Paper 8
Europe’s Global Responsibility to Govern Trade and Investment Sustainably: Climate, Capital, CAP and Cotonou
by Thomas F. Ruddy
EMPA, Technology and Society Laboratory,
Lerchenfeldstr. 5, CH9012 St.Gallen, Switzerland, thomas.ruddy@empa.ch

Abstract
This paper examines the progress made forging a Sustainable Development Strategy of the European Union on the basis of three structures of the global economy: trade, investment and knowledge generation. It identifies deficits in all three, and cites alternatives for improvement such as acknowledging ecological debt and setting up a Global Marshall Plan. It outlines how over the medium term compatibility with trade law could be maintained, and how Sustainability Impact Assessments (SIA) could cushion the effects of the current governance regimes. It then considers alternatives such as expansion of the Economic Partnership Agreements (EPAs). Guidance is given regarding reform of the Common Agricultural Policy and the question as to whether the investment regime can be governed multilaterally and, if so, at which venue.

Keywords: sustainable development, globalization, global governance, Common Agricultural Policy, international trade

Biographical note: Thomas Ruddy is a senior scientist at EMPA Swiss Federal Laboratories for Materials Testing and Research. He also teaches International Political Economy with an emphasis on international trade policy at Webster University in Geneva, Switzerland. He has published articles on social responsible investing, climate change and energy use. Although born and educated in the United States, he has spent most of his life in Germany. After translating engine technology from German to English in the Eighties, he went to the East of Germany when the Fall of the Berlin Wall opened up an opportunity to promote decentralized electric power generation with the Wuppertal Institute. Likewise in Wuppertal he joined the post-Brent Spar struggle to raise funds to introduce the GRI sustainability reporting guidelines evolving in his native Boston to progressive German companies. At the turn of the Millennium he came to Switzerland to teach and helped organize civil society efforts to deal with the environmental effects of information and communication technology at the World Summit on the Information Society.

Introduction
Sustainable development (SD) is clearly a global paradigm that has not yet been attained. On the way to SD, problems of various sorts must still be addressed. For which of them is Europe responsible? Europe has enjoyed economic growth for centuries, for instance, relying on resources that were not always its own. Europe has used its colonies as sources and sinks for centuries. Martinez-Alier has thus called attention to the existence of a substantial ecological debt to be paid to developing countries [40].

The world’s major trading blocs are responsible for most of the world’s energy consumption. Now the world is confronted with anthropogenic climate change, which knows no borders. Recently this distribution problem has been the topic of an entire conference [Diplomatic Academy 6], and analysed using a material trade balance by [Giljum et al. 22].
To acknowledge this responsibility and bring it to bear in a coherent way, the European Union has crafted a “strategy for sustainable development” (SDS). Beginning at home, strategists devised measures for the EU-internal side of work on the SDS problem. The present paper looks at the global side as opposed to the EU-internal side. The global side refers to the relation between the EU and developing countries, and has proven more difficult to address than the EU-internal side. Therefore “there has been reluctance to investigate the impacts of EU policies outside Europe,” as the European Environmental Bureau complains [EEB 20].

Even if the responsibility does lie with the Global North, though, guiding the world towards sustainable development requires helping developing countries in the Global South, where progress towards SD can be had more cost-effectively. Currently the three structures available to accomplish this goal are not appropriately configured: the trade regime needs revision, but negotiators are in a deadlock. Likewise controversy surrounds the issue as to where the most appropriate venue for governing global foreign direct investment is to be found. And finally the much-needed transfer of knowledge appears unduly restricted by an ill-conceived WTO agreement. The present paper will now delve into the task at hand using these three structures.

**Background**

In March 2000, the European Council set out a ten-year strategy to make the EU the “world's most dynamic and competitive economy” at its summit meeting in Lisbon, Portugal. The European Summit in Göteborg in June of the following year agreed an SDS, which added a third, environmental dimension to the older Lisbon strategy, ostensibly henceforth giving environmental issues the same political priority as economic and social issues (see also the paper by Giljum et al in this issue). In the run-up to Göteborg, a “Consultation paper on a European Strategy for Sustainable Development” and an early draft SDS were issued [European Commission, 11]. Then came “Ten years after Rio: preparing for the World Summit on Sustainable Development in 2002”. Later the International Center for Trade and Sustainable Development (ICTSD) commented on one of these early documents and put it into the context of the trade, financing and SD conferences held in Doha, Monterrey and Johannesburg [ICTSD 29]). This process culminated in the publication of the Commission’s current document covering EU-external policies “Towards a global partnership for Sustainable Development” in 2002 [European Commission 12].

Since 2001 there have been international summits in Monterrey and Johannesburg aiming to operationalize sustainable development in policy, but the problems reaching an effective consensus are proving difficult, if not intractable. Global welfare could theoretically be increased through further integration of the world economy (e.g. [World Bank 62]) but negotiators cannot agree on how to distribute the resulting costs and benefits. One reason for the mismatch between theory and practice may be that the understanding of globalization has progressed faster in the field of economics than in politics. Other takes on globalization are categorized into schools of transformationalists and traditionalists in [Held / McGraw 25]; a more recent framework distinguishes among supporters, regressives, isolationists, reformers and alternatives [Said / Desai 57, p.66].

Three qualifications are in order to define the focus of this paper before entering into substance: this paper deals with the EU’s SDS as it concerns areas outside Europe. A second qualification concerns the extent of the Union. The category “global” is not understood here to include the issue of how an SDS may be affected by Eastern
European accession. That side of work on the problem is dealt with in the paper by Wolf in this issue.

A third qualification concerns the nature of the Union. This paper treats the EU strategy as a national strategy, although the EU is not a nation, but a unique, post-national construct. Several EU member states have presented truly national sustainability strategies, which the European Economic and Social Committee (EESC) has asked the Commission to consider [EESC 19, Item 6.5].

**How far can Europe’s commitment extend?**

With the end of the Cold War, the division of the world into two blocs disappeared. However the bipolarity was not replaced by unity, but rather by multiplicity. In the midst of the local ethnic conflicts that marked the dissolution of the Soviet Union, the United States asserted its hegemonic status for better or worse, and in the ensuing years many accused it of taking decisions unilaterally.

Ideally an SDS would apply to many partners worldwide -- multilaterally. The Kyoto Protocol and the possibility of a multilateral agreement on investment are examples. Europe could serve as a role model. Prof. Franz Josef Radermacher of the Research Institute for Applied Knowledge Processing in Ulm, Germany, proposed a “European Way” in 1998, which is an alternative SDS. In this proposal he expounded the view that dematerialization of the economy offers great potential for sustainable development with the additional potential of information and communication technologies [Ruddy 54]. After years of developing his ideas, in 2003 Prof. Radermacher put forth a European Proposal for a new global Marshall Plan on the magnitude of 120 billion Euros. Radermacher proposes that the money come from three sources: special drawing rights, a Tobin tax on financial transactions and a trade tax”, but the details of the idea are still under development [Radermacher, 50]. In exchange, the developing countries are to observe minimal standards with regard to social practices such as child labour and environmental practices such as the disposal of electronic waste, even when it is at the expense of their "competitive advantage”.

As sketched in the second paragraph above, multilateralism is currently in crisis, and therefore other solutions are being tried with a more modest number of partners. At Johannesburg in 2002 the concept of “partnerships for development” suggested a smaller number of players than under a multilateral solution.

In keeping with this preference for a multilateral solution, this paper will next look at SDS concepts involving a large number of players, and then address the less-attractive, but more practical solutions focussed on a smaller number of players. Multilateral solutions can be subdivided into ones acting through trade, investment and knowledge.

**The roles of trade and investment**

Let us next consider what trade, investment and knowledge have to do with sustainable development (SD), and then go onto see whether the respective regimes are currently conducive to SD.

Does trade liberalization promote SD? Well, many studies would seem to indicate that it promotes growth (for example [Hoeller, et al.27]), and trade and/or growth could be “governed” in such a way that they promote sustainable development if the political will were at hand to do so [see also e.g. IISD statement on trade 32]. Making trade sustainable is one of the expressed purposes of the Sustainability Impact Assessments
(SIA) being done on the Union’s new Economic Partnership Agreements (EPAs), as will be discussed in more detail below.

Why is international trade so important? “…Trade remains the single most important factor for accelerated poverty reduction, well beyond any change in quantity, quality, or sectoral re-allocation of aid,” says Europe’s Forum on International Cooperation [Euforic 8].

Furthermore “the benefits of trade go wider than poverty reduction … [to include] economic growth, access to larger markets, cheap imports, ideas and technology,” as the Commission has stated in response to Oxfam [Watkins, 60, p.1].

On the other hand, trade, if pursued as a goal in itself, instead of being subordinated to the goal of sustainable development, can be a distraction [66]. Growth should not be glorified, as a team of researchers who work with the present author have argued in their list of “Ten Theses on Trade and Sustainable Development”. Their Thesis No. 3 warns that “Growth cannot be a self-standing goal of politics, or even much less can it be top priority; instead it is one possible means of implementing sustainable development” [Doeppe et al., 5, page 47, translation by the author]. In fact the current trade regime is not conducive to SD, with its players instead fixated on whether growth is “sustainable” in a meaning quite different from ours. The very desirability of economic growth in absolute terms is debatable. It may be necessary for developing countries to have absolute economic growth for a while to catch up. For the industrialized world, though, qualitative growth appears more suitable to an age of ecological limits. Gross domestic product (GDP) is a deceptive metric for real progress in that it mixes goods with bads, and treats nature both as an undepletable source of inputs and ever-available depository for outputs. So-called “green” accounting concepts are not enough here, unless they provide the more meaningful measures of physical accounts to supplement monetary accounts whenever possible.

**Converging and imitating development**

Will the developing countries imitate the path that industrialized countries have taken? Before postulating any answers to that question there is first the issue to be addressed as to whether they will be permitted to take the same path, as trade liberalization in its current form is designed to prevent them from taking the same type of protectionist measures that industrialized countries used to their advantage in the Industrial Revolution. If, however, we assume they will be allowed to take the path, we see that there will be serious environmental consequences from applying the same 18th Century principles of growth to a world that has in the meantime grown to 8 billion people.

Although international trade boosts economic growth, the growth benefits countries and social groups very unevenly in both economic and environmental terms [22]. If growth were properly channelled, it could be useful in attaining sustainable development. However trade is subject to treaties administered by the World Trade Organization (WTO) such as the General Agreement on Trade and Tariffs (GATT) and the General Agreement on Trade in Services (GATS) combined with a powerful dispute settlement mechanism. Trade principles include non-discrimination among WTO members (Most-Favoured Nation or MFN). Hence any efforts to properly
channel growth through international trade, such as those envisioned in the SDS, have to remain compatible with WTO rules. A later section of this paper will look at compatibility.

International trade requires an international monetary and financial system for its basic exchange of goods to function through an exchange of currency. Thus a second part of the economic integration called globalization which is under investigation in this paper is the international monetary system operated by governments through their national treasuries and multilaterally through the International Monetary Fund (IMF). In addition the financial system includes investment from the private sector, which provides capital, an important factor of production in any economy. More specifically, in the present context, now more than in any other time in recent history, Foreign Direct Investment (FDI) is essential to promoting well-being in other countries [European Commission 12]. Nonetheless investment is subject only to numerous rules, but no specific international regime. In developing countries Multi-National Corporations (MNC) usually observe quite faithfully the environmental standards of their respective home countries. This strengthens the case for using FDI to attain SD. The importance of investment as a tool for reaching sustainable development is also dealt with by [Moltke 43].

In many ways FDI is a more basic instrument of economic integration than international trade, but FDI presupposes a condition that trade does not, namely structural change. FDI transfers the very capacity for production, whereas goods trade transfers merely the products of production. Trade liberalization engenders structural economic change, as does investment—but in different ways. Structural change is not a precondition of trade, but a consequence [Moltke, 45]. Nonetheless the two complement one another when circumstances permit both to co-exist, with each of them finding its own place in the mix of integration strategies. It is obvious that sustainable development requires a reduction of poverty, a goal which involves increasing productivity, supplanting subsistence livelihoods with paid labour and monetization, i.e. the international monetary system. The many complaints lodged at the conference on financing in Monterrey made it clear that the current investment regime is not conducive to SD. But how would a European SDS improve the situation? There are currently over 2000 bilateral investment treaties [Moltke, 42], and a multilateral treaty would quite surely be more favourable to developing countries than they are, because the countries would have more bargaining power if in a united front. Accordingly during the recent trade talks at Cancun, Mexico, the European Union pressured developing countries to accept the topic of investment on the agenda at the WTO. However the developing countries appeared united only in their refusal to take up negotiations under such an agenda at the WTO; see also Liebig [36] and Palley [47].

In addition to poverty reduction, a second, similar -- but less obvious -- type of activity undertaken by the international community on the road to SD is to help provide the global public goods which the market cannot provide by itself. One example is a climate that will remain supportive to human and animal life, but there are many more [Kaul et al. 34]. The EU has already committed itself to “Set up an open task force to identify relevant global public goods,” [Trocaire, 59, Commitment no. 5].
Finally a word should be said about ways in which trade and investment support a third structural feature of the world economy, knowledge. If developing countries are to attain sustainable development, they need knowledge in the form of innovations. The South must both improve its own capacity for knowledge generation and be empowered to use knowledge from the developed world through technology transfer. However a lot of the latter type of knowledge is locked up in excessively strict patents and copyright arrangements. The current terms of the agreement on Trade-Related Intellectual Property Rights (TRIPs) comprise such a barrier, and have been criticized as such by Oxfam [Watkins 60]. New approaches to the problem have recently been put forth by John Barton [1] and Keith E. Maskus [41]; and a project at the International Center for Trade and Sustainable Development [30]. Barton proposes negotiating a treaty to provide more equitable access to databases at the controversial venue WTO.

The documents
The European Commission issued its own communication outlining the “external” aspects of the European Union’s Strategy for Sustainable Development (SDS) entitled “Towards a global partnership for sustainable development” in 2002 [European Commission 12]. The Environment DG has asserted that “these objectives and ideas are fully part of the sustainable development strategy” adopted by the Council in Göteborg in 2001 [European Commission 14].

The above communication on external aspects of the SDS refers in its Footnote 29 to a second paper written by the Directorate-General for Economic and Financial Affairs, which is complementary to the first paper in many ways [European Commission 13]. These complementarities are described in the second paper as follows: “While the [second cited] report reviews some of the economic facts and features of the current globalisation process, it does not focus upon many other important aspects of globalisation in the fields of social policy, health and environment. These topics are addressed in the Commission’s communication ‘Towards a global partnership for sustainable development’, which sets the parameters for a comprehensive and balanced approach by the EU towards a global deal.”

Strategies and measures proposed in the documents
Halfway through the main document on external aspects of the SDS the Commission begins listing issues of global import such as climate change. “Combating climate change remains a major task for the Union. The Union will fulfil its commitments under the Kyoto agreement and will work towards a framework for international action post-2012” [European Commission 12, Article 26]. In the two leading climate treaties one can see the importance of trade policy in enforcement and compliance, albeit in different ways: the Kyoto Protocol contains provisions controlling trade with a “good”, i.e. CO2 emission credits [64]. The Montreal Protocol controls trade in a “bad”, i.e. ozone-depleting substances. The linchpin to success of the Kyoto Protocol is Russian ratification. Recently two developments have appeared to go in this direction: one is the ratification of the treaty by the Ukraine, and the other the possibility that the EU might advocate Russia’s entry into the WTO if Russia ratified [ICTSD, 31].

Article 27 makes the commitment that “Sustainable development in Europe and [SD] in the rest of the world are highly interdependent. The Union will maintain a leading role in taking forward international processes, in particular by implementing the ideas
it put forth at the Johannesburg Summit on Sustainable Development.” Likewise Articles 37 (the EU as a global player in development, etc.), 46 (the UN), 49 (on the WTO and the promotion of sustainable development) and 53-55 (on development commitments and EU/ACP relationship) continue the theme of global commitments. All in all, the document is far-reaching in its intentions; however measurement, implementation and follow-up are weak points detracting from the value of the bold strategy.

Work on implementing the SDS is set to continue in view of the fact that the European Council’s draft multi-annual strategic programme for the years 2004 - 2006 anticipated that the SDS would be reviewed in 2004 [European Council 17]. The Commission also does its own reviews of progress [European Commission 15]. The signs of the times are not good for development cooperation, though, as indicated by the fact that council of development ministers has been dissolved [Wieczorek-Zeul 61].

There has been criticism that the EU paper is not being taken seriously enough in recent years from the European Environmental Bureau (EEB) and the European Economic and Social Committee (EESC). They have commented on it at stakeholder fora held in September prior to the spring meetings of the European Council. The most recent European Council meeting took place in Brussels from 25 - 26 March 2004, http://www.eu2004.ie/, but the issues that dominated the agenda were ones other than the SDS such as terrorism after the attack on Madrid, accession countries and the constitution [18].

The European Environmental Bureau (EEB), which describes itself as “the largest federation of Environmental Citizens’ Organisations in Europe, with 133 member associations in 26 countries,” has produced an Evaluation of the EU’s Sustainable Development Strategy (SDS), [EEB 20]. It contains some interesting points, as the following section will show.

**The EU’s Common Agricultural Policy (CAP)**

One prominent feature of the EU’s performance that the EEB criticizes is the Common Agricultural Policy (CAP). The EU’s credibility as an “active frontrunner”, it claims, is “undermined by the fact that in its own policies the principles of sustainable development are not yet implemented, such as is the case with agricultural export and import,” [EEB, 20, p.2].

In fact, reforming the CAP would arguably do more for developing countries than taking any other single proposed measure. Once a “food-first” strategy has made room for an export strategy [56], boosting agricultural exports can be an important avenue for poverty reduction and growth. But the EU’s heavy tariffs on imported agricultural commodities such as sugar and coffee, especially if they are processed, and its payment of export subsidies to EU producers are two practices that hurt agricultural exporters from developing countries [Marsh, 39]. This view, however, is not undisputed. Dani Rodrik contends that “Aside from a few middle-income members of the Cairns Group such as Argentina, Brazil, Chile, and Thailand, which are important agricultural exporters, few developing countries looked at this area as a major source of gain…” and countries in sub-Saharan Africa are net agricultural importers [Rodrik 52]. The complexity of this question is described by the Globalization Editor of an online discussion site Caspar [Henderson, 26]. The continued existence of the CAP was a major reason that the developing countries
united in the G-21 under the leadership of Cairns member Brazil walked out of the negotiations at the WTO ministerial meeting in Cancun, Mexico, in 2003. “If [the CAP subsidies] are left unchanged until 2016, as suggested by a recent Franco-German agreement, they will further undermine the prospect of success at the current Doha round of trade negotiations” [Said, 57, p. 67]. Rodrik suggests the liberalization of temporary international labor flows bears greater potential for poverty reduction, but that is equally unattractive to EU policymakers.

The EEB participated in a Stakeholder Forum in September 2002 together with the European Economic and Social Committee (EESC), which has devoted one of its opinions to this topic. However the opinion concentrates on EU-internal aspects. The EEB, though, looks at global aspects, and recommended several preparations for the 2004 Spring Meeting of the European Council. In retrospect the results of the meeting included hardly any mention of an SDS [European Council 18]. One cannot help get the impression that the SDS was set up in the enthusiasm of pre-Johannesburg, which soon faded away after 2002.

Compatibility of the SDS with WTO trade agreements
The EU Commission’s paper entitled “Towards a global partnership for sustainable development” is ambitious in its intentions. There are, however, considerable barriers to its implementation posed by many factors including the terms of multilateral trade agreements. Basically the trade agreements become involved in many circumstances under which the SDS seeks to apply environmental criteria internationally. The environmental criteria are then often perceived as barriers that conflict with the aims of trade liberalization. Nowadays, developing countries have by and large accepted the gospel of trade liberalization, and now are turning the tables on the industrialized countries, which have paradoxically put up the highest trade barriers themselves in the field of agriculture. As stated in the introductory discussion above, global players value trade highly as the guiding paradigm; the United States in particular promotes free trade. The EU appears to make far-reaching commitments in its SDS, but in reality feels it must protect the global competitiveness of its industry.

In the past, the environmental work done by the WTO’s dispute settlement mechanism and Committee on Trade and Environment has had much to do with the discrimination of products on the basis of Process and Production Methods (PPMs). There have been widely publicized cases named for the products involved such as “tuna / dolphin” and “shrimp / turtle”. The production method used (here catching) might be more or less environmentally friendly, but discriminating between methods has been challenged as not permissible. Thus PPMs comprise one example of a specific practice often challenged under trade law that might hinder implementation of an EU SD strategy. “One of the most serious obstacles …is… discrimination between products on the basis of the way in which they have been produced (PPMs),” excerpt from [Lucas, 38]. That said, one should remember that the legal challenges never succeeded in having discrimination on the basis of PPMs outlawed under the Dispute Settlement Mechanism, and the shrimp / turtle case confirmed their admissibility [Moltke 45].

In general, insisting that the WTO respect a set of issues is not always a good strategy. In fact, “the more one increases the role of the WTO in dealing with non-trade issues, the more the WTO will impact on the development of these issues” warned a speaker at a recent trade conference [Rights and Democracy, 51].
The World Trade Organization (WTO) has done work on the relationship between trade agreements and Multilateral Environmental Agreements (MEAs) and lists many activities on its Website culminating in the agenda agreed during the 2001 ministerial meeting at in Doha, Qatar, on which trade and environment negotiations are listed under Paragraphs 31–33 [63]. Negotiations are to be held to clear up the legality of discrimination on the basis of PPMs as described above, often affecting “eco-labelling”, and possible conflicts in treaties such as that governing Trade-Related Intellectual Property Rights (TRIPS) and the Convention on Biological Diversity (CBD). However many questions remain, and the relationship is still to be clarified. A deadlock was encountered during the 2003 ministerial meeting at Cancun for reasons other than the environment, which is expected to delay such a clarification [65]. One leading researcher recently expressed his pessimism on reaching a clarification: “What is likely to happen, therefore, is continued development of the debate through the MEAs themselves. ...It may well be that in this instance, without a crisis --- such as a new dispute under the WTO – there will be no opportunity to move the debate forward,” [Brack 2]. If the Council implements the SDS, it may comprise the first such opportunity.

Is compatibility really necessary? In finding an answer to this question, let us distinguish between short-term and long-term solutions. Ultimately the world trade regime is in need of a reorientation around the SD mentioned only as an aspiration in the Preamble to the Marrakesh Agreement establishing the World Trade Organization, [67]. In the meantime a modest approach to cooperation among a smaller number of parties, i.e. between the EU and developing countries in striving for SD is suggested in the next section of this paper. Truly long-term strategizing requires a continuity of political leadership that transcends elections. For example, parallel to the EU in the run-up to Rio +10 in Johannesburg in 2002, Germany established a national SDS and a Council for Sustainable Development that was vested with advisory powers, but not the authority to provide policy continuity beyond elections (http://www.nachhaltigkeitsrat.de/english.html). Until the day when the above-mentioned ultimate solution becomes feasible, intermediate solutions to improve the compatibility of the EU’s current SDS with WTO trade agreements might be:

• to keep the EU’s SDS measures compatible with the exceptions for environmental purposes provided for in GATT Article XX if they are “necessary to protect human, animal or plant life or health or relating to the conservation of exhaustible natural resources”.

• The so-called “Singapore issues” such as investment are distasteful to many developing countries who have still not implemented their obligations to open up their economies under the previous round of trade talks, the Uruguay Round. Singapore issues were additional reasons for the derailing of Cancun. The EU might consequently drop its insistence on addressing the Singapore issues at the WTO.

• The EU might negotiate via pluri-lateral agreements to form Regional Trade Areas instead of insisting on multilateral solutions.

This last-mentioned strategy is emerging as a popular one after the derailing of trade talks in Cancun. In fact the EU might well have a competitive advantage in regionalism; it offers the world its history as a model of developing a regional Free Trade Area (FTA). In development policy as well, Europe has been more successful at exercising influence in the context of the UN than it has been at influencing structures such as the G8 (Jorgensen, 33, p.202).
A related issue has come up recently regarding the trade instrument called the “generalized system of preferences” (GSP) [European Commission Delegation 16], [Financial Express 21], [Howse 28], [Roitzinger 53]. The EU has thus far favoured its former colonies in the African, Caribbean and Pacific (ACP countries) with preferential treatment under the GSP. However India has now brought charges before a WTO dispute settlement panel that granting such preferential treatment only to certain developing countries, and not to others such as India, violates the basic Most Favoured Nation (MFN) principle. However the GSP panel report is still subject to review by the Appellate Body, so that it would be premature to draw conclusions already [Moltke 45].

Thus this dispute is the most current evidence of how the importance of ensuring the compatibility of any sustainable development strategy with WTO trade law is not to be dismissed. The manner in which this dispute is resolved will bear on the feasibility of the alternative proposed in the next section. Which partnerships are WTO-compliant?

**Partnerships for development**

This important concept introduced at Johannesburg and further developed in Monterrey could be a basis for reform of European development policy. Currently the Union’s relationship with the ACP countries is based on an agreement signed with them at Cotonou, Benin.

Simon Maxwell, Director of the Overseas Development Institute (ODI), London: “This is an important moment in the history of Europe's relations with developing countries. Over the next five years, an unprecedented number of decisions will be taken which bear on the relationship. These include the content of the European institution, the design of a Common Foreign and Security Policy, the size of the European budget, the future of various regional groupings, the architecture of European institutions, and decisions to do with trade policy and reform of the Common Agricultural Policy. All these discussions take place at a time when the global community as a whole faces troubled times, and when questions of European identity loom large in national debates.” [Euforic 7, 9]

The sea change for European development policy is that the ACP countries’ trade preferences are not compatible with the trade regime at the WTO, and the temporary waiver for them will soon expire. The solution is to be the Economic Partnership Agreements (EPAs) set to begin in 2008 or perhaps already in 2007 (per [European Council 17], [http://www.acp-eu-trade.org/news.php]; see also European Association of Development Research and Training Institutes [EADI 10]).

The current attempt to modernize the EU’s relations to ACP countries is the Cotonou Agreement, which in 2000 replaced a series of four Lomé Conventions bestowing upon the ACP countries both trade preferences and development aid. Cotonou brought a new relationship based on reciprocity, the Economic Partnership Agreements (EPAs), which requires negotiations [Oyejide 46].

A sustainability impact assessment (SIA) is being done on EU-ACP trade negotiations. [Szepesi, 58]. The SIA on Economic Partnership Agreements (EPAs) has a separate website where reports as well as seminar proceedings can be found: [http://www.sia-acp.org]. As for the practical organization of “consultation with the
civil society, …the Consortium is currently in contact with several organisations (e.g., the European Economic and Social Committee) to organise a comprehensive stakeholder consultation process in the regions” [PriceWaterhouse Coopers 48]. If gradual liberalization of the ACP relationship with the EU is proving successful, perhaps it would be logical to expand the new partnership model further.

**Thesis:** As the ACP countries are gradually replaced by Economic Partnership Agreements (EPAs), so as to better comply with WTO rules (i.e. replacing the traditional close relationship with a new free-trade area in line with Article XXIV of the GATT), it could become more likely that additional countries might also enter the redefined, less-intimate, WTO-compatible relationship with the EU, thus providing a broader basis for a European strategy for sustainable development (SDS) than has been available thus far.

Why not grant such preferences to other countries, one might ask? Well, a frank answer is likely to be that the limits to international expansion of EPAs are to be found in domestic resistance. Any “concessions” in trade relations would be perceived as reducing the benefits accruing to interest groups within the EU such as farmers benefitting from the Common Agricultural Policy. According to this philosophy, liberalized trade relations must be dealt out sparingly.

**Conclusions**

Europe, in designing its SDS:

- can be proud to have ratified the Kyoto Protocol, and should urge Russia to do so too.
- should accelerate reform of the CAP, but the details of the reform would go beyond the scope of this paper. We recommend establishing a commission to investigate the issue further, looking into especially the different effects to be expected on different groups of developing countries, in addition to doing the usual Sustainability Impact Assessment. Possibly the export subsidies should be reduced gradually, leaving a percentage of the traditional farming support to promote instead landscape preservation activities, and channelling another percentage of the traditional support to African recipients who would suffer the most, at least at first, from the world price increases expected to result from removal of the subsidies.
- should convince developing countries of the need for a multilateral solution to investment outside the WTO, and
- should follow lead of the British Commission on Intellectual Property Rights (IPRs) [Commission on Intellectual Property Rights 4].

The extent of such measures would admittedly have to take into account the need to

- enlighten its constituents in the domestic industrial and agricultural sectors, and to
- be tempered in view of competition from the United States, with which further dialogue and enlightenment are needed.

Expansion of the number of developing countries eligible to enter into the new Economic Partnership Agreements with the Union appears a promising model for the future of the SDS.
Acknowledgement: Stefan Giljum and Joachim Spangenberg deserve thanks for their assistance in framing the arguments described herein. Raoul Weiler, René Kemp and Konrad von Moltke provided comments on first drafts.

Literature References
(URLs valid as of Feb. 1, 2004)


European Commission 2001: Key background documents [to the SDS],

“FDI flows to developing countries grew from less than half the level of official aid in 1990 to over three times [its] level in 1999” per Footnote 25, European Commission 2002 a: “Towards a global partnership for sustainable development”, COM (2002) 82, p.18,


http://europa-eu-un.org/article.asp?id=3163 and
http://www.europa.eu.int/comm/environment/wssd/eu_documents_en.html

European Commission Delegation to the United States: [Explanation of the] generalized system of preferences,
http://www.eurunion.org/legislat/gsp/gsp.htm

European Council 2004a: Draft Multiannual Strategic Programme for the Years 2004-2006 drawn up by the presidencies concerned (Ireland, Netherlands, Luxembourg, United Kingdom, Austria and Finland) in consultation with the Commission,
http://www.minbuza.nl/default.asp?CMS_ITEM=2C69A0116B994C948B6D97A2D23C22A2X3X60266X09#TOC_22


European Economic and Social Committee (EESC): Opinion of the European Economic and Social Committee on the Lisbon Strategy and Sustainable Development, February 2003,
http://opinions:OPI_2003@eescopinions.esc.eu.int/EESCopinionDocument.aspx?identifier=ces\sous-comite\sc021\%20developpement%20durable\ces289-2003_ac.doc&language=EN
[20] European Environmental Bureau (EEB) 2002: Evaluation of the EU’s Sustainable Development Strategy (SDS), (Secretary General: John Hontelez. Boulevard de Waterloo 34, B-1000 Brussels, Tel: +32 2 289 1090, info@eeb.org),


PriceWaterhouse Coopers 2003b: List of questions put forward by stakeholders at public meetings, 4 April 2003,
http://www.sia-acp.org/acp/download/quest_rep_uk.pdf

Radermacher, Franz Josef 2003: A European Proposal for a Global Marshall Plan,
http://www.globalmarshallplan.org/e386/index_eng.html

Rights and Democracy / Three D (eds), 2003: Towards Development: Human Rights and the WTO Agenda, Cancun, Mexico, September 12, 2003,
http://www.choike.org/documentos/wto_hhrr.pdf or in MS Word format on

Rodrik, Dani: Free Trade Optimism: Lessons from the Battle in Seattle”, In: Foreign Affairs, May/June 2003,

http://www.wto-news.ch

Ruddy, Thomas, 1998: Globalisation, Information Society and Sustainable Development: The Promise of a European Way,
http://members.tripod.com/ruddyconsult/expo2.htm

http://www.coi-tn.org/wfeo-cic/schedule_en.htm


Trocaire (development agency of Catholic Church in Ireland): From Promises to Action: Seven Steps towards the Millennium Development Goals: A Development Agenda for the Irish EU Presidency in 2004, Briefing Paper by Lorna Gold, July 2003,


The fact that the Kyoto Protocol deals primarily with investment [Moltke, 2004b] does not detract from these provisions, but rather demonstrates the twin relationship between trade and investment. Emissions trading reveals where new investment can be allocated most efficiently.

“…In the two years separating the Doha Ministerial and Fifth Ministerial at Cancun little, if any, progress was made integrating environmental concerns into WTO trade negotiations,” [Global Environment and Trade Study].

Better integration of the various levels of EU policymaking is needed, so as to avoid contradictory policy positions such as the trade burden that the CAP places on developing countries, which cancels out the effect of development aid. Trade is negotiated on the EU level under Pascal Lamy, whereas both the environment and development policy dossiers are subject to the principle of subsidiarity in striking the appropriate division of labor with the member country level. Secondly, as the European Economic and Social Committee (EESC) complains, “sustainable development is too often identified as mainly an environmental issue, and not integrated in a total policy mix of economic, social and environmental issues.” [EESC Opinion, Item 3].

“…While allowing for the optimal use of the world's resources in accordance with the objective of sustainable development”, http://www.wto.org/english/docs_e/legal_e/04-wto_e.htm