cooperation.

3.2.1 Political Dimension

The key elements of this pillar are enhancing local capacities for peace-building and conflict resolution, respect for democracy and human rights, and good governance.

3.2.1.1 Enhancing local capacities for peace building

Establishment of a democratic climate is a very important aspect of Cotonou Agreement. This is why conflict resolution and peace building have become an important aspect of political dimension.

Conflict prevention is a concept with a large definition; it comprehends the cases in which violence apparition is imminent but also avoiding that such situations never occur.

In a large sense conflict prevention actions can be grouped under the title of peace settlement. Conflict prevention policies can be essentially used when there is some tension but peace consolidation policies can be used in all phases of conflicts and peace.

⁷⁴ Seminar of Fraser Cameron in Istanbul, December 2005

There are three main areas of action concerning peace consolidation and conflict prevention: reinforcement of capacities of peace consolidation, early detection of possible trouble making issues, on time political action after analysis of situation.

European Commission supposes that the success in the evaluation of conflicts reside in a rapid reaction and active prevention and it has many non military intervention instruments for these crisis situations like technical and financial aid to the regional and international organizations, Non Governmental Organizations (NGOs) and etc.

The regulations of EU on Human Rights foresee clearly, action of Community in favor of operations aiming at conflict prevention and its consequences; particularly support to the creation of rapid alert structure, measures of confidence, promotion of humanitarian law and support to the international regional or local organizations acting in the domain of conflict prevention.

Thanks to its Council EU had developed better understanding that its development policy can be very useful to conflict prevention as it is the reason of most of the conflicts.

However there are disputes about peace settlement and development subjects relations as peace is a concept in the context of security for a determined time in comparison to development. But all the actors agree on the effect of conflict on the development process of developing countries.

The measures on the development policies have to favor sustainable development with an optimization of its socio-political impacts so that they contribute to solve the profound causes of conflicts. The allocation of Lomé Convention's resources has also been done with this view.

Support to democracy is one of key aspects of peace settlement, used as a tool for peaceful conciliation of different interests. Cotonou Agreement is envisaging support to democracy's development in all countries with its openly explained aims of participative development and good management of public affairs, governance.

3.2.1.2 Good Governance

Governance is a key concept put as a condition by EC usually in its development policies for certain reasons. This concept is totally new and different than Lomé system.

During the discussion on reform of EU's development policies the inefficacy of Lomé agreement despite the advantages it has given was discussed and a very important cause has been determined as the inefficacy of developing countries institutions and their system of public management. Under the future ACPEU partnership, assuming that aid is more selective and linked to assessment of "good governance", one criterion could be how much effort is invested in social and other policies designed to improve access to productive resources and boost employment.⁷⁵

But as this concepts definition is a bit vague Commission didn't explain what is required for good governance. It has only demonstrated that principle of partenariat wasn't respected because of weak institutional capacities of ACP countries and their dependency on aid. The European aid also didn't encourage internal effort for the creation of this capacity despite its increasing conditionality.

Cotonou has put special emphasis on the good management of public affairs and a regular dialogue has been established to treat this issue.

Corruption also constitutes an important place in Cotonou Agreement. All countries have agreed on new procedures for the serious cases of corruption. This mutual action on corruption is a real innovation in international scene of relations.

⁷⁵ European Commission. 1996. Green Paper on relations between the European Union and the ACP countries on the eve of the 21st century - Challenges and options for a new partnership. Brussels: European Commission

This corruption procedure is extensive in its application. It concerns all the financial involvements of EU including EDF and all situations having bad effect on development.

This is certainly important for the European side that has to deal with continuous questions about where the aid goes. The European Union will be credible to its tax payers with these implications.

3.2.1.3 Respect for democracy and human rights

These are essential elements of Cotonou described in 9th Article and are expected to designate the main conduct of all stakeholders in development policies. Firstly human rights are defined as universal, indivisible and interrelated. All human rights and basic freedoms have to be protected and promoted under the Agreement. Second, universally recognized democratic principles must underpin the legitimacy and legality of State authority. And thirdly the Agreement stipulates that the structure and the authority of government shall be founded on rule of law possessing an independent legal system.

Article 96 puts in evidence that breaches of these elements may ultimately lead to a country facing suspension from the Agreement. Any party to the Agreement can bring such a breach to the Council of Ministers which, within 15 days, must then engage in ‘consultation’ with the offending country on how best to remedy the situation. Where consultation proves unsuccessful or is refused, or in cases where immediate action is necessitated, ‘appropriate measures’ in accordance with international law and proportional to the violation, may then be taken. Full suspension from the Agreement is seen as a measure of only last resort (Article 96).⁷⁶

But this side of Agreement is also subject to critics. The evaluation criteria and the follow up conditions are not clear. There should be a possibility for the ACP countries to oppose the litigation. But according to critics a camp (European Union) cannot make decision or the sanction which relates to the other camp (Africa) without the opinion or the vote of this one and the

⁷⁶ Holland, Martin. *European Union and the Third World* Gordonsville, VA, USA: Palgrave Macmillan, 2002. p 202

dialogue relating to the suspension of the assistance must thus be done either between the Union and the country in infringement but between the two big groups.⁷⁷

3.2.2 Promotion of non-state actors

Non-state actors have gained power in last decades in the entire world but and their implication in the formulation and application of policies have become an important aspect of political life. European Union on its side takes necessary steps and non-state actors are really actively lobbying in Brussels and Strasbourg. The counter part is usually missing in this relationship on the side of developing countries and Cotonou Agreement put special emphasis on this subject because of its multiple positive aspects. Participation of non-state actors is indicated as a fundamental principle in article 2 saying that the partnership is open to all sections of society, including private sector and civil society.

As has been indicated, these non-state actors include private sector as well as Civil Society Organizations. So a two folded analysis is required first on Civil Society Organizations and secondly on private sector.

3.2.2.1 Civil Society Organizations -NGOs:

The definition of civil society is a discussion in itself but in international relations most common used term for organizational form of Civil Society Organizations (CSOs) is the term NGO.

Role of NGOs have considerably changed today, and their presence is increasing without interruption.

Cotonou Agreement makes it clear that the partnership is open to non-state actors of all kinds as it is indicated in the related article.⁷⁸ Therefore it is important to note that introduction of these principles to the Cotonou Agreement is just a beginning phase and it is far away from reflecting the effective passage to this system.

⁷⁷ Tshimbulu, Raphael Ntambue; « *L'Union Européenne Sous le Feu de Critique* », Résistances Africaines, Maniere de Voir 79/2005, p.43

⁷⁸ Cotonou Agreement Article 2, title 1, chapter 1

It would be inappropriate to expect a sudden engagement of Civil Society in the process due to the fact that most of developing countries and LDCs don't have such structures.

But it is also evident and experienced that it isn't true to leave all the responsibility to only state actors in developing countries, and engagement of NGOs will certainly be a way to participative democracy but also a way of putting peaceful pressure on the decision-making process. Stakeholders will all be represented which will result with the adoption of these policies by the Society herself.

In fact Commission supports since 1974 Civil Society based projects, with the belief that NGOs serve as vehicles to attend poorest and marginal people. This role seems to increase with increasing importance of Civil Society and success of development policies.

3.2.2.2 Private Sector

Private sector occupies a key place as a motor of growth and principal potential source of employment in most developing countries. But the private sector in developing countries is facing now too many difficulties after WTO's new rules who obliges them to the global competition.

European Union plan for supporting private sector in Lomé Convention was consisting of three main objectives; employment increase by supporting Small and Middle Enterprises, poverty reduction in informal sector by supporting micro enterprises, and finally increasing exports by development of exchanges.

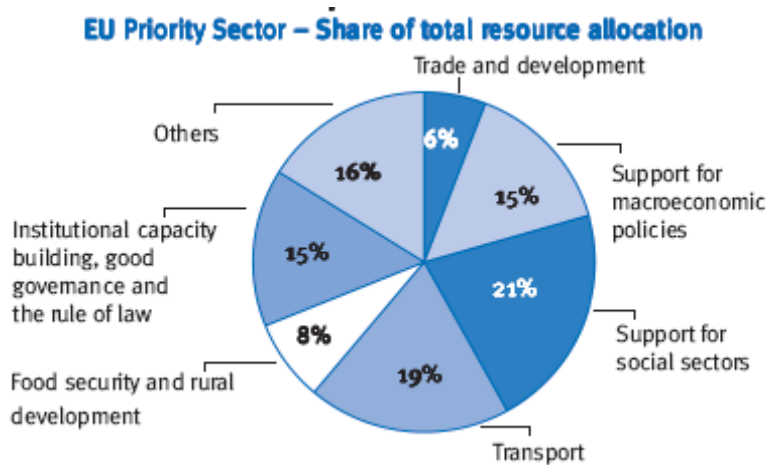
During the reform discussion between 1996 and 2000, the attention was taken on establishing a better relation of private sector and ACP states.

Further in the process of Cotonou the efforts for attracting private investment have been increased as a motor for the economic growth.

3.2.3 Development Strategies and priorities

The integrated approach of partnership stresses three key areas for cooperation. First, economic development, with the focus on investment and private sector development (eg, enhancing export activities); macroeconomic and structural reforms and policies (eg, liberalizing trade regimes); and sectoral policies (eg, developing the industrial, trade and tourism sectors). Second, social and human development with a focus on social sectoral policies (eg improving education, health and nutrition systems, and integrating population issues into strategies); youth issues (eg protecting the rights of children and youth, particularly girls); cultural development (eg, recognizing, preserving and promoting the value of cultural traditions and heritage).

Table no: 6 Funding for EC ‘priority areas’ from Country Strategy Papers in 2002



Source: Annual Report on the EC development policy and the implementation of external assistance 2003

The situation in 2002 as seen in the table is a good concretization of EU’s priorities. Support for social sectors is in the leading position and followed by transport.

3.2.4 A new framework

Cotonou sets ambitious objectives about the realization of essential and fundamental democratic elements and in other domains but this approach itself is a difficulty. A framework for partnership may be able to contribute to these objectives, but it is unreasonable expectation of Cotonou that it alone can achieve these outcomes.⁷⁹

The Community's policy will take care of these developing countries social and economic constraints in two ways; through social and human development policy (poverty alleviation), and secondly through cooperation and enhancing capacities of ACP states in international organizations.

All these objectives require a special attention but between them, poverty alleviation, trade, sustainable development and agriculture are the ones to be handled carefully.

3.2.4.1 Poverty Alleviation

The European Commission is formally governed by the 'campaign against poverty' mandate enshrined in the Maastricht Treaty and the Council Resolutions of 1993 on the fight against poverty and of 1996 on Human and Social Development (HSD), but there is no overarching commitment to PR. France and Spain have not given explicit priority to PR.

UN have fixed the period between 1997 and 2006 as decade of poverty alleviation sooner this decision is integrated in the Millenium Development Goals.

A great number of countries have committed themselves to Poverty Alleviation by several measures like employment stimulation, or microcredit projects fully supported by donors like World Bank.

An overarching PR goal represents the strongest and most comprehensive commitment by a donor, since in principle all their activities should be oriented and justified in terms of the ultimate goal.

⁷⁹ Holland, Martin. *European Union and the Third World* Gordonsville, VA, USA: Palgrave Macmillan, 2002. p 204

3.2.4.2 Trade

The issue of increasing trade levels of developing states and their integration to the international system is one of key elements of new European development policies.

Differentiation in relations for developing countries and for regions has become a fundamental principle, separating those who are more compatible to competition in global economy and LDCs which will maintain special protection.

With the new Agreement non reciprocal trade preferences are ended with the aim of liberalizing trade preferences. But from entry in force of the Agreement a 12 year of transition period is envisaged at the end of which regional economic partnership agreements will be established. ,

To realize the trade related aims two of these stages are really important; replacing the conditionality with contractility and secondly encouraging the establishment of free trade zones for finally integrating them to WTO system.

Conditionality has prevailed all among the application of Lomé Convention. But EU and ACP states have decided to replace it with contract notion and mutual engagements according to which only countries having good performance would receive European aid.

With the integration of notions like good governance, EU aims at passing through contract logic. By this way more responsibility will be given to ACP states who will in parallel be obliged to develop their governance skills and as a consequence macroeconomic and sectoral policies.

Creation of Free Trade Areas (FTAs) constitutes second important step in this new framework of EU. This is seen a new alternative acceptable in the context of WTO system and who can be beneficiary for gradual integration of weak economies into international economic system.

3.2.4.3 Sustainable Development

Sustainable development is defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.⁸⁰ The concept of sustainability refers to management of natural resources in a way that permits preservation of its future production capacity. This kind of development procures an economic growth taking care of humanitarian values and public goods like protection of environment.

Sustainability 21, organized in Finland in 1999 was the initiative influencing the formation of future European policies that shall be followed.

Along the Cotonou negotiations all these previous inputs have been reconsidered and EU had tried to carry on its objectives with the participation of ACP states who in exchange asked for additional financial resources to be able to follow these principle's costs.

EU aims to achieve these policies by the full integration of ACP states to international system which will facilitate the acceptance of new logics of development strategies.

3.2.4.4 Common Agricultural Policy; Honest solutions and discussions

One good concretization of these debates and a very important one on the global arena is the Common Agricultural Policy. CAP has been a very important community policy by certainly support of some countries like France. But such internal policies can have perverse effects mostly in developing countries because of the subsidies and the surpluses given as a result. This is why discussions on reform of CAP is a key issue both in internal plan but also external plan considering WTO talks and situation of Developing countries whose greatest export material is agricultural products.

An analysis of CAP would be useful to enlighten the discussion and would prove why the CAP is so pathetically debated.

⁸⁰ United Nations Department of Economic and Social Affairs, Division of Sustainable Development's definition, <http://www.un.org/esa/sustdev/>

CAP is the original common policy of the EU who has its legal base in Treaty of Rome (Article 36) with some aims like, reasonable farm incomes, guaranteeing and increasing the productivity, stabilization of markets and abolition of barriers to trade in the Community. Being a community policy it is further a reflection of member states efforts for the protection of their agriculture producers an important branch of their society. As a welfare state policy CAP has been the subject of big discussions with the dominant neo liberal world trade system beginning with GATT. CAP still remained, even reformed, due to the mechanisms of decision-making inside the Union (strong resistance in the Council and the DG of Agriculture).⁸¹

Therefore CAP is not the only agricultural policy to be discussed. As set out by Mark Malloch Brown the predecessor head of UNDP estimates that farm subsidies of Japan, USA and EU cost poor countries about \$50 billion a year in lost agricultural exports. By coincidence, that's about the same as the total of rich countries aid to poor countries, so they take back with their left hand every cent they give with their right hand.⁸²

According to a study of OECD, about potential gains by halving subsidies and tariffs that distort trade, like those that shield farmers from market forces and encourage them to plant certain crops, countries like Japan but also the European Union are very large gainers in terms of overall GDP (gross domestic product). This study indicates that a world trade deal that cuts trade-distorting farm subsidies and tariffs in half would boost global income by \$US26 billion a year, with more than one third of the gains going to the European Union.⁸³

Reforming CAP seems to remain a great challenge for Europe and although newly adherent countries will necessitate changes in the CAP it is hard to envisage how the interests of the developing world influence this agenda.

⁸¹ Dickson, Anna K.; Arts, Karin(Editor). *“EU Development Cooperation : From Model to Symbol.”* Manchester, , GBR: Manchester University Press, 2004 p. 52

⁸² Quoted in Nicholas D. Kristof. “Farm Subsidies That Kill” NY Times, 5 July 2002

⁸³ *Big EU gains from farm tariff cuts: OECD*, Sydney Morning Herald, June 7, 2006; <http://www.smh.com.au/news/World/EU-gains-if-farm-tariffs-cut-OECD/2006/06/07/1149359776609.html> accessed 07.06.06

This dilemma has increased with the enlargements as has been previously explained. The approaches of the Nordic states is in favor of a free trade arrangements and on the other side some other states lead by France and Poland are in favor of keeping the CAP. But all countries have recognized that it is not right to press on the developing countries to open their market while EU is trying to protect its own strategic markets like agriculture.⁸⁴

Another issue is the enlarging borders of the EU who obliged it to have an eye on the Mediterranean and took the attention from the African countries because of high birth rates in poverty conditions whose result is problem of immigration. This can be counted in many points that affected the ACP policies of EU.⁸⁵

The failures in Cancun and Mexico raised doubts and led to discussions about honesty of big countries of World about the Development Agenda.

Jan Karlson, Swedish Minister for Development Cooperation, made the very important critics about the subject of the reform in CAP. There is no point in helping countries to develop their export capacity if we are not ready to give them access to our markets. Many of these countries have a major development potential in their agricultural sectors. We must be aware of this when we discuss the Common Agricultural Policy (CAP).⁸⁶

⁸⁴ Dickson, Anna K.; Arts, Karin(Editor). "*EU Development Cooperation : From Model to Symbol.*" Manchester, , GBR: Manchester University Press, 2004 p. 52

⁸⁵ Crawford, Beverly, Why the Euro-Med Partnership? European Union Strategies in the Mediterrenean Region; Vinod K. Aggarwal and Edward A. Fogarty, eds., *EU Trade Strategies: Between Regionalism and Globalism*; New York: Palgrave Macmillan 2004 p.94

⁸⁶ The Enlarged EU, Partner of Developing World, Summary Report from the Conference of International Policy Dialogue, 7-8 April 2003 p.31

3.2.5 Reform of financial cooperation

The 9th EDF which begins with the new ACP Partnership Agreement signed in June 2000 in Cotonou (Benin) will last for twenty years. It will take effect for the first five years after the agreement has been ratified like the Yaoundé and Lomé Conventions before it, the Cotonou Agreement constitutes the legal basis of the development aid granted by the community to the ACP states.⁸⁷

Once again in the discussions of Cotonou, the critics of ACP states concentrated on the level of EDF funding. The final level of 9th EDF was set to 15,2 billion over the five year period.

The financial resources are as follows:

- Ninth European Development Fund (EDF): 13,5 billion
- Own resources of European Investment Bank: 1,7 billion
- Unexpended balance from previous EDFs: +9,9 billion

With additional funds from the unspent balances from the earlier EDF allocations carried the sum to some 25 billion. This 9.9 billion remained uncommitted from previous EDFs at the time of signing of Cotonou. It is an evidence of the fact that disbursement faces serious problems due to the insufficient institutional capacity in many ACP states as well as in the Commission.

Due to the problems caused by complexity and diversity of instruments Cotonou tried to rationalize the financial mechanisms in order to simplify the process and make financing more flexible. Provision was made for the rationalization of cooperation instruments, especially of the European Development Fund in contrast to the previous Conventions; the EDF will no longer be divided into several instruments with rigid allocation systems. The EDF now only provides for two financial instruments.

- **Grants:** these total EUR 11,3 billion under the ninth EDF, EUR 1,3 billion of which is set aside for regional programs. They will be

⁸⁷ European Commission, European Development Fund in a Few Words, Belgium 2002, p.4

administered jointly by the Commission and the ACP States. Each Country will receive a lump

- **Risk capital and private sector loans-investment facility:**

This new instrument, allotted EUR 2,2 billion from the ninth EDF, will be administered by the European Investment Bank. The Bank may provide loans, equity and quasi-capital assistance. It will also be able to provide guarantees in support of domestic and foreign private investment.

The new system enhances the flexibility and put emphasis on giving more responsibility to the ACP states which enables them to develop administrative structures for the management of aid and eliminates the unilateral programming by the Community.

The main instrument used for programming grants is the Country Support Strategies (CSS). CSS drawn up by Commission serves for setting out general guidelines for using the aid and will be supplemented by an indicative operational program containing specific operations and a timetable for their implementation. It is supported by annual reviews for adjustments.

CONCLUSION

The past 50 years have been the witness of evolution of relationships between EC and the developing countries at the center of which takes place ACP countries

It can be said that Cotonou Agreement which is the new frame for EU and ACP states, constitutes an important step for the first quarter of millennium just at the time the expectations of world society have arisen.

With this framework EU and ACP states have replied how they are going to lead the change generated by international order. This has been a particular response having historical roots since the very beginning of Europe's development aid.

The targets of new Agreement are in total conformity with other internationally led development policies. EU has clearly expressed its commitment to Millennium Development Goals which it pursues also by its ways. In contrast to Lomé the main objective has been accepted as poverty reduction. This is a clear indicator of the changes in the vector of European policies and in 2005 Europe initiated discussion whether it shall continue pursuing this objective after 4 years of combat.

EU is getting more and more in conformity with the development policies of other international institutions in this field and setting its own agenda in accordance with them.

The evolution in the politics of EU is due to very different range of variables: the end of Cold war that has put an end to the disbursement of aid on ideological basis, the member states role that has changed the perspective of EU's development policy towards a more global and contemporary one, the enlargements who have extended the geographical limits of cooperation, and the unending globalization process that leads to a economic liberalization under the stimulus of neo-liberal ideology.

Adding all these factors internal dynamics of the EU is a way of putting the all contributors of the evolution of policies in one place. The finalization of economic integration and continuous process of political integration made Europe one of the most important international actors; as the biggest trading

power speaking with one voice in WTO, the biggest aid donor, and a big soft power possessing all diplomatic utilities.

It is normal that this increasing international importance of EU pushes it in interaction with other big international actors. And interaction requires conformity.

If we accept the Cotonou Agreement as a general view of development within the EU then there are some main outlines that are essential for the evolution of development policies.

Trade is the very first one in this perspective change in the EU, after banana trade wars EU has committed itself to the trade liberalization gradually and Lomé bis has been the end of trade privileges given to ACP states. But European approach is in some way different than the global one supposing that every country has specific conditions and they should be treated in accordance to these conditions. This is why Cotonou foresees a gradual passage to full trade liberalization. That view can be evaluated as the contribution of EU towards a different liberal approach with a human face.

This human face is also the main component of European Development aid and the conditionality is set upon these principles of democracy, participation and rule of law. It aims at improving political conditions which will lead to the development of economic ones.

These external struggles find certainly some internal repercussions as can be seen in Common Agricultural Policies. Globalization puts in question the internal policies and their effect on development requires a reform on all aspects of these policies.

With the change in politics direction, privileging the ACP states and settling a basis of aid on the level of development and performance would lead EU to a more global engagement and force it to develop a more internationally recognized policy. Cotonou has been a beginning in this process, and the efforts made for MDGs are guaranteeing the going on of these politics.

Europe's international engagement is really important when we think about the coherence and consistency of international development politics which have become a need for the effectiveness of the aids.

But the problem is European priorities are not strategically defined and they reflect answers to ad hoc situations. Lack of Common Foreign and Security Policy is one main reason of not being able to develop strategies. But the development policies lead in a controversial mean to the formation of some basic principles of a foreign policy. This should be in the direction to obtain efficient and good results in accordance with the greatness of the EU aid in comparison to other donors. The fulfillment of the gap between results and the aid given is one of the motivations of changes in the European policies.

Contribution of the European Union that has a history of alternative models of development would be very useful to change the ultra neo-liberal and inefficient approaches and if led carefully can guarantee more commitment for the coherency and consistency of all actors.

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ANNEXE

ACP Countries Pacific



ACP countries Caribbean



ACP countries Africa

