



The New EU Trade, Growth and Development Agenda:

A Step Too Short

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The EC Communication on Trade, Growth and Development, and its endorsement by the EU Council, is a welcome European initiative. As a lead international trade actor and aid provider, the EU has much to say on how best to combine trade and development and foster policy coherence for development. Or it should! In this respect, the outcome is an archetype of the EU nowadays, in both its positive and its less appealing traits.

The European Commission (EC) brings together a breadth of content from across its different directorates. This leads to a relatively uncontroversial document that appears to draw on the main emerging consensus in the fields of trade and development policy and to tie in nicely a range of existing policies and agenda issues. This is no little achievement for any administration, let alone the EU. It is also encouraging to see greater prominence given to market force considerations, equity, ownership and sustainable development in addressing the nexus between trade, growth and development. In essence, the EU stresses, among other things:

- The pivotal role of the multilateral approach and the need to strengthen the WTO as well as to achieve some concrete results in the current round of negotiations (e.g. on trade facilitation, Non-Tariff-Barriers (NTBs), dispute settlement and free market access for Least Developed Countries (LDCs) in goods and improved access in services);
- The need for Europe to adopt a differentiated approach, focusing on the poorest countries – mainly LDCs and ‘other developing countries most in need’, as stressed by the Council;
- The importance of addressing behind-the-border issues and supporting domestic reforms, infrastructure development, productive capacity and the various governance dimensions crucial

to sustainable and inclusive growth, including the respect and promotion of human rights;

- The key role of the private sector – in particular small enterprises – and investment;
- The need for better targeted and more effective AfT;
- The need to contribute to sustainable development and promote a green economy approach, including through trade measures; and
- The importance of domestic ownership.

Hardly any controversial issue there!

Reflecting on the EU approach, there is a sense of a missed opportunity, not so much in terms of what the Communication says, but in the key strategic considerations it omits to address.

The EU fails to be more explicit in declaring its own (trade) interests and how it intends to reconcile these with its values and development agenda. In the current climate, whereby European economic growth and employment are also a key policy concern, seeking a win-win relationship on trade and development with its developing partners would seem natural. But, unlike emerging players, the EU remains stuck in a benevolent discourse on trade and development, which unfortunately may sound somewhat patronising to many of its partners.

While the EU focuses on the LDCs and ‘other countries most in need’ (without ever defining this latter category), it says very little about those countries next on the development ladder – the Low-Income Countries (LICs) and Middle-Income Countries (MICs). Yet it is for these countries that a comprehensive trade agenda embodied in a thorough development strategy could provide the most potential for equitable and sustainable growth.

The EU is also very keen on excluding emerging players, which it sees mainly as competitors, from the realm of its trade and development agenda. This may well be justified in terms of unilateral trade preferences and development assistance. However, by ignoring the potential for cooperation with emerging players such as Brazil, India and China, the EU may seem out of synch with the rapidly changing world economy and development landscape. South–South relations have increasingly prominent implications for the dynamics of EU engagement with its developing country partners on trade and development issues. The EU's failure to offer any vision on this potential new dynamic may prove very counterproductive, from not only trade and development but also political and geostrategic perspectives.

In this context, the EU also fails to draw the most out of the critical role the private sector can play in fostering development. The Communication does propose a concrete package for small operators. Besides practical considerations on the operationalisation of such measures, for which the EU has no demonstrated comparative advantage, there is no strategic reflection on how much genuine demand there is from small operators in developing countries to enter into international markets when many of the constraints faced relate more to entering into local and national value chains. Given the weakness of business associations, in particular for small operators, in the poor countries most in need where the EU wants to focus its effort how can trade policy be used to encourage this level of integration into the world market? Moreover, the EU gives no proper consideration to the role its own international private sector can play in fostering development through trade and investment for inclusive and sustainable growth.

The EU also calls for a more strategic approach to its support to regional integration, notably by addressing regional integration in its political dialogue with developing countries and a greater focus on regions that show political will and have the capacity to deliver. This is very much in line with the tone of the EC during the ongoing mid-term review of the 10th European Development Fund (EDF) where serious cuts to the Regional Indicative Programmes are being announced. The EU is sadly silent on any specifics of its reviewed approach. To what extent will the EU adjust its support to regional integration, in which direction and to do what? And how can the EU revive its too often faltering political dialogue with its developing partners, better integrating a regional dimension? The EU falls short of spelling out any vision.

The issue is all the more pressing as efforts by the EU to combine a trade and regional integration approach, in particular through negotiations of comprehensive Free

Trade Agreements (FTAs), has at times encountered much resistance when it has not been outright unsuccessful, as with the Andean Community and in sub-Saharan Africa. The lack of reflection on the potential lessons of the Economic Partnership Agreement (EPA) negotiations with the ACP countries, some of which have been dragging on for almost 10 years now, is staggering. Failure to conclude agreements with a regional dimension could lead to a serious disruption, if not a break-up, of the regional integration dynamics in parts of Africa. While the EU reiterates the principles of asymmetry and regional dimensions, it does not reflect on its past failures and successes (as in Central America and the Caribbean) to articulate a new vision that could not only help to unlock some of the EPA negotiations but also foster a better tailored approach in other regions, such as with the Association of Southeast Asian Nations (ASEAN).

As for the promotion of core values – such as good governance, social, labour and human rights – the EU does not spell out clearly how these can best be articulated in its trade agenda. Pressing issues include coherence between the Generalised System of Preferences (GSP/GSP+) and other FTAs, implementation and remedies available for such principles, their effectiveness in supporting domestic reforms in partner countries and how best to reconcile such basic objectives with the principle of ownership. Such questions will be most acute in the southern Mediterranean countries, where the EU is committed to a 'more for more' approach following the Arab Spring, comprising more aid, market access and a migration facility for its partners engaged in more democratic and better governance reforms (EC, 2011a; 2011b). The articulation of such principles in the context of an equal partnership towards 'comprehensive and deep free trade agreement' will be challenging, in particular if the EU does not want to be seen as driving an external agenda forced on fragile countries. The priority of these countries following the Arab Spring is to reinvent themselves, establish their own new approaches to governance and development and deliver promptly on the Arab Spring promises of economic recovery, job creation and poverty alleviation. Most surprisingly, the Communication makes only scant remarks, as in passing, on these enormous challenges at the EU's doorstep.

If the EU is to become a more meaningful international actor in a rapidly changing global context and live up to the promise of the Lisbon Treaty of an integrated approach to the trade and development dimensions in EU external action, it will have to be more ambitious in addressing the numerous new economic, political and geostrategic challenges confronting it. The Communication does not prevent such developments, but does little to stimulate them.

References

European Commission (2011a) 'A Partnership for Democracy and Shared Prosperity with the Southern Mediterranean'. Joint Communication to the European Council, the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 8.3.2011, COM(2011) 200 final.

European Commission (2011b) 'A New Response to a Changing Neighbourhood'. Joint Communication to the European Council, the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 15.05.2011, COM(2011) 303.