EU's aid for trade

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The European Parliament adopted a resolution based on the own-initiative report by David **MARTIN** (PES, UK) on the EU's Aid for Trade (AfT). The report was adopted by 598 votes in favour to 33 against with 32 abstentions. Members pointed out that over the past 40 years, the share of world trade of the least developed countries (LDCs) has declined from 1.9% to less than 1% despite the expansion, over recent years, of bilateral duty free and quota free access schemes for their products (of which the Community's 'Everything But Arms' scheme is the largest. Parliament felt that Aid for Trade is needed to enable all developing countries, particularly LDCs to integrate better into the multilateral trading system and to use trade more effectively in promoting the overarching objective of poverty eradication in the context of sustainable development.

The report begins by making **the case for AfT and defines the virtuous triangle**: improved market access, sound domestic policies and increased and more effective Aid for Trade. opening up trade is one of the most effective drivers of economic growth, but trade openness alone is an insufficient condition for harnessing trade for development and reducing poverty. Growth and trade cannot reduce poverty without the necessary flanking domestic policies, including redistribution and social policies, and a real improvement in the capacity for good governance. Without progress in governance, all other reforms may have only limited impact. AfT can be used to good governance by supporting comprehensive national strategies for capacity building and broadening participation and by strengthening institutions that improve transparency and accountability. Parliament urged the EU to fulfil all the commitments it made in the Doha Round to the LDCs by frontloading the development package as well as eliminating its agricultural export subsidies by 2013. Furthermore, it was of the utmost importance that, following the example of the "European Consensus on Development", Parliament be appropriately involved in the preparation and adoption of **the 2007 Joint European Strategy on AfT.**

Trade-related assistance has traditionally fallen into two basic categories: trade policy and regulation and trade development. However, Parliament noted that the WTO Aid for Trade Task Force has added three further categories: trade-related adjustment, trade-related infrastructure, and productive capacity.

Trade-related adjustment costs cover a wide range of issues, and adjustment costs are particularly relevant in the context of European Partnership Agreements (EPAs). Parliament recognised the growing concerns in Africa, Caribbean and Pacific (ACP) States at the methods of delivery, effectiveness and quality of EC-administered AfT in support of economic adjustment programmes. It stressed that trade adjustment should not be understood as mere compensation to be paid for the erosion of preferences or the wider effects of liberalisation, but as a mechanism to facilitate the difficult transition to a more liberalised environment. In the absence of new multilateral mechanisms to address trade-related adjustment costs, the Commission and Member States should, firstly, assess the scope and effectiveness of current assistance, assessing how specific projects have supported trade and economic development, so as to help trade-related adjustment and, further, to devise, within the framework of the 2007 Joint European Strategy on AfT, specific recommendations in this regard. Secondly, they should promote a new Trade Integration Mechanism (TIM) by the International Financial Institutions (IFIs) that is more ambitious both in funding and scope and that can be more widely utilised. Thirdly, in the case of the Member States, develop, concrete initiatives to address adjustment costs, particularly those which, like preference erosion, are to be resolved mainly between the recipients and the granters of preferences as well as those which are not properly addressed by the IMF's TIM.

With regard to **infrastructure,** Parliament urged the Commission to make specific proposals on how to address the recommendations made by the WTO AfT TF on areas that may fall outside the scope of more

narrowly defined EU AfT, in particular: building productive capacities, trade-related infrastructure and the adjustment challenges arising from trade liberalisation;

Members would like to see specific actions developed in regard to **regional integration and South-South trade**, in **agriculture** (because this is the main source of revenue and employment in most developing countries), trade in **services** (so that developing countries strengthening their potential to manage and regulate their services sectors and export services), **core labour standards and environmental legislation** (insofar as they are a vital component of action in AfT), **fair trade** (e.g. initiatives facilitating female participation in the labour force and creation of producer organisations and representative structures).

Parliament goes on to discuss the **principles of the EU's Aid for Trade**, stressing that the 2007 Joint European Strategy on AfT, in line with the OECD Paris Declaration, should establish certain general principles regarding rationale and geographical scope, the Doha Development Agenda, and commitments for more Aid for Trade and its implementation.

Members recall that the EU has committed to increasing its overall ODA to 0.56% of GDP by 2010. Because the AfT package should be additional to existing development aid, new AfT pledges should not lead to the shifting of resources already earmarked for other development initiatives. They urge the EU and the Member States to fully implement as soon as possible their respective commitments as regards AfT and stress the EUR 1 billion pledges by both the Commission and the Member States should be implemented without resorting to either the relabelling as AfT of aid formerly classified as aid for infrastructure or the double-counting by Member States of bilateral aid and contributions to the EU's external aid. They also call on all major international donors to clarify the exact nature and scope of their pledges. The Commission is requested to complete, as soon as possible, a funds assessment for horizontal trade-related assistance initiatives.

On **Economic Partnership Agreements (EPAs),** Parliament called for a review of the existing AfT programmes of the Member States insofar as they concern EPA-related adjustments, so as to identify the most efficient mechanism for delivering effective support in the processing of EPA-related adjustments. It stresses the urgency of getting to grips with the challenge of efficiently delivering AfT to ACP countries already engaged in preferential trade with the EU (for instance Botswana, Lesotho, Namibia and Swaziland, which are half-way through eliminating tariffs on trade with the EU).

On the Integrated Framework (IF), considering that an Enhanced IF should become the key tool in assisting LDCs to mainstream trade into their national development plans, Members point out that US$ 400 million of Indicative Costing for the Enhanced IF would amount to an average of 1-2 million per country per annum. They call for better coordination and consistency among various aid donors, as well as for more transparency regarding the aid allocated through trade-related assistance. They urge the EU to devote specific attention to increasing opportunities for women to participate in trade.

Lastly, Parliament called on the Commission to submit a bi-annual report (starting in 2008) on implementation and the results obtained and, as far as possible, on the main outcomes and effects of the AfT assistance. They also call on the Commission to submit, no later than 31 December 2010, a second report evaluating the implementation of and results obtained with the AfT assistance, together with a proposal to increase the budget for AfT and to introduce the necessary modifications to the AfT strategy and its implementation.