

## Challenges for 2003

### The changing framework of EU external relations and its implications for the ACP

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OVER THE NEXT FEW YEARS, A SERIES OF MAJOR CHANGES IN EUROPEAN GOVERNANCE ARE LIKELY TO HAVE A FUNDAMENTAL IMPACT ON THE EUROPEAN UNION'S GLOBAL POSITIONING AND EXTERNAL ACTIONS. FOR THOSE INTERESTED IN INTERNATIONAL DEVELOPMENT COOPERATION AND THE EU'S RELATIONS WITH THE ACP, AND ESPECIALLY AFRICA, FOUR AREAS MERIT PARTICULAR ATTENTION:

- *Changes in the EU's institutional structure* will radically alter the way the Union conducts its external relations. The shape of these changes should be clear by early 2004.
- *Key financial decisions* in the period 2004-07 will establish the parameters for Overseas Development Assistance from the EU for the next five to seven years.
- *Global trade negotiations* are also advancing and various international agreements will change fundamentally in the next five years.
- *A more proactive stance by African leaders* in the way they position themselves vis à vis the international community means the EU will have to adapt its external relations in response.

All these changes are of course also occurring against the backdrop of international affairs and are therefore influenced by changing global concerns. Chief amongst these is the concern with security issues which is having a major influence on the policy agenda in EU external relations.

#### EU institutional change

##### *The Convention on the future of Europe*

The EU Laeken Summit in December 2001 established the Convention on the Future of Europe. Chaired by former French president Valéry Giscard-d'Estaing, the Convention was charged with looking at a number of key questions including the simplification of the Union's instruments and giving the EU a single voice internationally. The Convention's report, due in March 2003, sets the scene for the next Inter-Governmental Conference (IGC) at which the EU Member States (MS) will update the Treaty of European Union. It is hoped that with this preparation the IGC itself will be relatively quick and only last about one year. The ten candidate countries for the EU will participate fully in the IGC.

From the discussions in the Convention, a strong consensus is emerging on the need to improve the currently complex and somewhat chaotic way in which the EU conducts its foreign relations. A degree of political will is also building up around this point prompted among other things by the concern with international security, so there is a strong likelihood that definite institutional changes will be forthcoming.

A key question in this debate is the share of responsibilities and power between the EU Member States (the Council) and the Commission. It seems clear that the posi-

tion of High Representative for Foreign Relations, currently filled by Mr Solana, will change; the question is whether the Council will retain full control over this post, whether it will be moved to the Commission or whether the next incumbent will combine the roles of Mr Solana and Mr Patten<sup>1</sup> and be responsible to both institutions. The second major question is the way in which external relations decisions are prepared and taken inside the Council and Commission structures and how development aspects are integrated into the broader external relations context.

Following the Seville Council in June 2002, the Development Council was merged into a newly formed General Affairs & External Relations Council (GAERC). This change in the Council is likely to be reflected in the way the next Commission is formed with a 'senior' Commissioner presiding over the whole external relations area and a 'junior' Commissioner responsible for development within this area. Changes in the Council and the College of Commissioners are then likely to prompt changes in the organisation of the Council working groups and the Commission DGs. Whether or not DG Development will survive this reshuffle is an open question.

<sup>1</sup> Javier Solana is also Secretary General of the Council and as such reports to the EU Member States; Chris Patten, on the other hand, is a member of the European Commission where he is the Commissioner responsible for External Relations

The Convention's Working Group on External Relations has identified a series of principles for the Union's external actions. Very promisingly, sustainable development and the eradication of poverty figure prominently in this list. We must hope that these principles are retained in the Convention's final recommendations and then carried through to the IGC.

### EU enlargement

The recent Copenhagen Summit confirmed that negotiations would now start to accept ten Eastern European and Mediterranean states as new members of the EU from May 2004. In terms of the EU's development cooperation policy and programmes, this raises three basic issues:

- What contribution will these new Member States be able to make to the collective EU effort in international development? To what extent can they be seen as 'emerging donors', who will add value to this effort?
- There are clear capacity building needs in the international development structures of the new Member States. Some are further advanced than others. A first group of countries (Poland, Estonia, Czech Republic and Slovakia) have the basic structures at the official level and are currently developing them further. A second group (Hungary, Lithuania, Latvia and Malta) have embarked on the process of establishing such structures<sup>2</sup>. A third group has yet to

begin this process. What further efforts can be made to address these needs?

- However, perhaps the most crucial question is what sort of impact will the new Member States have on the EU's development policy after they join in mid-2004? Currently, these countries appear more interested in the ex-Soviet states and Central Asia and tend to focus more on humanitarian aid than development cooperation. This raises the issue of whether the EU might, as a result of Enlargement, become less interested in Africa and the plight of least developed countries (LDCs). What can be done to avoid such a trend is a question raised by many development professionals in both the ACP Group and the EU.

### The new composition of the EU institutions

In mid-2004, the EU will also experience one of its periodic moments of 'musical chairs'. Not only will the Council of Ministers be acquiring ten new members (a 40% increase in its numbers), but also the European Parliament will hold elections (which includes the new Member States) and a new College of Commissioners will be appointed. In other words, all three of the EU's major institutions will have a big influx of new people with different ideas, approaches and priorities.

Ensuring policy continuity in such circumstances will be an unprecedented test of the ability of civil servants to remain consis-

tent in their approach and their recommendations. Should organisational restructuring then occur thereafter, as seems likely with the Commission's external relations and development cooperation DGs, major swings in development cooperation policy seem inevitable. Of course policy shifts will not occur overnight, but after a relatively short period, the policy debate is likely to intensify, bringing with it different challenges and opportunities. Thus while mid-2004 will be the crunch date in terms of formal institutional change, the pace of policy and operational change can be expected to increase rapidly thereafter.

### The EU budget and finances for development

These policy debates will therefore also coincide with three important moments in the EU institutional calendar when major budgetary decisions are taken: the Mid-Term Review of the European Development Fund (EDF) 9 allocations, the negotiation of the next six to seven year EU budget framework and the negotiation of the 10th EDF.

### Mid-Term Review of CSPs and EDF9 allocations

The Mid-Term Review of the CSPs (Country Strategy Papers) and the EDF9 allocations in 2004 is unlikely to be significantly affected by the EU level institutional changes, but could prove important for a number of ACP states depending how strictly the exercise is conducted. The Cotonou Partnership Agreement allows for a certain level of redistribution of resources to recompense good performers and remove unused resources from poor performers. While Lomé IV first introduced this concept, the application under the Cotonou Agreement will be more rigorous.

The Commission is currently preparing for this review and will be presenting its initial proposals to the Member States in March 2003. This should give a more concrete indication of what is in store, but some ACP countries could find themselves with substantially less EDF resources than they first expected.

### Negotiation of the multi-annual EU budget framework

The negotiation of the next six to seven year EU 'Financial Perspectives' as they are

## Principles and Objectives of EU External Action\*

1. *The Union's action on the international stage will be guided by, and designed to advance in the wider world, the values which have inspired its own creation, development and enlargement: democracy, the rule of law, the universality and indivisibility of human rights and fundamental freedoms, the principles of human dignity, equality and solidarity, and respect for international law in accordance with the principles of the Charter of the United Nations. The Union will seek to develop relations and build partnerships with countries, and regional or global organisations, who share these values. It will promote multilateral solutions to common problems, in particular in the framework of the United Nations.*
2. *The European Union will define and pursue common policies and Union actions, and will work for a maximum degree of cooperation in all fields of international relations, in order:*
  - (a) *to safeguard the common values, fundamental interests, independence and integrity of the Union;*

- (b) *to consolidate and support democracy, the rule of law, human rights and international law;*
- (c) *to preserve peace, prevent conflicts and strengthen international security, in conformity with the principles of the United Nations Charter;*
- (d) *to foster the durable economic and social development of developing countries, with the primary aim to eradicate poverty, in particular in low income countries;*
- (e) *to encourage the integration of all countries into the world economy, including through the progressive abolition of restrictions on international trade;*
- (f) *to develop international measures to preserve the environment and global natural resources, and ensure sustainable development;*
- (g) *to assist populations, countries and regions confronting man-made or natural disasters;*
- (h) *to promote an international system based on stronger multilateral cooperation and good global governance.*

\*Final Report of the External Relations Working Group of the Convention on the Future of Europe, 16 December 2002:

<sup>2</sup> Krichewsky, L., "Development Policy in the Candidate Countries" Trialog, February 2002

known, is the most far reaching of these three moments. Negotiations for this multi-annual overall budget framework will start in 2004. They will set the levels of the nine major chapters of the EU budget for 2007-13<sup>3</sup> and the degree of annual variations. After this framework is set, it is virtually impossible to break these parameters during the seven years. The level of funds allocated to the External Actions Chapter then effectively becomes a closed system for the next seven years, with any increase in need, for example to cope with new priorities such as the current Global Health Fund, having to be found by savings in other aspects of external actions. The availability of funds for development cooperation in the EU Budget is thus constrained for these seven years by the overall size of the External Actions Chapter allocation and the competing needs of other external action requirements.

These negotiations are therefore also a crucial moment to redefine the relative priority the EU attaches to its major policy areas: if the budget allocated to EU agriculture (The CAP or Common Agriculture Policy) is to be reduced and increased funds allocated to external policy this is the moment to ensure that it happens.

### **Negotiation of the 10th EDF**

For ACP countries, however, the most important moment occurs in 2006 with the negotiation of the 10th EDF. These discussions once again directly involve the Member States of the Union. With the memory of the previous year's debate on the Financial Perspectives fresh in their memories, it is an open question as to just how generous they will be with the EDF. On previous occasions, a lot has depended on, first, the level of utilisation of the previous EDF(s) and, second, on the willingness of the EU Presidency country to be proactive and encourage other MS to contribute generously. As no pre-determined allocation key governs the level of each Member States' contributions and new Members are involved, the debate will be a very open process for which the outcome is hard to predict. Even more reason therefore for the ACP and other interested parties to prepare the debate carefully, commit existing EDF funds as much as possible and ensure that the ACP communicate their needs clearly to the EU Member States.

There is also a possibility that the EDF may, after many years of debate, finally be included in the overall EU Budget, the so called "budgetisation of the EDF". This is a position that the European Parliament has long argued in favour of and the Convention now appears to be coming

round to the idea. If "budgetisation" happens then the EDF would also become part of the Financial Perspectives negotiation and no longer something separate.

The latter two budgetary decisions will obviously also be affected by the state of the European economy at the time they occur. The performance of the Euro will clearly be one important element in this as will the functioning of the Stability Pact which is currently proving too constraining for some eurozone members, notably Germany and Portugal. The funding of the EDF is particularly vulnerable to such factors.

## **The trade agreements**

### **Three basic questions for the ACP and Africa**

The next five years will see wide ranging international debates on the global terms of trade. For developing countries the agreements that come out of these negotiations will have far reaching implications for their development. In particular there are three crucial questions that ACP countries will be following closely:

#### **a. The ACP-EU Economic Partnership Agreement (EPA) Negotiations**

These negotiations started at the end of September 2002, concluding by December 2007. For the first time, the ACP as a group will negotiate formally with the EU on their overall terms of trade, though there have been negotiations on specific commodities under Lomé. The process is complex and potentially divisive for the ACP as not all the members of the group have the same interests. Many ACP countries are poorly equipped to conduct these negotiations and efforts are being made to support them as best as possible.

#### **b. The reform of the EU's Common Agricultural Policy**

The EU's system of subsidies for agriculture is one of the biggest obstacles to an open trade system as far as developing countries are concerned. There are powerful interests in Europe working to ensure that the CAP system is not reformed. However, a growing political momentum favours at least partial change, due to the huge cost of the CAP (40% of the EU's budget). The new Member States also have an interest in the system being maintained and fully extended to them, but the current members have not agreed to this due to the cost. Instead the new Member States have been offered lower levels of subsidy and the existing subsidies will be gradually reduced over time for existing Member States as well. Some measure of change is therefore

slowly taking place and one can only hope for developing countries that this is the start of a process which can go further if the debate is properly sustained.

#### **c. Doha as a 'development round' in the WTO?**

The EU is nominally committed to the WTO Doha Round being a 'development round' oriented to the needs of the developing countries. Many are sceptical about the EU's ability to deliver this. Just how far the EU goes in reforming the CAP will be an important test for the EU's commitment in this respect.

## **Africa is also changing**

Within the ACP Group, the regional institutions of the Africa members are in the process of undergoing major changes. These initiatives will affect the relations between Africa and the EU and existing agreements are likely to be adapted accordingly. There may also be implications for the ACP Group as a whole.

### **New pan-african Initiatives**

The two principal initiatives are NEPAD and the African Union. Although it is still too early to be sure whether these initiatives will succeed, they are already changing the terms of the debate between Africa and the donor community and thus offer a real opportunity for resolving Africa's development problems. Clarity on the fact that NEPAD is a programme of the AU and not a separate institution in its own right will be essential to avoid confusion and harmful competition.

- As a programme for African development, the NEPAD does not pose too many questions for relations with Europe. There is a need however to ensure that new projects under this umbrella are properly coordinated with existing development programmes and to find additional resources to fulfil the NEPAD's aims. In terms of African leaders taking the initiative in a continent wide effort, the NEPAD is a politically shrewd move towards establishing a climate of greater confidence between Africa and the international donor community and renewing a long standing partnership.

<sup>3</sup> There is some discussion about both the starting date for the negotiations on the next Financial Perspectives and the period they will cover. Apparently the Prodi Commission may already make the first proposal in late 2003; and the period covered may be reduced to 5 years instead of the usual 7 years.

- The African Union however poses more substantive questions for Europe as it cuts across the three existing EU agreements with the continent: the ACP-EU Cotonou Agreement that involves most of sub-Saharan Africa, the Euro-Med agreements with North Africa and the EU-South Africa agreement. If the EU is to place increasing emphasis on an EU-AU relationship this will inevitably mean some re-assessment of the importance it attaches to these three existing agreements. Flexible ways will therefore have to be found to accommodate both the existing and new arrangements at least in the short term.

Within these African initiatives, two key elements of the debate stand out as being particularly important and of keen interest from the European point of view. If these are pursued systematically and are successful, this will help persuade the international donor community to support the initiatives.

The first is the emphasis being placed on the prevention and resolution of conflicts: stability is now recognised as probably the single most important pre-condition for development. European states also link this with their concerns in the international security field. Success in this area of political stability would be widely welcomed.

The second point is the gradual acceptance of the 'Peer Review' concept. European nations are particularly interested in the notion of African nations being willing to discuss issues of good governance and standards amongst themselves and question each other on performance.

These initiatives on the part of African nations are vital to establish renewed confidence in the continent and its' potential. If they succeed, they will alter the continent's relationship with the international donor community. Establishing beyond doubt the political and operational credibility of these initiatives is therefore an essential factor.

### **Europe's positioning vis-à-vis these pan-african initiatives**

An EU-Africa Dialogue was already established at the Summit in Cairo in 2000. This dialogue process focussed on eight themes<sup>4</sup>. Discussion on these topics has moved forward albeit in a somewhat desultory fashion, but recently this was gaining pace in the run-up to the next EU-Africa Summit originally scheduled for early April

2003 in Lisbon. However, the Summit has now been postponed indefinitely because of a diplomatic disagreement over the enforcement of the EU's travel ban on Zimbabwean officials. Another formula will therefore have to be found to resolve this impasse as, although many governments seemed lukewarm to the prospect of the Summit, some framework for EU-Africa political dialogue is becoming more and more essential. A summit would also have been a key moment for the EU-AU relationship to develop and acquire a crucial political dimension.

The type of support the EU will provide to the AU is still very much open for debate. European Commission President Prodi sent a message of congratulations to AU President-in-office Thabo Mbeki on the occasion of the establishment of the AU at Durban in June 2002. The EC has also announced a EURO 10 Million grant for the AU's work on peace and security and work is underway to identify what support the EC could provide to the institutional development of the AU Commission. Beyond that further measures of support might be identified through the Cairo dialogue.

One of the key questions for the EU and the ACP is what impact EU's developing relationship with the AU will have on the Cotonou Agreement and the cohesion of the ACP Group. There has been little open debate about this so far, but this is likely to change with the expected consolidation of the AU at its annual Summit in Maputo in July 2003. The impact on the ACP Group need not necessarily be negative however. A stronger AU might well provide greater cohesion and consistency among the African members of the ACP which might in turn make it easier for the ACP to reach strong positions. It should also help encourage consistency between the policies of the African RECs (regional economic communities) which are the foci for the negotiation of the EPAs with Europe under the new Cotonou trade regime. In any case the sooner this discussion is had, the quicker areas of uncertainty for the ACP Group will be laid to rest.

### **Conclusions: challenges for EU-ACP cooperation**

To conclude this review of the milestones ahead in the debate on European international relations and their potential impact on the EU's development policies and

programmes, it is useful for those who believe that the EU should make a strong contribution to international development to focus on a limited number of challenges.

Such a choice should probably include:

- A commitment to arguing the case for a strong place for development policy in the rapidly evolving framework of the EU's external actions;
- Proactive steps to ensure that the new Member States strengthen rather than drain the EU's development cooperation effort;
- Working to increase, or at least maintain, financing levels for development cooperation in the EU Budget during the Financial Perspectives debate and in the negotiations on the 10th EDF;
- For Africa in particular, support for a strong and credible African Union. This is a challenge primarily for Africans, but should also be supported by Europeans committed to eradicating global poverty. A successful AU will also encourage positive support from the European Union and lay the ground for a more equitable partnership between these two supposedly 'natural partners'.

This quick overview also makes clear that 2003 - 2004 is a key moment in which many important debates will take place, and during which the scene will be set for tough financial and trade negotiations in the period immediately thereafter. In terms of principles and new thinking, the coming months are therefore a *crucial time* to make the political case for a strong and progressive EU role in international development cooperation.

<sup>4</sup> List of themes for the Cairo dialogue process: (1) Return of cultural goods; (2) Human rights and democracy; (3) Prevention, management and resolution of conflicts; (4) HIV/AIDS and pandemics; (5) Regional integration and trade; (6) Environment; (7) Food security; (8) Africa's external debt

'In Brief' provides summarised background information on the main policy debates and activities in ACP-EU cooperation. These complementary summaries are drawn from consultative processes in which the European Centre for Development Policy Management (ECDPM) engages with numerous state and non-state actors in the ACP and EU countries. The Centre is a non-partisan organisation that seeks to facilitate international cooperation between the ACP and the EU. Information may be reproduced as long as the source is quoted.

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