

DEVELOPMENT, TRADE AND REGIONAL INTEGRATION The EU and SADC

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Introduction

The Trade – Development Nexus

- The connections between trade and development have always existed
- In the current era of globalisation, these connections are brought into sharper focus
- Doha Development Round (DDR) and Millennium Development Goals (MDG)
- Many developing countries (esp. from East Asia) have successfully operationalised trade-based development strategies over recent years
- The trade dimension to EU Development Policy?

Conditions for Trade-Based Development

- Export-oriented industrialisation strategy
- Sufficient capacity functions... technocratic, institutional, industrial, infrastructural
- Entrepreneurial dynamism
- Favourable global macro-economic environment
- 'Conducive' economic diplomacy with big market trade partners like the EU... open markets, foreign investment, capacity-building assistance

Regional Integration and Development

- Region-based trade and development strategy... issues of economic interdependence
- Closing 'development divides' within regions

EU Development Policy and Africa

Recent Developments in EU Policy

- Trade Development and Co-operation Agreement (TDCA, 1999) with South Africa... under review
- E Com and Council joint statement on EU Development Policy in Nov 2000 (alignment with MDG)
- Everything But Arms (EBA, 2001) for 49 Least DCs
- Cotonou Agreement (2000), to be superseded by...
- Economic Partnership Agreements (EPAs) with ACP groups (e.g. SADC-7), to be completed by 2008?
- 'European Consensus on EU Dev Policy' (2005) and 'EU Strategy for Africa' (2005) documents

The Trade Dimension to EU Dev Policy

- Linking trade with development, promoting regional integration and co-operation... the first two listed thematic areas of DG Development policy
- Trade capacity as empowerment within a globalising world economy
- "The EU... will continue to work for properly sequenced market opening based on an open, equitable, rules-based multilateral trading system" ('European Consensus' (2005) doc, p 8)
- "Market opening and preferential access provides developing countries with opportunities for growth but a lack of supply-side capacity often hinders their ability to exploit this potential", *ibid* p 18.

EU Regional Integration, Trade and Development

Europe's Regional Integration

- Important context factor for EU Development Policy
- Addressing core-periphery issues as regional economic integration deepens (e.g. SEM, EMU) and extends geographically (enlargements)
- Regional market integration and the agglomeration (core zones) predicament
- Periphery-serving regional and structural policies that have empowered weaker states to take better advantage of new opportunities from integration
- Initiative for ASEAN Integration in SE Asia follows similar principle

“Barriers are often highest between developing countries themselves. Regional integration can lower these barriers, increase market size and therefore enable economies of scale in production and make markets more attractive to investment. A large part of trade-related assistance, especially in the ACP group, is carried out in the context of regional programmes to support the consolidation of economic integration and prepare EPAs. For many countries, especially those for which the EU is the largest trading and investment partner, approximation of the EU single market regulations is beneficial.”

‘European Consensus’ (2005) doc, p 19

"Creating integrated regional markets is at the heart of the concept of the Economic Partnership Agreements (EPAs) that the EU is currently negotiating with four sub-Saharan regions of Africa. These innovative agreements are being designed and developed with development as the major objective and benchmark. This process of integration and of fostering trade will continue to be accompanied by substantial and increasing financial support, notably for building trade capacities and for the implementation of supply-side reforms. Already the main donor in this area, the EU should step up its trade-related assistance to Africa. This assistance will be used to strengthen in-country and regional trade policy and negotiation capacity, to assist countries with the implementation of WTO agreements and EPAs and to address supply-side constraints."

EU Strategy for Africa, COM (2005) 489 final, pp 26-7

“Regional integration and the multilateral trade system reinforce one another. Developing countries’ commercial policy is increasingly shaped in a regional context. The EU will continue to promote regional integration as a relevant strategy for harmonious and progressive integration of developing countries into the world economy, and also in the framework of Economic Partnership Agreements.”

‘European Consensus’ (2005) doc, p 8

Regions and the International Order

- The EU as the world's most powerful and sophisticated regional entity
- Promoting a multipolar world based on regional powers... a post-Westphalian world rather than a neo-Westphalian world dominated by US unipolarism?
- Promoting regional integration elsewhere thus has a geopolitical dimension
- Africa is generally more in the EU's sphere of influence than the US's
- EPAs being negotiated with ACP on a regional group basis (four in Africa, + Caribbean, + Pacific)

Economic Partnership Agreements in Context

Trade Capacity Empowerment

- Distributional and equity issues pertaining to globalisation... the importance of trade capacity
- 'North-South' FTAs and other trade agreements should have a development co-operation dimension
- Not always the case... e.g. United States FTAs
- East Asian approach has similarities with EU's
 - Japan's own EPAs
 - China's 'Framework Co-operation Agreement' with ASEAN, and Closer EPA with Hong Kong

EPAs and Trade Capacity

- Like the TDCA, EPAs are supposed to be 'an instrument for development'
- How can EPAs help develop SADC's trade capacity?
- Trade capacity functions
 - technocratic (skilled, civic-minded technocrats)
 - institutional (agencies, laws, institutions)
 - industrial (competitive industry sectors)
 - infrastructural (physical and social aspects)
- SADC regional co-operation measures aimed at improving mutual trade capacity already exist
- EU's role through EPAs to augment these efforts. The question is, to what degree?