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on Trade and Development

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Rapporteur: Alf Svensson

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United in diversity

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Introduction

The Commission communication with which this working document is concerned is supposed to deal with ‘Trade, growth and development’, but is less clear about the objective¹. The communication states that its purpose is to propose specific ways of increasing synergies between trade policy and development policy. Openness to trade is described as a key to development, and the communication makes the point that other preconditions must also be fulfilled. On the other hand, there is no discussion of the development value of *different types* of trade, and of how this value can be maximised. Similarly, only passing mention is made of the fact that opening up trade can also have a number of adverse effects on developing countries. It seems highly desirable that the report by the Committee on Development should draw attention to these issues.

Use of trade policy to attain development objectives

Trade is one of the most important fields from the point of view of the EU’s ‘policy coherence for development’ (PCD). Provided that they are used in the right way, trade policy instruments can have more impact on development in poor countries than many aid policy measures succeed in achieving. The EU’s trade policy towards developing countries must take as its principal aim that of serving and enhancing the results of our aid policy. Promoting development in the world, including by means other than aid, upholds the EU’s fundamental values and complies with its Treaty obligations. Moreover, development plays a key role in peace, security and stability in the world – EU interests to which the highest priority is assigned.

Economic development without human rights and freedoms is worth little. We know that democracy and human rights are an essential precondition for long-term social development in a country. The EU’s trade policy should therefore also include clear objectives for human rights and methods of realising them within the framework of trade instruments.

In many countries, agreements on free trade with the outside world need to be supplemented by internal trade reforms in the country so that the positive effects of free trade can genuinely benefit the population at large. In this case, aid to good governance and to important social-policy reforms can be a premise to enable trade policy to produce the maximum positive impact. We must see aid and trade policies as mutually dependent and indissolubly linked.

In order to serve development objectives more effectively, the EU’s trade policy needs to be geared more towards preserving jobs and creating new ones, producing positive knock-on effects in local, national and regional economies, promoting diversification of developing countries’ economies and encouraging steps towards more advanced and income-yielding production. There is a danger that customs tariffs on processed goods which exceed those on raw materials may help to consign developing countries to the role merely of exporters of raw materials.

¹ Trade, growth and development: tailoring trade and investment policy for those countries most in need.

Impact of EU trade policy on developing countries

Any discussion of trade relations between the EU and developing countries must be based on a view of humankind in which equality is fundamental. Developing countries should be approached and treated with the same respect as any other partner at the negotiating table.

All too often, both politicians and opinion-formers seem to imply that representatives of developing countries do not themselves have the skills or capacity to assess what trade agreements they should or should not conclude with outside partners. Suggestions that the EU presses or even compels developing countries to sign trade agreements which they do not genuinely wish to accept are indicative of serious – but regrettably not entirely uncommon – ignorance and a deplorable view of developing countries, as if they were inferior or less capable of adopting a line in negotiations and taking their own decisions.

Having said that, it is important to stress the responsibility borne by the rich countries and by the EU in the global economy. We have a moral duty to help those who are worse off and to reduce suffering in the world. We can do this effectively by formulating trade agreements which enable developing countries to participate properly in the international economy and to exploit the advantages of globalisation.

In this connection the principle should also be stressed that there must not be any room for protectionism on the part of the EU or individual EU Member States. In order for international trade agreements that we conclude with developing countries to have a full impact on their economic growth, it is not unreasonable that we too should make certain sacrifices – precisely as we are required to do when we conclude trade agreements with other partners in the world.

Development of the private sector, building trade capacity, Aid for Trade, good governance, fighting corruption, and effective use of budget appropriations

It has been said that it is China and mobile phones that are driving development in Africa. China invests. Mobile phones enable trade to function. But in order for investment to have an impact and to make IT possible, expertise is needed. There is a need to provide aid for education and training, and to build trade capacity, in order to enable poor countries to derive the best benefit from the advantages of free trade.

Since it was launched in 2005, the concept of Aid for Trade has made headway. The WTO estimates that for each aid dollar invested in a developing country's trade capacity, the country's exports increase, on average, by \$42. Trade capacity is dependent on both hardware (infrastructure) and software (expertise), and we need to invest our aid so as to promote both elements in many countries, particularly in cooperation with the least developed countries (LLDCs).

The decisive factor that determines trade capacity in a country is of course good governance. As we know, pervasive corruption is a factor which, in many developing countries, hampers a society's development at all levels. The EU can and must promote good governance by means of its trade policy by not turning a blind eye to corrupt systems: rather, it should insist on

transparency and correct procedures before cooperation is initiated. Here, we have the chance to exert much influence.

Genuine change in a country must come from within and be built from below, in the case of both social and economic development. Necessity is the mother of invention, and we know that there are numerous entrepreneurs in developing countries who have business ideas that could help both themselves and those around them, if only they were given the opportunity to put them into practice. Targeted aid to facilitate and promote the growth of small and medium-sized enterprises in developing countries is important.

EU-based and other international undertakings' activities in developing countries and their Corporate Social Responsibility (CSR)

Politicians can do much by formulating international trade agreements, but a very heavy burden of responsibility also rests with our undertakings. Multinational undertakings often have a big impact on developments in society in developing countries, particularly locally in the places where they operate. Businesses are responsible for determining what kind of impact they wish to have on local society: they can either help or hinder.

We have many examples of large undertakings which act responsibly towards their employees and the environment. CSR comes at a price! Any director of a business who is capable of long-term planning ought to realise that in the long run it can be beneficial to look after one's employees. Decent wages, reasonable, healthy working conditions, and of course the opportunity to start or join a trade union are absolute minimum standards which European undertakings must uphold for their employees in developing countries. Anything which falls short of this is not worthy of human beings and moreover constitutes a breach of various international conventions.

The UN's Global Compact contains ten guidelines for businesses to abide by, including with regard to eliminating child labour worldwide. But in many cases, large undertakings can assume greater responsibility for their employees than by merely complying strictly with minimum requirements. There are plenty of examples of multinationals which go well beyond this, offering their employees better agreements on leave, access to schools for their children and other aspects. These good examples really ought to be acknowledged as significant, and we should investigate the scope for cooperation between businesses and formal aid donors in these fields.