

**FAIR POLITICS**  
**MAKE DEVELOPMENT WORK**

**Fair Politics Reaction to the Commission's 2<sup>nd</sup> biannual  
Report on Policy Coherence for Development**

**October 2009**



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## **Table of Contents**

1. INTRODUCTION	<b>3</b>
2. THE PROMOTION OF PCD WITHIN THE EUROPEAN INSTITUTIONS	<b>4 - 6</b>
Inter-service consultation	
Impact Assessments	
The PCD Unit in DG Development	
The Rolling Work Programme and screening of Council presidencies	
PCD in the European Parliament	
The partner country perspective	
The Overall assessment of the promotion of PCD	
3. POLICY COHERENCE FOR DEVELOPMENT IN THE NEAR FUTURE	<b>7, 8</b>
The whole of the Union Approach	
Evidence based PCD	
The Lisbon Treaty	
4. INCOHERENT POLICIES; PROGRESS MADE	<b>9 - 13</b>
Fisheries Partnership Agreements	
Intellectual Property Rights	
Sugar	
Raw Materials Initiative	
Economic Partnership Agreements	
5. PCD RECOMMENDATIONS FOR THE EUROPEAN INSTITUTIONS	<b>14</b>

## 1. Introduction

In response to the very welcomed 2<sup>nd</sup> biannual report on Policy Coherence for Development (PCD), Fair Politics would like to comment on the contents of the report, just as the EU Coherence Programme did two year ago. The PCD report gives us the chance to take account of the state of the art as viewed by the European Commission and the Member States and it allows us to make our own evaluation on the basis of our case studies and how these are being considered within the report. Especially it gives us the opportunity to draw attention to the policy case studies of our concern in terms of progress made and issues still to be tackled.

Fair Politics strives for coherent, justifiable and sustainable policies that do not hinder, but encourage the development of poor countries. All with the aim of giving poor countries a fair chance to develop and to make development work.

In this reaction, we will comment upon the Commission's communication: PCD – Establishing the policy framework for a whole of the Union Approach and on the Commission staff working document accompanying the report from the Commission to the Council on PCD. Firstly the organisational mechanisms will be commented upon, after which the future prospects will be discussed. Finally we will draw attention to five of our policy case studies, which are being discussed in the Commission staff working document.

### **Evert Vermeer Foundation: EU Coherence Programme → Fair Politics**

Very recently the Evert Vermeer Foundation (EVF) launched its renewed programme: Fair Politics, the successor of the EU Coherence Programme. In the period of 2006 – 2009 the EU Coherence programme was active on the topic of Policy Coherence for Development. Through the development of policy case studies, the EU Coherence Programme brought incoherent policies to the attention of politicians and civil servants, with the aim of encouraging them to take into account Policy Coherence for Development. The objective of the Fair Politics, political campaign is largely the same; to make politicians aware of unfair policies, to provide them with policy recommendations and to encourage them to revise these policies.

The case studies being established under the EU Coherence Programme will continue to exist and are still monitored under Fair Politics. Currently a couple of new case studies are being established; one on the Raw Materials Initiative and one on tax justice.

## 2. The Promotion of PCD within the European institutions

Of course the promotion of PCD in the European Union at large is very important; therefore Fair Politics encourages the implementation and evaluation of the PCD mechanisms in all 27 member states. However in this reaction our focus will be on what the European institutions themselves have achieved. After all, the case studies of Fair Politics are based upon policies which were formulated by the European Commission and adopted by the Council and sometimes the European Parliament. Since 2005 the European Commission has paid attention to the organisational mechanisms deemed necessary to facilitate progress on PCD<sup>1</sup>. A series of mechanisms have been set up that promote PCD mainly within the European Commission.

The interests of developing countries in the South should be at the heart of the EU's decision making process. Meaning that all three of the main European institutions should be fully aware of the concept of and the EU's commitments to PCD. Besides all three of the EU's institutions should have adequate PCD mechanisms in order to make sure that European policies do not undermine the EU's development policy. These PCD mechanisms should either prevent critical incoherent policies from being formulated or identify and solve incoherence as early as possible in the decision making process. Unfortunately, this is not yet the case; take for instance the Lisbon strategy and the accompanying communication "Global Europe - Competing in the World" in which the Commission outlines the future work on external trade, as a means to contribute to fulfilling the goals of the Lisbon Strategy for Growth and Jobs. The communication, presented in 2006, describes a.o. new strategies towards international trade, investments, public procurement, intellectual property rights and market access issues in order to enhance the competitiveness of the European Union. All this in order to become the most competitive and knowledge based economy in the world by 2010. Where does development and Policy Coherence for Development come in? Isn't it ironic that in the very same year the Lisbon strategy was established the Millennium Development Goals were formulated?

In order to prevent incoherence, what we need is the political will to weight the interest of developing countries equally to the interests of the European Union Member States. Of course we are aware that complete coherence is hardly possible as there will always be competition among these interests. However when transparency on how decisions are being taken and greater responsiveness to PCD concerns are provided by the European institutions, improvements can certainly be made. This for instance means that, when larger (economic) strategies for the future are drawn, from which many different policies (with impacts on developing countries) flourish, politicians should demonstrate that the interests of developing countries are also equally considered.

Fair Politics was glad to learn that some of the installed mechanisms will or have been sharpened and used in a better way. Below we provide an overview of the PCD mechanisms within the European institutions, how they are functioning at the moment and where there would be room for improvement, especially with regard to transparency and responsiveness.

### **Inter- service consultation**

The inter- service consultation mechanism within the European Commission is to be seen as a process including informal discussion and inter service meetings, as well as more formal steps to allow all services to express their views on policy proposals.

In the 2009 PCD report it is stated that the Commission now regularly establishes an informal PCD work plan, which lists all of those EU policy initiatives and legislative proposals that are likely to have significant impact on developing countries. In 2008, 26

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<sup>1</sup> EC report on PCD 2007

initiatives were identified and 37 in 2009. Fair Politics wonders, how come so many more initiatives have been identified in 2009 already, and whether more insight could be given in relation to which initiatives were identified as likely to have an impact on developing countries.

### **Impact assessments**

Fair Politics was pleasantly surprised to hear that the IA guidelines have been revised and are applicable since January 2009. A major improvement is the inclusion of more in depth analysis of the ways in which EU policy initiatives might affect developing countries. The guidelines now state that; initiatives that may affect developing countries should be analysed for their coherence with the objectives of EU development policy. This is a major step forward for PCD and will hopefully lead to the earlier and better identification of possible incoherence, so that the incoherence can be solved at an earlier stage in the decision making process.

Fair Politics would like to encourage the Commission to pay more attention to these impact assessments and to make them more easily available to the public and to the MEPs. Some MEPs have asked questions to the Commission in relation to untraceable impact studies on for instance the EPAs. The Commission could for instance report on the impact assessment conducted and more obviously publish its results, this would provide for more transparency with regard to PCD and the policy in question. Plus it could mobilize more political will for PCD. It would also be advisable to conduct impact assessments at a very early stage in the policy making process. In the case of the Andean negotiations for instance, it took 2 years and negotiations had already reached decision making stages.

### **The PCD unit in DG Development**

The PCD unit of DG Development has according to Fair Politics always had an inclusive approach to Policy Coherence for Development. Consultation sessions with civil society are organised on a regular basis, answers are provided to questions raised about concerns and important contributions were delivered to coherence initiatives (e.g. expert meetings, coherence awards etc). Furthermore representatives from other DGs (trade, sancos, enterprise) have also been involved in meetings organised by either DG development on topics related to PCD, or by civil society on issues of our concern. We hope this fruitful consultation and cooperation will continue in the future.

### **The Rolling Work Programme and screening of Council presidencies**

Both of these Council PCD mechanisms were mentioned as outstanding issues in the first PCD report, in the sense that these procedures should be institutionalised to make them more operational. The PCD screening exercise in the Council has been carried out by all presidencies since 2007; however as Member States claim in their reaction to the questionnaire, PCD screening in the Council remains unclear and better follow up would be needed. The same counts for the Rolling Work Programme; not all presidencies have updated this work programme, since it was first initiated by the German presidency. Some Member States acknowledge that the preparation of this programme is a laborious exercise and that the status of the programme is quite low in comparison with other presidency papers. Therefore the political value of the paper should be upgraded and should receive a more prominent place on the presidency agenda. The European Parliament and individual Member States could urge for the institutionalisation of these mechanisms within the Council, giving PCD a more prominent place.

### **PCD in the European Parliament**

Fair Politics was very pleased to read in the 2009 PCD report that, the European Parliament took a keener interest in PCD during the second half of its term. According to the Commission, MEPs asked many written questions on specific aspects of EU policies including migration, trade and fisheries and their impacts on developing countries. The EU Coherence Programme, the predecessor of Fair Politics, has since 2006 actively strived for this. Fair Politics does however find it disappointing that the Commission did not in its

report react more strongly upon the efforts made in the European Parliament in relation to the June 2008 report and resolution on policy coherence for development and the effects of the EU's exploitation of certain biological natural resources on development in West Africa.

We were alighted to hear that the European Parliament will again write an own initiative report on PCD in reaction to the 2009 report of the European Commission. We would like to encourage the European Parliament to organise a PCD hearing in order to raise awareness among new MEPs about Policy Coherence for Development and to provide for dialogue with both the Commission and Council.

### **The partner country perspective**

Developing countries have been showing a growing interest in Policy Coherence for Development. This is of course essential in order to strive for a more evidence based approach for PCD. The ACP countries requested a consultation session with the European Commission on PCD under Cotonou Article 12. This consultation took place in February 2009 and will hopefully lead to a follow up and more fruitful cooperation and consultations in the future. We are glad that the Commission in the 2009 report also mentions the need for a more clear dialogue with ACP countries in relation to PCD.

The fact that the Country Strategy Papers (CSP) (prepared in cooperation with the ACP delegations), now include a section on PCD and the fact that these CSP make reference to one of the 12 PCD areas on 136 occasions shows that incoherence is a major concern. Furthermore it is stated in the Commission 2009 PCD report that the EPAs form a major element reported by more than 50% of the delegations. It would have been useful however if the Commission would shortly report on these major concerns in their PCD report.

### **Overall assessment of the promotion of PCD**

In general we can state that with regard to the PCD mechanisms on the European level, several improvements have been made in the past 2 years. Both the impact assessments as well as the country strategy papers now include explicit sections on PCD. Better involvement of partner country perspectives has been generated and will hopefully be followed up more frequently by utilizing the ACP consultations under Art. 12 of Cotonou.

The European Parliament has become more aware of the concept of PCD; the challenge is now to keep up the good work during the new parliamentary term. Fair Politics will definitely do what it can to enhance the awareness around PCD, generally and in relation to our policy case studies.

In order to put the developing countries interests at the heart of the EU's decision making process, like suggested in one of the pervious paragraphs, PCD improvements need to be made at the level of the European Council. Continuation of the PCD screening and the Rolling Work Programme would be very essential and we hope therefore that these PCD mechanisms will be more formally institutionalised. More awareness on PCD needs to be raised here, especially when larger summits are coming up where new economic strategies are being developed. Awareness rising within COREPER is therefore essential.

At the level of the Commission we would urge for more transparency in relation to the impact assessments conducted and a more formalised approach to the inter – service consultations. We would like the Commission to report on the policies being assessed and discussed and what the outcomes of these assessments and inter service consultation are.

### **3. Policy Coherence for Development in the near Future**

There are currently quite some developments going on having implications for the future of Policy Coherence for Development. The Lisbon Treaty is coming up, a Communication entitled "the whole of the union approach" was published by the Commission and in the 2009 PCD report a new feature was presented, evidence based PCD.

#### **"The whole of Union approach"**

In the Communication "the whole of the union approach", the Commission proposes a new approach to PCD. Due to the strong inter – linkages between all of the policy fields that might affect developing countries and due to the growing amount of non ODA financial flows to developing countries, the PCD approach should focus on 5 priority issues instead of the 12 compartmentalised policy fields, it is suggested by the Commission.

Focusing on 5 priority issues rather than the 12 policy fields might be better in terms of putting five issues in the political spotlight for a period of 2 years to make sure that policies in these areas do not hinder the actual development in developing countries. Although Fair Politics does wonder how the current five priority issues have been decided upon. The five priorities which have been determined are of course critical issues that do indeed need special attention. However, some critical policy areas seem to be out of sight now. What about the trade agreements such as the EPAs? Yes they are some how linked to food security, but then there are so many different policies some how linked to food security; Fisheries Partnership Agreements and the Common Agricultural Policy, and what about Raw Materials? Therefore perhaps fair economic development should become a priority issue.

Fair Politics would like to encourage the Commission to keep civil society updated on the 5 priority issues and to involve civil society and southern partners in the debate on which 5 priority areas should eventually become the focal PCD areas for the next 2 years. Furthermore, Fair Politics agrees that it is indeed very useful to also take account of the non ODA financial flows to developing countries and to make sure that these flows are also coherent to the EU's development policy. However this does not mean that these non ODA financial flows should also be counted as ODA. We believe that the EU and its Member States should hold on to their ODA commitments.

#### **Evidence based PCD**

Fair Politics supports, the new initiative of including PCD case studies in the biannual PCD report. In the 2009 PCD report three case studies were conducted (on MDGs 1, 6 and on the Joint Africa EU Strategy). A more detailed and elaborated report on how the case studies were conducted, how the countries were selected and how one came to certain conclusions would have been pleasant. Right now the 30 pages which are spent on three case studies in 6 different countries provide a rather technical and broad overview of many different policies and their effects. More focus on evidence based PCD would certainly contribute to the PCD evaluation and work of the Commission, integrating the results of PCD impact studies into the different chapters of the biannual report would greatly improve the basis of the report.

#### **The Lisbon Treaty**

The Lisbon Treaty, likely to be adopted in the next month(s), brings possible new opportunities for Policy Coherence for Development. First of all it has been agreed that the future staff members of the newly formed External Action Service (EAS) will consist of members of the Council secretariat, the Commission and diplomats from the Member States<sup>2</sup>. This could obviously be beneficial to the enhancement of PCD, and provide for better coordination between the EU's institutions and the member states. However depending on how exactly this new EAS will take shape and which position development policy will take up, future prospects are still uncertain. Another possible positive feature

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<sup>2</sup> Ratifying Lisbon: what could it mean for 'the field'? October 01, 2009 Niels Keijzer, Jeske van Seters  
<http://www.thebrokeronline.eu/en/regulars/blogs/Europe-s-International-Role>

may be that the EU delegations will receive more responsibilities in the sense that they will be able to legally represent the EU. This might indicate that they could be much more involved in the formulation of policies, and as these delegations are much closer to the "field" they might be able to identify incoherence at an earlier stage. The Article on PCD will remain unchanged however will now be placed under Article 10a, par 3, General Provisions on the Union's External Action: *"to ensure consistency between the different areas of external action and between these and other policies"*.

#### **4. Incoherent policies; Progress made**

Fair Politics was glad to notice that almost all of our policy case studies were discussed within the PCD report. This means that the European Commission and the Member States have taken account of the fact that there is a relationship between that particular policy and Policy Coherence for Development. However in general terms the report is not very explicit or concrete; it especially focuses on the opportunities for development (“synergies”) and raises the question of how the policy at stake can contribute to development. But, from a PCD point of view it is very relevant to first identify the obstacles to development, before being able to make the policy contribute to development. Unfortunately these obstacles to development are not always mentioned within the PCD report.

Below we will compare the progress on the policy case studies that we have monitored to the evaluation of these policies by the Commission in the 2009 PCD report. We decided to elaborate on 5 of our policy case studies, as these particular case studies are either currently being dealt with, or where significant progress has been made or still urgently needs to be made. Our case study on sugar for instance has shown great progress; almost all of our initial policy recommendations have been adopted. Nevertheless when it concerns the Intellectual Property Rights or the Raw Materials Initiative there is still quite some incoherence to be solved.

##### **Fisheries Partnership Agreements**

Fisheries Agreements have been fiercely criticized for various reasons, ranging from overexploitation of natural resources to conflicts with local fisheries and harm to local fisheries industries. Therefore the EU introduced the Fisheries Partnership Agreements (FPA); these new agreements had to make sure that developmental concerns were also being taken into account. In March 2006 the first FPA, with the Solomon Islands, came into force. The last old-style Fisheries Agreements with Mauritius and Guinea were replaced by FPAs in 2008. Subsequently the Commission has now replaced all fisheries agreements with FPAs, which was identified as one of the outstanding issues of the 2007 PCD report.

Fair Politics EU underlines that by implementing the FPAs in recent years some real progress has been made in comparison to the previous Fisheries Agreements. However, we remain concerned that many of the intended improvements will fail to materialize. Overexploitation of fish stocks will still occur, as reliable and independent scientific data to determine a sustainable maximum catch often lack. Local fishermen do not have priority access to their own fishing grounds and will still be harmed by subsidized competition from European vessels. And most importantly, the local processing industry, which has the highest potential added value in the production chain, receives little support.

Fair Politics was glad to learn that within the 2009 PCD report of the Commission 7 pages were spent on the topic of the Fisheries Partnership Agreements, this proves that the Commission is very well aware of, not only its relation to PCD but also the controversies that do still exist around these agreements. The Commission admits that the FPA framework is not perfect and that the lack of data on fish stocks makes it difficult to determine the surplus available and to ensure that fishing activities remain sustainable<sup>3</sup>.

Since the fisheries sector could have a significant positive effect in achieving poverty reduction, fisheries are part of one of the sectoral policies of Development Policy. The guiding principle of development cooperation in fisheries is to contribute to sustainable benefits for sector stakeholders in developing countries without further degradation of the natural environment. Therefore, in its Development Policy the EU explicitly promises that it will pay particular attention to the development objectives of the countries with which the

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<sup>3</sup> EC PCD report 2009. Page. 93

Community has made or will make fisheries agreements<sup>4</sup>. Fair Politics therefore urges the Commission to take account of the following policy recommendations;

- The EU should respect the surplus principle as concluded in the UNCLOS; the EU should not fish in countries where a surplus is not proved and the prevention of overexploitation cannot be guaranteed;
- The European Union has to make more efforts to let local processing industry develop in developing countries;
- Priority access should be reserved for the national fleet of poor coastal states, especially to small scale and artisan fishermen;
- The EU should step up efforts to help ACP countries develop effective national management systems, with supporting policies and institutions, in order to prevent overexploitation. At present, effective control is often lacking in poor countries.

### **Intellectual Property Rights\***

Our case study: "TRIPS and medicines" addresses the topic of the trade-related Intellectual Property Rights and their effect on the access to affordable medicines for people in developing countries. Under TRIPS, member nations of the WTO agreed to provide common standards for protection of all intellectual property applying to all technologies in products and processes, including pharmaceuticals, with the aim to enhance innovation through research and development.

The TRIPS became the subject of a heated debate due to the risks it imposed on developing countries in terms of decreasing - the already low - access to medicines. Finally, during the WTO Doha round, flexibility clauses were added in relation to public health protection in these countries. In this respect the PCD report strongly emphasises the efforts of the EU in pushing for flexibilities and increasing access to health for developing countries. At the same time however, the EU is aiming to include TRIPS plus standards (provisions that go beyond TRIPS in duration of patent and data protection, as well as strict enforcement rules for example) into its trade agreements with third countries. The EU is also said to exert strong bilateral pressure in order to limit the use of TRIPS flexibilities<sup>5</sup>. Fair Politics considers all this a continuing case of clear incoherence.

Among its trade goals the European Commission now explicitly states that "*the EU should seek to strengthen IPR provisions in future bilateral agreements...*"<sup>6</sup>. Draft proposals for trade agreements with various groups of ACP countries (ECOWAS, CARIFORUM and SADC, but also CAN) that have surfaced in the last year contain more stringent clauses for intellectual property than TRIPS requires, that would put a "substantial burden" on these countries and could have adverse consequences for public health<sup>7</sup>. The EU has a strong focus on enforcement and border measures in relation to IPR. Many fear that this will result in an increase of seizures of generic medicine, as have been regularly taking place in the EU – and mainly in the Netherlands – in the past years. Being referred to in many cases as misinterpretation of the regulation, it is clear that the current standards - and those being pushed for even more - are not beneficial to generic medicine trade. Instead, pharmaceutical companies seem to be able to take advantage of their position and demand seizure of medicines in transit that are not protected by a patent in the country of origin nor in the country of destination. True PCD on this matter would include preventing

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<sup>4</sup> The European Consensus on Development" (Official Journal C 46/01 of 24 February 2006).

<sup>5</sup>European Commission (2008) 'Survey on Enforcement of Intellectual Property Rights in Third Countries'. Among the countries listed are: China, Russia, Ukraine, Chile, Turkey, Thailand, Malaysia, Indonesia, the Philippines, Vietnam, Brazil, Argentina, Paraguay and Korea.

[http://europa.eu.int/comm/trade/issues/sectoral/intell\\_property/survey\\_en.htm](http://europa.eu.int/comm/trade/issues/sectoral/intell_property/survey_en.htm) (3/2008).

Matthew Flynn (2007) 'Brazil's Use of Compulsory Licenses for AIDS Medicines', University of Texas at Austin, August 2007, pp15–20.

<sup>6</sup> European Commission, Global Europe: competing in the world. EC Policy Review (4 October 2006).

(<http://ec.europa.eu/trade/issues/sectoral/competitiveness>)

<sup>7</sup> EU Urged To Back Poor Countries' Use Of TRIPS Flexibilities, 6 June 2007 <http://www.ip-watch.org/>;

enforcement rules having negative consequences on access to generic medicine to which large parts of the population in developing countries depend on.

*"The PCD challenge in relation to TRIPS lies in ensuring the use of IPR to contribute to development optimally"*<sup>8</sup>. We agree this is indeed a challenge. Remarkably, the EC PCD report does not address our concerns, but extensively speaks of potential benefits that are largely unproven and do not correspond to the lack of commitment in technology transfer and R&D in the EU trade agreements with developing countries<sup>9</sup>. The fact that the IPRs are indicated as one of the new 5 priority issues in the Communication could be very positive with the right approach. Therefore:

- We urge the European Union to refrain from pursuing the inclusion of TRIPS+, WTO+ and even EU+ provisions designed to protect intellectual property rights in any bilateral or multilateral trade agreements with developing countries.
- We urge the European Commission to provide clear guidance with regard to the seizure of generic medicines.

\* The contents of this case study have been endorsed by Health Action International (HAI)

## **Sugar**

Our case study on the EU's sugar policy has become a positive case, a perfect example which shows that the EU also has agricultural policies that are coherent with development objectives. It also shows that incoherence can be changed into coherence when there is need for change and the political will to serve this need.

In November 2005 the European sugar policy underwent radical reforms for the first time in forty years. In the World Trade Organization (WTO) Brazil in particular put pressure on the European Union (EU) to drastically reduce its subsidized sugar exports<sup>10</sup>.

The European sugar policy, as a part of the agricultural policy, completely undermined several development objectives. Sugar factories paid European farmers a guaranteed price for the sugar beet they grow. As a result of this the sugar price for European consumers was much higher than the price being paid on the world market. Due to this price guarantee European farmers produced much more than necessary for the European market. The result of this was that the EU had way too much sugar and therefore dumped millions of tonnes on the world market annually. About 800 million Euros worth of export subsidies were used for this purpose.

One of our recommendations was to abolish export subsidies on European sugar, in order to stop dumping. At this moment there are hardly any export subsidies left. The Commission is strictly encouraging all companies to renounce production quota before 2010 so that overproduction will not occur.

Higher compensation for ACP countries under the Sugar Protocol was also one of the recommendations. In 2006 the Commission proposed a Regulation (266/2006)<sup>11</sup> that was later adopted by Parliament and Council that foresaw in: establishing accompanying measures for Sugar Protocol countries affected by the reform of the EU sugar regime. The EU helps several ACP Countries, through a multi-annual strategy for the period of 2006-2013, to enhance the competitiveness of the sugar and cane sector, promote the economic diversification of sugar-dependent areas, and/or address broader impacts generated by the adaption process. Thirteen ACP countries under the Sugar Protocol asked for this EU assistance. The amount of money set aside for the assistance is 1 244 million for the

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<sup>8</sup> EC PCD report 2009. Page 25

<sup>9</sup> Ellen 't Hoen (2009) The Global Politics of Pharmaceutical Monopoly Power.

<sup>10</sup> After complaints from Australia, Brazil and Thailand, a WTO-panel declared the European sugar exports largely contrary to the Uruguay Round Agreements of 1995, after which the EU had to effect reforms

<sup>11</sup><http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:050:0001:01:EN:HTML>

period of 2006-2013<sup>12</sup>, which is less than the 200 million a year we recommended, but more than the first 40 million announced by the Commission in 2006. As a positive element though, this money will not be taken from the EDF.

This case is a good example of a situation in which the EU can look after the interests of its own citizens without neglecting the consequences of its decisions and policies for developing countries.

### **The Raw Materials Initiative**

For its supply of raw materials for production and industry, the European Union (EU) depends to a very large extent on imports of all principal raw materials – 70 to 100 per cent of all raw materials come from outside the EU, not seldom from developing countries<sup>13</sup>. It is therefore obvious that the Raw Materials Initiative (RMI) which has been adopted by the Commission in November 2008 serves the interest of the European industry.

*"The EU should work towards the elimination of trade distorting measures taken by third countries in all areas relevant to access to raw materials. The EU will take vigorous action to challenge measures which violate WTO or bilateral rules, using all mechanisms and instruments available, including enforcement through the use of dispute settlement. More generally, the EU will act against the protectionist use of export restrictions by third countries. In determining its actions, the EU will take as priority those export restrictions that pose the greatest problems for EU user industries or give their domestic downstream industries an unfair competitive advantage on international markets<sup>14</sup>".*

The words above are literally taken from the text of the RMI; it is therefore no surprise that Fair Politics has major concerns about this new strategy adopted by the European Commission.

African governments must have the policy space to raise taxes, implement restrictive FDI policies, and control the outflow of raw materials, in order to finance measures to mitigate the consequences of soaring commodity and food prices, and to help lift their countries out of the poverty trap. But they will face strong opposition from the European Union, which views these measures as a threat to its supply of raw materials and to the competitiveness of European companies and sectors.

Fair Politics is glad that the RMI is indeed mentioned in the PCD report, in which it is stated that; *"the EU has been implementing its activities to ensure undistorted access to raw materials in full consistency with development policy and will continue to do so"*<sup>15</sup>. An explanation of how this initiative can be consistent with development would have been useful; instead only two measures; strengthening domestic governance and promoting transparency are mentioned.

Fair Politics would like to draw attention to the following recommendations;

- ACP countries should be able to maintain their sovereignty and policy space, including in relation to the appropriate use of their own natural resources. They should be able to use investment regulations, tariff barriers and export restrictions to promote equitable, local and sustainable economic development.
- By implementing their own industrial policies, and by protecting their infant industries through legitimate (non tariff) barriers to trade, and by introducing environmental measures, resource-rich developing countries should be allowed to

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<sup>12</sup> [http://ec.europa.eu/development/policies/9interventionareas/ruraldev/agri/sugar\\_intro\\_en.cfm](http://ec.europa.eu/development/policies/9interventionareas/ruraldev/agri/sugar_intro_en.cfm)

<sup>13</sup> Resource-rich developing countries that have recently stepped up their exploration and extraction activities include the DRC (copper, cobalt), Zambia (copper), Zimbabwe (platinum) and South Africa (iron ore).

<sup>14</sup> COM(2008) 699, p.7

<sup>15</sup> EC PCD 2009 report. Page 35

move up the value chain, so that the added value to (semi) processed products will remain in the country of origin.

- The EU should not compete in the ongoing “race to the bottom” for natural resources, but rather use its political and economic power to set certain rules. Plus the EU should take steps to decouple its own economy from excessive resource dependence, and invest more in the research and development of substitutes, and recycling programmes.

### **The Economic Partnership Agreements**

Fair Politics recognizes that the basic idea of an EPA, namely the mutual reinforcement of trade and development policies by creating a single instrument, could in theory be beneficial to developing countries. Regional integration could potentially stabilize and reinforce the economic situations in many developing countries and perhaps even the political relations in certain regions. However, we share the concerns that many MEPs, just like many NGOs worldwide, have expressed in their questions to the European Commission and Council: Will the developing countries have enough possibilities to protect their vulnerable and infant industries? Will the Intellectual Property Rights provisions included in the EPAs not exceed TRIPS standards? Are impact assessments being conducted by independent research institutes, and if so are results being taken into account?

In the chapter on trade, in the current PCD report of the Commission it is stated that EPAs are intended to support regional integration, the creation of larger markets and economies of scale<sup>16</sup>. “*EPAs are trade agreements at the service of development*”. This is obviously not the case at the moment; rather the EPAs are causing regional disintegration, as many countries have been in conflict with one another over the contents of the agreements. The European Commission has failed to leave any level playing field for the countries involved in the regional negotiations, as a result there is currently only one full EPA and now interim EPAs are being concluded on a bilateral basis. These interim EPAs do not support regional integration in any way. Besides, the negotiations were largely conducted by DG Trade without the involvement of DG Development, which is quite remarkable of course, as the EPAs are claimed to be a developmental tool.

These and other concerns are of major importance to Fair Politics, since they are crucial for the interests and needs of developing countries to eventually be able to benefit from these agreements. MEPs have recognized that DG Trade, now that it is led by Commissioner Catherine Ashton, has been more flexible in its approach to the negotiations than before. Still, we urge the Commission to make an effort to look at the EPA process from a developing country’s point of view. And we ask the Parliament to stay aware and involved in this important issue for developing countries.

Fair Politics does welcome the statement made in the PCD report on the monitoring processes which will be installed to monitor the implementation and to make sure the EPAs are delivering the intended developmental benefits. Regional NGOs and civil society should certainly be involved in this monitoring process. Furthermore we would like to draw attention to the following three policy recommendations;

- The European Commission should ensure that ACP regional groups have maximum flexibility over their own market opening. The EU should therefore offer all ACP regional groups a period of 20 years or more to allow their markets to adjust, on an unconditional basis.
- Investment, competition and government procurement should be removed from the negotiations, unless specifically requested by an ACP regional negotiating group. It is for ACP regional groups to judge the development benefits of any agreements on these issues and the EU should not push for them to be discussed.
- The Commission should be ready to provide an alternative to an EPA at the request of any ACP country. Any alternative offered should provide no worse market access to the EU than is currently enjoyed under Cotonou preferences.

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<sup>16</sup> EC PCD report 2009. Page 28

## **5. PCD recommendations for the European institutions**

Fair Politics would like to draw attention to the following recommendations for improvement; these topics have all been touched upon in this reaction.

- Strongly promote the concept of and commitments to PCD in all three of the main European institutions; The Commission, Council and the Parliament;
- Substantially improve the PCD mechanisms within the Council by institutionalising the rolling work programme and the screening exercise and by adding more political value to these mechanisms;
- Draw more attention to impact assessments conducted on policies such as the EPAs. Clearly report upon the findings and make these assessments more widely available to both Members of the European Parliament and to civil society.
- Involve both civil society as well as the Southern partners in the debate on which PCD priority issues should be determined for the upcoming two years.
- Invest more time and resources in evidence based PCD case studies and more strongly integrate the results of these case studies in the biannual PCD report.
- Equally consider the interests of developing countries when constructing new policies and larger economic strategies, furthermore demonstrate the consideration;
- Identify the obstacles to development in incoherent policies before focussing on solely possible synergies;
- Take account of and respond to concerns being raised on incoherent policies.

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