From Doha to Johannesburg? Where do we go from here?

An Address by

Commissioner Poul Nielson

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**Professor Elim Papadakis**: Commissioner Nielson is responsible for the EU’s development assistance and aid programmes. Jointly, the EU and the Member States provide 55% of all official international development aid. During this visit to the Pacific, Commissioner Nielson will gain further experience of the progress made in the region in meeting some of their current challenges. It is a region in which EU assistance amounts to more than 1.3bn euros, or 2.2bn Australian dollars since 1975. It is running now at about 100mn euros or about 170mn Australian dollars per annum.

Among the key themes of his visit are such issues as good governance, conflict prevention and sustainable development. CN has studied in both the US and Denmark. His political career began when he was Chairman of the National Social Democratic Students Organization, before becoming a member of the Danish Parliament, then Minister for Energy, followed by Minister for Development Co-operation.
Commissioner Nielson: Thank you for this nice welcome. It is always interesting to be reminded of what one has been doing. I am pleased you mentioned the basic proportion of what Europe is doing in terms of money. This area is one in which we do something in common as a community and the Member States also, of course, continue their own development co-operation. The basic policy is agreed to, not just in the sense that the European Commission states its policy, but it is agreed by the Member States and the European Parliament. They have their own programmes, but part of all this we do through the Commission.

We are at the level of 0.33% in percentage terms in relation to the target of 0.7% for development assistance in terms of GDP. This is the European average. In Monterey we committed Europe to increase this, we agreed between the 15 Member States that those below the present average will increase their assistance by 2006, making the new average 0.39%. It may not sound a lot, but it will in fact mean an additional sum of 9bn euros annually. This amounts to an accumulated sum of 22bn euro, up to and including the year 2006. So this is serious money, and we are, by doing this, strongly contributing to reversing the trend of decline in ODA levels.

We made our new overall policy statement in 2000, and by doing so we moved the policies of the Commission more to the centre of normal good practice between donors, if you look at the general consensus and the OECD Development Assistance Committee. Before that, the Commission did things more in its own way. The name of the game now is to move towards programme support and to give much more reality to the concept of ownership by our partner countries. We also changed our way of relating to other international players. We have traditionally worked little with the UN organisations; we have had a traditional role with the World Bank and the IMF, providing money for macro-economic support. But this today is better organised. A word about this. It is especially the HIPC Initiative on multilateral debt relief that has created the real basis of organising things better. The poverty reduction strategies for each of the least-developed, highly-indebted poor countries. That process has created a much better organised way of trying to help these countries. We are contributing more than a billion to this Pacific initiative, as the biggest single partner, and this is much more than the EC’s role as a creditor. We do also a great deal as a donor. Most
of it is to support the African Development Bank which otherwise would not be able to honour its commitments, in view of the desperate need of most of its clients.

Back to the UN. The new relationship has also some practical elements to it. We have not been allowed to fund on a broader basis, we have had to specifically fund projects only, and we have had to insist on reporting, accounting, auditing to take place according to our rules. In other words, our MS have not accepted that the Commission could do things in the same way as they did themselves. So this has been part of the exercise too, becoming a more normal partner in this regard.

There are limits to how the Commission can position itself. It is called the United Nations, it is not called the United Commission. We are not a shareholder, but we are a stakeholder. This reflects the architecture of European integration. It is very difficult to explain in a few words. It is also characterised by still being a political system in transition, or forever unfolding development.

The last few years since Seattle have been extremely interesting. The chaos in the streets of Seattle was a low point in terms of productivity of the so-called international society. Everybody talks about the international society. We don’t have one, but we are trying to create one, some of us are. In Seattle, the main reason for this napalm or whatever you want to call it, was a disorganised and badly-managed overload of the agenda. Too many things were allowed to run off in different directions at the same time. Maybe it is possible to organise a meaningful negotiation. So one conclusion is to try to organise a global agenda in an orderly and productive session. It was, by the way, quite interesting that at the same time as this happened in Seattle, we were negotiating a new, basic framework for our development cooperation with the countries in Africa, the Caribbean and the Pacific, 77 countries, including most of the least-developed countries in the world. This was a renewal of the old Lome Convention. At the same time that things broke down between North and South, we were in the middle of negotiating an innovative, very interesting new 20-year perspective, of the Agreement partnership between Europe and the South.

Following Seattle, the first major event was the least-developed countries’ conference, the UN conference, organised in cooperation with the European Commission, and the
first of its kind, in May 2001. We approached that with a decision in Europe about the Everything But Arms initiative, opening up quota-free, tariff-free export into the European market of all products except arms, from the 49 least-developed countries. This includes sensitive products like sugar, bananas and rice which will have some phasing-in elements. All other products are allowed without barriers.

The next was the Doha meeting, redefining the WTO track. We contributed to the whole philosophy of it, to give it the content of being a development round. We are very determined to make sure that this is the approach to be followed.

The next big event was the Monterey Summit on financing for development, coming out of Kofi Annan’s good idea to insist that the Millenium Summit defining the millennium development goals, should be followed by a summit to talk about how to fund all this. It was easy to decide but there was a lot of nervousness as to what would happen in terms of their contributions. This is why we worked the whole winter massaging our Member States, if you will, and managed to come up with what I presented before. This also prompted the US to come up with the real commitment of 5mn additional funding, which, during the days of the conference, was changed to become 5mn per year, after some years. So something happened on that point. In fact by having done the LDC conference, the Doha development round and Monterrey on funding, we saw that we had a chance to make Johannesburg a conference on sustainable development, and not to redo Doha or Monterey. This is why we argued and negotiated the way we did. We saw it as the right thing to do, to concentrate on the programme of implementation and to try to make that as specific and clear as possible. We succeeded, so we are to some extent opponents in these negotiations, and you are as well-informed about this as we are.

We came out of Johannesburg with specific initiatives announced there by the EU. This means that our Member States are behind this and committed to joining the water initiative and the energy initiative. We will also take up special activities related to combating illegal logging and to follow up on the decisions in Johannesburg on trying to recreate a balance as far as the maritime resources of this world are concerned. All of these initiatives will also influence the agenda of our activities in the Pacific region – water, renewable energy, illegal logging and the effort to create a sustainable,
better-governed regime of managing fisheries resources in the region, as has been
already illustrated by the agreement with Kiribati which actually reflects these better
principles. What has happened so far is giving priority to prudent resource management. The Cotonou Agreement is specific compared with other systems of
development cooperation, in the sense that it is a real contractual relationship. I have
already mentioned that it has a twenty-year perspective. We have a Joint
Parliamentary Assembly that meets regularly, the countries of the South and the
European Parliament. We have ministerial meetings, that also support this group of
countries. So they are able to manage relations with the WTO we have funded an
office in Geneva and run trade-related technical assistance programmes. We are
combining trade and development with this group also. This comes out of a long
tradition, which for some commodities has brought us to a situation which is no
longer sustainable and cannot can deliver, as it were, and coming through the region
to Australia, including Fiji, it is clear that this is one case that illustrates that changes
are clearly necessary.

I make this point very directly, but it is not just an isolated matter of managing a sugar
industry. This whole thing is, as every body knows around here, embedded in the
political problems, and conflicts, sometimes, between the main elements of the
population and below the problem is the whole land issue, so we have a sort of
Bermuda Triangle, where it is quite difficult to talk through. But it is in any case
irreversible change concerning the adaptation to the reality of the market. Other
beneficiaries of the sugar protocol are already investing. Mauritius, which gains more
than Fiji, is now investing in setting up sugar production in Mozambique and
Tanzania. These countries are least-developed and they will have full access without
any problems into the European market. In fact, this year for the first time,
Mozambique, Burkina Faso and Ethiopia exported sugar into Europe. This is, of
course, with full elimination of tariffs for sugar, this has actually played a role, but the
anticipation of what is on track now has already influenced these activities.

The regional aspect is particularly interesting. We see deeper regional cooperation and
liberalisation as the missing link in the efforts so far to stimulate diversification and
growth in most developing countries. Especially in Africa, this is obvious, but even if
the structural and geographical handicaps in this region were to continue to be an
obstacle, the basic analysis of the value of opening up regionally is the same everywhere.

Trade between neighbours is very low in Africa but smuggling is high. This is the best hard evidence we can get to illustrate the value and upside of liberalising trade. To get a better basis of generating public revenue in the VAT systems, that are emerging in most countries and also to get away from the tariff-based funding of the public sector, which, to put it mildly, is inviting corruption more than the VAT system would.

The critical mass as a basis for stimulating entrepreneurship and general trade is a problem in most of these economies. Who, as an outsider, could best introduce paint or soap in Uganda, if one couldn’t export directly to the nation? And hanging on to protect monopolies is really a brake to development. So we have been working to negotiate, since the 27 September with these 77 countries, to establish Economic Partnership Agreements which will open up trade, not only between them and us, which will not be in the normal reciprocal trade-negotiation manner. We will do this in a way that favours the development side, by basically organising a pattern of economic relations and integration that will be a boost to their trade opportunities among themselves.

Finally, a word about our position in this region and our cooperation with the other main donor partners, including Australia and New Zealand. We are very appreciative of the close dialogue with Australia and New Zealand, because of the quality and intimacy of their position in the region. We don’t consider ourselves outsiders, we have been here for a long time and we will remain as a long-term partner. We share a lot of worries and frustrations and it is clear that the analysis of why things don’t work points much more to political factors than to normal economic problems. But these are very young nations with very old traditions of how to do things and a mix of patience and impatience is necessary. There are no easy answers. We can help each other in performing the sometimes not very easy task of adult education informing our publics of what works and what doesn’t work and continuing to give the basic message – that to create a more decent situation in the world, to fight poverty systematically, we need to have the stamina to mobilise support for the very core activities of this aim. Certainly, for Europe, we see ourselves as a global player, trying
actively to contribute to solutions. We see multilateralism as a goal in itself, it is a method but it also creates stability and peace in the world. As a method of negotiating, of deciding collectively in the world, it is part of the solution, and definitely not part of the problem. So this is the main philosophy by which we go to the work of fighting poverty. We are pleased to have partners in the region so we can exchange ideas and experiences and we look forward to doing this.

Thank you.
Questions

Question … Neil McFarlane, AusAid: - EU itself has very high tariffs … What is the EU doing on trade liberalisation?

Answer: The EU imports more agricultural products from the Third World than the US, Japan and the rest of the rich world combined. This is a fact that is normally not given prominence. We have set a course of reform of the Common Agricultural Policy which will further reduce the subsidies financially and more importantly will divert more than half of this support from relating to production. The US goes in the opposite direction and does not have a ceiling for the individual farmer. They also much more use home-grown wheat and other agricultural products as part of food aid in humanitarian operations. At present, our support in the southern African food crisis is, for 90%, based on food bought in the region and not food coming out of surplus production which we are dumping. There is a clear difference there. I think that accessing the Japanese market for Third World countries is more difficult than accessing any one of the rich countries’ markets. I would kindly ask you to update your picture on this discussion. It is clear that subsidising agricultural production in the way it has been the tradition is harmful, and that is one of the reasons why we are changing it. You should also note that the decision on the Everything But Arms initiative is something that the US and Japan have not followed up. The dynamics of this are going to be very strong, with a very clear impact, because this being on track or being implemented without any hesitation means that it will totally erode any attempt to continue with the kind of protection or subsidy to our production that we have now.

Question:

Answer: No, I don’t think normal people with a normal, sober mind would answer differently, certainly not when both the countries with a well-functioning, growing economy are not moving up from a level of 0.25%. It is as simple as that. The value of drawing up these millennium goals should not, however, be totally discounted. The process of quantifying the targets is a way of ensuring we have a focus on what sort of activity and achievements all this is about. I think it has a
disciplining effect on how donors and recipients prioritise. It follows quite nicely the poverty focus approach of the Poverty Reduction Strategy Papers and the modification of the Washington consensus, that we have seen since the Social Summit of 1995 in Copenhagen. The whole song coming out of the Bank and the Fund is different compared with five years ago. This is solidified in a sense, by the Millenium development goals, even if it is only a political manifestation. The mobilisation of money – Monterey was a real step in having the US reversing that trend. As for Europe, we are setting the standard and we are on our way to the 0.7%. I am somewhat optimistic. There is now a new member of what I call the G 0.7%, Luxembourg, not a big country but with a big economy, they have achieved the 0.7% and Ireland is going to do it in 2007. Belgium has come out also with a commitment, on their part. So, I think we are delivering something. But the figures, if you look at the Sedillo Report and the Jeffrey Sachs work for the WHO on health, we have to double the whole level of aid – but then, money won’t do the whole trick. Even if you have the money, the real problem is in terms of the capacity to do things and the ability to change what needs to be changed makes it necessary to be less enthusiastic and carried away. So even if money were no object, it would be very difficult to do it. But still the Johannesburg meeting has energised the whole global discussion.

Question:

Answer: Yes, first of all there is some structured collaboration through the effect of funding. We have specialised international organizations, UN and so on, so this is one way of ensuring there is expertise and some ability to do things at the international global level. But the key element among donors in principle – but with the US and Japan not agreeing – the method is to do basket funding or at least sector program-based funding collectively with other donors, and making sure the recipient countries are on board in the sense that their policies are the basis of what we do. A good case to illustrate this could be the health sector in Ghana, where a handful of donors are funding collectively into the Ministries of Health and Finance. They are doing things according to a policy for the sector, that has been laid out and discussed and agreed between Ghana and the donors. This is a good, efficient way of doing it, and then do the reporting and accounting as part of the their accountability to their own country. Donors accept this. In other words, starting at country level, identifying
where we have good enough sets of programmes that also fit the priorities of the donor, this is how we want to help them. This is part of our policy today, and it fits well with the fact that we are the donor giving relatively most budget support. This could be seen as the ultimate handshake but we need to be careful because of corruption risks and the countries’ capacity to carry out the different activities. But this is the method and this is the response. We don’t like to have co-ordination in the form of donors sitting by themselves and finding out where a project could be co-funded and then put it on the table in the country, and say this is what we want to do here. Also, it adds up to a chaotic burden of reporting and managing different systems. This new discussion is internationally about reducing transaction costs in doing these things and the answer to this is basket funding.

**Question:** Can you explain the link between trade and environment?

**Answer:** One of the areas of standards where trade relations are closest has to do with sanitary and phytosanitary standards. Here the line is that compromising on the level of the standards is not an option, given the reality and need for consumer safety. Mad cow disease and the like have given us a very clear documentation of the need for these standards. Furthermore, we need to have probably more standards than we have today, because each country can use this also as a protective instrument. The big discussion at the moment about standards reflects the fact that we are trying to harmonise and make these standards more relevant within the WTO and elsewhere. For Europe, the advancement of the Single Market also entails a clarification and simplification of standards. It may not be easy to see it as a simplification, but this is the reality, so this is the one side of it. We are perfectly aware of the barriers this may raise, but in the broader perspective it is not conducive for a developing country to get into our markets on a sustainable basis by not having standards that are good enough. The risk of getting in there without complying or getting in there in an environment where it is unclear what the standard is, is not as good as actually being able to handle the clear standards. So it is part of our trade-related technical assistance to support developing countries in helping to attain standards.