



Gleneagles vs. Brussels? Burying the European Constitution poses a challenge to the UK's 2005 development agenda

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At about the same time as voters in France and the Netherlands were rejecting the draft EU Constitution, Bob Geldof was planning his latest coup – a million-person march to pressure world leaders into cancelling Africa's debt, giving more aid, enabling trade, and generally doing more to help lift millions out of poverty. Despite the imminent arrival of the G8 roadshow, however, the real action on poverty may in the end be needed not in Gleneagles, Scotland, but in Brussels.

Collectively, Europe is the world's biggest aid donor. For many developing countries, the EU is the largest trading partner. And last month, all EU Member States agreed a timetable to meet the 0.7 percent aid target needed to meet the Millennium development goals for reducing poverty by 2015. By default, this makes Europe a big player in any effort to tackle world poverty. The question then arises: Are the 'No' votes in France and the Netherlands a setback to the EU's ability to advance development?

At first glance, the answer is 'No'. Some argue that should the Constitution be given the green light – which is still in theory possible, given that 11 countries are in favour, 2 are against and 12 have yet to declare themselves – little will change in the way development policy is currently determined. Pragmatists claim that most functions can be introduced without the treaty.

For example, one outcome of the ratification of the Constitutional Treaty was to be the appointment of a European Foreign Minister, a position aimed at improving coherence and coordination of European external policy. Although Javier Solana, who is currently EU High Representative, does not technically outrank the foreign ministers of EU member states, he is already the visible 'face' of Europe and wields considerable clout internationally. And a tripartite agreement among the Council, Commission, and European Parliament – the three

main organs of the EU – could be negotiated that would give Mr. Solana most of the powers provided for in the Constitution: vice-president of the Commission, access to external relations funds, control of an EU diplomatic service and a role in setting the agenda in ministerial meetings. If all its member states agree to these proposals, it will be business as usual at the EU's relations with the world – even without a new treaty.

Or will it? In reality, the vote will have important, albeit indirect, consequences. Questions will start being raised that may dent the confidence of proponents of Europe as an international player. One big and perpetual question is whether Brussels is the right place to make decisions on important issues. And unity ends where money comes into play. The amount of money Europe will spend in the medium-term (2007-2013), including on development, depends largely on the outcome of the current battle over spending on Europe. The Dutch are the biggest 'net' contributors to the EU budget, a factor that clearly influenced the referendum in that country. After the two no-votes, the Commission's negotiating position against the six 'net payers' is considerably weaker. Backed mostly by Eastern and Southern European member states, the Commission wants spending to rise to 1.24% of the gross national income of Europe. The 'net payers' want a maximum of 1%. The 'No' votes make it likely the payers will have their way.

It is more than likely that this debate on overall spending will also affect external spending, including on development policy. Should the overall level go down, development resources might come under pressure from the Common

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Foreign and Security Policy (CFSP), a chronically under-funded endeavour aimed at strengthening the EU's international position. Debates are ongoing about the precise definition of what can be classified as spending on development and the European Parliament has already fought off the first attempt to muddle developmental objectives with economic self-interest.

Beyond budgets, the 'No' votes have tangibly changed the political climate in Europe. Many interpret the diverse combination of reasons for negative votes in France as an expression of unease with globalisation. This might tempt some European governments to toughen their stances in international negotiations on EU trade policy in the lead up to the Hong Kong World Trade Organisation meeting in December 2005. This could jeopardise the Doha Development Round. If this failed, it could have serious repercussions on the economies of some developing countries.

What is clear is that the vision of a more unified Europe has been dealt a heavy political blow from two member states that are anything but marginal in Europe's affairs. Re-negotiating the Constitution is not a viable option; most agree that though it is far from perfect, it was the best available compromise.

So what will happen next? Member countries, prematurely writing off Brussels and its institutions, might be tempted to sidestep the EU and pursue their development goals via institutions with presumably lower transaction costs, such as the World Bank or even the G8. With its president-elect still to take office, the World Bank remains a wild card. Turning to the G8 would also be risky, for three reasons: First, half

the membership of the G8 consists of the key EU partners (UK, France, Germany, and Italy). So there is little difference between the two. Second, negotiating a consensus with these EU partners, plus Canada, the US and Japan might prove even more difficult than internal EU negotiations. Furthermore, the G8 and other international forums are not structured entities, but rely on informal decision-making. They are much more fragile than the highly institutionalised EU, and have less space for package deals and even less power to force compliance with decisions.

Another possible result would be for the EU to turn inwards and become oblivious of the rest of the world. This would run counter to a key goal of the EU's reform agenda – improving its international performance. It would also mean that the world's biggest player in fighting poverty, and the world's biggest market for developing country exports, would no longer be on the stage, a dangerous prospect indeed. What is clear is that the EU is sorely needed by the developed world. As the UK takes up the EU presidency in July 2005, adding to its stewardship of the G8, it has the unenviable but important task of steering a sizeable ship through choppy and uneasy waters. This will take more than the voices of a million anti-poverty protesters. It will take good diplomatic skills and the courage to negotiate a workable compromise.

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