Basic information

2006/2236(INI) INI - Own-initiative procedure	Procedure completed
EU's aid for trade **Subject** 6.30 Development cooperation	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
INTA International Trade	MARTIN David (PSE)	18/04/2006

Committee for opinion	Rapporteur for opinion	Appointed
DEVE Development	VAN DEN BERG Margrietus (PSE)	28/08/2006

Council of the European Union

Council configuration	Meetings	Date
General Affairs	2800	2007-05-14
General Affairs	2756	2006-10-16

European Commission

Commission DG	Commissioner
Trade and Economic Security	MANDELSON Peter

Key events

Date	Event	Reference	Summary
28/09/2006	Committee referral announced in Parliament		
16/10/2006	Debate in Council		Summary
21/03/2007	Vote in committee		Summary
29/03/2007	Committee report tabled for plenary	A6-0088/2007	
14/05/2007	Debate in Council		Summary
22/05/2007	Debate in Parliament		
23/05/2007	Decision by Parliament	T6-0203/2007	Summary

23/05/2007	Results of vote in Parliament		
23/05/2007	End of procedure in Parliament		

Technical information	
Procedure reference	2006/2236(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 55
Stage reached in procedure	Procedure completed
Committee dossier	INTA/6/40612

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee opinion	DEVE	PE378.787	07/11/2006	
Committee draft report		PE384.342	30/01/2007	
Amendments tabled in committee		PE386.291	02/03/2007	
Committee report tabled for plenary, single reading		A6-0088/2007	29/03/2007	
Text adopted by Parliament, single reading		T6-0203/2007	23/05/2007	Summary

EU's aid for trade

2006/2236(INI) - 23/05/2007 - Text adopted by Parliament, single reading

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.

EU's aid for trade

2006/2236(INI) - 16/10/2006

The Council held a policy debate on different issues raised under the EU's trade and development agenda.

It agreed that the EU should move ahead with pledges made in 2005 to make available **EUR 2 billion annually by 2010 for "aid for trade"**, in response to recommendations issued in a report by the World Trade Organisation a few days before the Council's meeting. It agreed that delivering this aid should not be linked to progress in negotiations under the WTO's Doha Development Agenda.

The “aid for trade” initiative is aimed at supporting developing countries' capacities for taking advantage of new trade opportunities that result from changes in trade rules and globalisation, given that making trade rules more favourable in theory is insufficient if developing countries are unable to increase trade in practice.

The EU Member States collectively and the European Community will each provide EUR 1 billion for trade-related assistance. These funds will be earmarked for projects aimed at strengthening the export capacity of developing countries through trade-related assistance. The Member States and the Commission agreed to coordinate their spending in order to have maximum impact. The funds granted by the Member States come on top of the EUR 22.7 billion that the Council agreed on in June 2005 for the European Development Fund for the 2008-2013 period.

An important aspect of the Council's agreement is a commitment to earmark a substantial share of the "aid for trade" effort to support economic partnership agreements currently being negotiated with the 79 African, Caribbean and Pacific (ACP) states with whom the EU has concluded the ACP-EU partnership agreement ("Cotonou agreement") until 2020.

EU's aid for trade

2006/2236(INI) - 14/05/2007

The Council dealt with a cluster of related issues concerning trade and development and financing for development, namely: the negotiation of economic partnership agreements with ACP states, "**aid for trade**", financing for development and the effectiveness of development aid.

It took further steps to implement landmark principles on development cooperation agreed in 2005.

As regards the economic partnership agreements (EPAs), the Council confirmed its wish to see the negotiations completed on time. Recalling its belief in these instruments as tools for development, it expressed its support for provisions on trade that would improve access for the ACP states to the EU market. For EU access to ACP markets, the Council believes that there should be as much flexibility as possible in excluding products, safeguard clauses and long transitional periods. The Council emphasised the importance of developing regional integration in the six ACP regions concerned.

The Council also agreed on the main elements to be included in a joint "aid for trade" strategy to be approved before the end of the year. The strategy will take account of needs resulting from the EPAs. The EU has already pledged to provide EUR 2 billion annually by 2010 for trade-related assistance to developing countries. The future strategy will indicate what share of these funds will be available for the ACP states, bearing in mind that it is the ACP states that will assess their own requirements and establish their priorities.

Aid for trade is part of the EU's commitment to increase official development assistance (ODA). The Council examined an annual report from the Commission on progress made towards meeting commitments on ODA announced in 2005. The EU provided EUR 48 billion for development cooperation in 2006 and, in doing so, exceeded its target. Some of this amount allowed important support and relief to certain countries in non-recurring circumstances (such as debt relief and tsunami recovery aid). The Council recognised that additional efforts will be required in order to maintain a strong performance.

EU development policy is equally focused on the quality and effectiveness of aid. The EU has made commitments both internationally and internally to improve these aspects of its policy. The Council agreed a code of conduct, to be applied by the member states and the Commission, on "complementarity and division of labour". This will gradually alter the pattern of aid delivery so as to improve its impact in reducing poverty (see INI/2006/2208) and reducing transaction costs that have no positive impact on development efforts.