



EUROPEAN STRATEGIC PARTNERSHIPS OBSERVATORY

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# New donors, new partners? EU strategic partnerships and development

CLARE CASTILLEJO (Ed.)



Contributors:  
Lidia Cabral  
Sven Grimm  
Christine Hackenesch  
Lesley Masters  
Emma Mawdsley  
Sung-Hoon Park

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C/ Felipe IV, 9, 1º dcha.,  
28014-Madrid, España  
Phone: +34 91 2 444 740  
fride@fride.org  
www.fride.org

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Editor: Clare Castillejo

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## About the Authors

**Lidia Cabral**

Researcher, China and Brazil in African Agriculture, Institute of Development Studies.

**Clare Castillejo**

Senior Researcher, FRIDE.

**Sven Grimm**

Director of the Centre for Chinese Studies, Stellenbosch University.

**Christine Hackenesch**

Researcher, German Development Institute (DIE).

**Lesley Masters**

Senior Researcher, Institute for Global Dialogue, associated with the University of South Africa.

**Emma Mawdsley**

Senior Lecturer and Fellow of Newnham College, University of Cambridge.

**Sung-Hoon Park**

Professor, Korea University.

## List of Abbreviations

<b>ABC</b>	Brazilian Cooperation Agency
<b>ADB</b>	African Development Bank
<b>AfT</b>	Aid for Trade
<b>ARF</b>	African Renaissance and International Cooperation Fund
<b>AU</b>	African Union
<b>BASIC</b>	Brazil, South Africa, India and China
<b>BNDES</b>	Brazilian National Development Bank
<b>BRICS</b>	Brazil, Russia, India, China and South Africa
<b>CAR</b>	Central African Republic
<b>CIDC</b>	Committee of International Development Cooperation
<b>DAC</b>	Development Assistance Committee
<b>DfID</b>	UK Department for International Development
<b>DIRCO</b>	South African Department of International Relations and Cooperation
<b>DPA</b>	Development Partnership Administration
<b>DPG</b>	Development Partners' Group
<b>DRC</b>	Democratic Republic of the Congo
<b>EC</b>	European Commission
<b>ECOSOC</b>	Economic and Social Council
<b>EDCF</b>	Economic Development and Cooperation Fund
<b>EDF</b>	European Development Fund
<b>EIB</b>	European Investment Bank
<b>EU</b>	European Union
<b>FAO</b>	Food and Agriculture Organisation
<b>FOCAC</b>	Forum on China-Africa Cooperation
<b>GDP</b>	Gross Domestic Product
<b>GEAR</b>	Growth, Employment and Redistribution
<b>GGGI</b>	Global Green Growth Institute
<b>GGP&amp;I</b>	Green Growth Planning and Implementation
<b>GNI</b>	Gross National Income
<b>IBSA</b>	India, Brazil and South Africa
<b>ICTs</b>	Information and Communication Technologies
<b>IFIs</b>	International Financial Institutions
<b>ILO</b>	International Labour Organisation
<b>IMF</b>	International Monetary Fund

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<b>IOs</b>	International Organisations
<b>ITEC</b>	Indian Technical and Economic Cooperation
<b>FTA</b>	Free Trade Agreement
<b>JICA</b>	Japanese International Cooperation Agency
<b>KDI</b>	Korea Development Institute
<b>KOICA</b>	Korea International Cooperation Agency
<b>KSP</b>	Knowledge Sharing Programme
<b>LoC</b>	Lines of Credit
<b>MDGs</b>	Millennium Development Goals
<b>MEA</b>	Ministry of External Affairs
<b>MFA</b>	Ministry of Foreign Affairs
<b>MICs</b>	Middle-Income Countries
<b>MOFCOM</b>	Ministry of Commerce
<b>MOSF</b>	Ministry of Strategy and Finance
<b>MOUs</b>	Memoranda of Understanding
<b>NAM</b>	Non-Aligned Movement
<b>NDB</b>	New Development Bank
<b>NDP</b>	National Development Plan
<b>NEPAD</b>	New Partnership for Africa's Development
<b>NGO</b>	Non-Governmental Organisation
<b>ODA</b>	Official Development Assistance
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>PMO</b>	Prime Minister's Office
<b>RDP</b>	Reconstruction and Development Programme
<b>SAARC</b>	South Asian Association for Regional Cooperation
<b>SADPA</b>	South African Development Partnership Agency
<b>TDC</b>	Trilateral development cooperation
<b>TDCA</b>	Trade, Development and Cooperation Agreement
<b>TVET</b>	Technical and Vocational Education and Training
<b>UN</b>	United Nations
<b>UNDP</b>	United Nations Development Programme
<b>UNMISS</b>	UN Mission in South Sudan
<b>WFP</b>	World Food Programme
<b>WTO</b>	World Trade Organisation



# Introduction: development and the EU's strategic partnerships

Clare Castillejo

»» The European Union's (EU) strategic partnerships with Brazil, China, India, Republic of Korea and South Africa all include discussion of development issues, and in some cases commitments to collaborate. This reflects the increasingly prominent role that these emerging powers play in the field of international development and the EU's recognition of the need for greater engagement with them in this area.

This collection of papers examines these strategic partners' approaches to development and the scope for dialogue or collaboration with the EU. It appears that these countries share some broad motivations for their growing engagement in international development – from providing Southern solidarity to furthering economic interests, enhancing regional influence or increasing their profile at multilateral level. However, they adopt markedly different strategies to achieve these goals, with differing implications for their willingness to engage with the EU and other traditional donors. While Korea is joining the traditional donor community; South Africa and Brazil are cautiously open to engagement with traditional donors while maintaining a strong Southern identity; and China and India largely reject Western development agendas and avoid association with Western donors. These varied approaches shape both the nature of strategic partners' development cooperation and the positions they adopt in relation to global development agendas. Such differing approaches require different responses by the EU.

## Strategic interests shape the space for engagement

The foreign, economic and security interests of the strategic partners are a major factor determining the space for engagement with the EU on development.

In terms of foreign policy interests, all five strategic partners use their development activities to enhance their image as a global power, expand their influence at multilateral level,

consolidate their regional position and develop bilateral relationships. However, they do this in very different ways. While Korea and Brazil emphasise multilateral engagement, India and South Africa focus more on development leadership within their own regions. Likewise, among the Asian partners, China and India focus heavily on using development cooperation to build bilateral partnerships, while Korea seeks influence by positioning itself as a bridge between traditional donors and emerging powers. Such dynamics have varying implications for engagement with the EU. For example, South Africa's leadership on African development chimes well with the EU's Africa focus, while Korea's bridging role can make it a useful partner for European actors. However, the strong bilateral emphasis of China and India leaves little room for EU engagement.

Central to the foreign policy agendas of all except Korea is building Southern solidarity and alliances. This involves an emphasis on South-South development cooperation, non-interference, 'mutual benefit', and challenging Western development agendas. This position has both ideological and practical drivers. It is a genuine rejection of perceived Western interference in internal affairs, as well as a way to build useful economic and political linkages to other Southern states. However, the strategic partners vary in the emphasis that they place on this position. While India openly opposes most Western development agendas, South Africa shares some common approaches with traditional donors and has interest in collaboration with them. Overall, however, the scope for engagement on development between the EU and Brazil, China, India and South Africa is inevitably limited by the discourse that juxtaposes North and South and means emerging powers must avoid being seen as donors.

All five strategic partners use development cooperation to pursue economic interests, in particular to expand markets and access resources. However, the emphasis they place on this and the extent of their outreach varies. Beijing uses development cooperation as a tool of economic diplomacy around the world. Likewise, New Delhi uses development cooperation to open doors for Indian business and support regional economic integration. Brasilia is shifting from a solidarity-based development approach to one more driven by economic interests. On the other hand, Seoul is increasingly delinking its development cooperation from its economic interests (for example by increasing its emphasis on grants and untied loans<sup>1</sup>) in order to comply with the standards on development cooperation set by the Organisation for Economic Cooperation and Development, Development Assistance Committee (OECD-DAC).<sup>2</sup>

Strategic partners' overt use of development cooperation to further their economic interests limits the possibilities for engagement with the EU. At the policy level, it creates

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a clear disjuncture between EU principles and strategic partner practices. This tension is heightened by criticism from strategic partners that European donors also use development assistance to further economic interests but do not acknowledge it. However, on the ground, economic interests shape the space for engagement in varied ways. In contexts such as Mozambique, strategic partners' economic interests discourage them from engaging with traditional donors. Meanwhile, in some fragile contexts, such as South Sudan, strategic partners' desire for a stable economic environment can fit with EU development and security goals.

Finally, these partners also use development cooperation to pursue security interests. Chinese and Indian development cooperation with fragile neighbours Afghanistan, Nepal and Sri Lanka is shaped by security concerns and rivalries. Where these security interests align with the goals of traditional donors, this can enable collaboration, as seen with India in Afghanistan and Nepal. Likewise, South African security interests appear to offer a base for collaboration with the EU. South Africa's development cooperation promotes regional peace and security, including through improved governance, a focus that fits well with the EU's agenda in Africa.

## Practices, actors and opportunities for cooperation

Apart from Korea, which is aligning with OECD-DAC standards, the strategic partners' definitions and practices of development cooperation are markedly different to those of the EU. China and India tend to offer comprehensive packages of aid, trade and investment, use 'tied' aid, and use future income from commodities as a guarantee of credit. As mentioned, Brazil is also moving more towards such commercially-minded approaches. This divergence in terms of what constitutes development cooperation and how it should be provided presents a major barrier to practical collaboration with the EU.

The strategic partners have varied institutional arrangements for development cooperation, involving a complex array of actors. This hinders engagement or coordination, as the EU and its strategic partners struggle to understand each other's structures and processes. Chinese development structures are particularly complex, with responsibility for development cooperation split between the commerce and foreign affairs ministries, no aid agency and development projects generally implemented by commercial actors. India, Brazil and South Africa have newly established agencies for international cooperation located within their foreign ministries. These could be important entry points for the EU, although they currently face significant capacity challenges. Meanwhile, Korea has a

committee for international development that is directly under the prime minister's office, signaling the political priority it places on development. It appears that all the strategic partners have highly-centralised decision-making processes, with significant decisions made at capital level. This institutional complexity and centralisation poses challenges for the EU – particularly its delegations on the ground – to connect with the most relevant interlocutors.

The EU has aspirations to engage in trilateral development cooperation with its strategic partners and commitments to cooperation featured in the EU-Korea Framework Agreement and the EU-Brazil Joint Action Plan. However, the five partners exhibit very different levels of openness to such collaboration. China and India shy away from any trilateral cooperation, which they believe could push them towards accepting OECD-DAC standards, restrict their policy options and undermine their Southern credibility. Brazil and the EU did launch a trilateral cooperation initiative in 2010, but this foundered due to lack of commitment, as well as operational constraints. Meanwhile Korea has significant interest in cooperation with the EU, but high-level commitments on this have not been translated into action. Finally, South Africa may offer as yet unexplored potential for trilateral cooperation with the EU, based on broad convergence of development priorities.

It is important to note that lack of progress on trilateral cooperation is not simply due to reluctance on the part of the strategic partners, but also the EU's limits in attracting these partners or turning its rhetoric into action. The EU's relatively-inflexible planning and programming processes can prevent EU actors from seizing opportunities for cooperation with strategic partners, while staff at delegation level frequently lack both knowledge and incentives to explore and advance engagement with these partners. Most of these strategic partners have, in fact, established some form of trilateral cooperation with European member states – from the United Kingdom and China in South Asia to Sweden and South Africa in Rwanda – providing experience that the EU institutions could learn from.

## The multilateral development agenda

There is significant divergence – as well as some limited areas of convergence – between the EU and its strategic partners regarding multilateral development agendas, institutions and processes. This divergence is partly related to different normative approaches to development, with all but Korea rejecting both the limited definition of development cooperation used by OECD-DAC donors and the concept of using aid to promote domestic reforms, which lie at the heart of Western-led multilateral development agendas.

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It is also related to competition for influence within the multilateral system, with emerging powers seeking to challenge Western dominance.

With the exception of Korea, these partners largely reject the OECD-DAC as promoting a development agenda that suits Western interests, and have been reluctant participants in OECD-DAC driven processes such as the Global Partnership for Development Effectiveness. United Nations (UN) processes tend to have more credibility and there has been some convergence between these strategic partners and European actors around the Millennium Development Goals (MDGs). In terms of the post-2015 agenda, Brazil, China, India and Korea were all represented on the UN appointed High-Level Panel on the Post-2015 Development Agenda, although some – notably India – remain very cautious about this process. As post-2015 negotiations continue, it appears that significant differences remain between the positions of some strategic partners and the EU regarding issues such as peace, security and governance, as well as over responsibilities under the new framework.<sup>3</sup>

However, it is in Southern-led multilateral spaces that these partners are taking the lead and promoting an alternative development agenda. This includes within the G20, the BRICS (Brazil, Russia, India, China and South Africa) and IBSA (India, Brazil and South Africa) groupings and through initiatives such as the Forum on China-Africa Cooperation. Indeed, emerging powers are also creating their own alternative dialogue spaces to coordinate on the ground in developing countries, for example in Mozambique.

All five strategic partners reviewed here are seeking to increase their influence within multilateral development institutions, both by placing personnel within them and in some cases promoting their reform. However, they exhibit different levels of commitment to work multilaterally on development. For example, Brazil channels two thirds of its official development assistance (ODA) through multilateral institutions and promotes a stronger UN role in global development affairs, while Korea's membership of the OECD-DAC and its active promotion of development at the G20 show its desire to participate in multilateral initiatives. Meanwhile, China and India – while increasing contributions to multilateral institutions – maintain a strong focus on bilateral development cooperation as the best way of furthering their interests.

It appears that the EU's best hope for engaging its strategic partners on multilateral development agendas is to focus primarily on those who share a commitment to work through multilateral bodies and to seek areas of convergence in relation to UN development frameworks, given their legitimacy. The EU has made steps in this regard with Brazil, with the most recent EU-Brazil Joint Action Plan including a common commitment to reforming the multilateral system and strengthening the UN, although little has come of this.

Strengthening engagement at multilateral level in the face of a strong North-South divide and the emergence of new emerging power-led multilateral spaces is a daunting challenge for the EU. Korea, as a potential bridge between North and South, could be a particularly valuable partner in this regard.

## The way forward

Significant barriers will continue to hinder engagement on development between the EU and some of its strategic partners. These take the form of different priorities and interests, diverse definitions and principles, incompatible institutional set-ups and cooperation practices, and a North vs. South discourse that polarises debate at multilateral level.

However, there are also challenges related to the EU's own performance. Some of the bilateral dialogues on development cooperation have been established relatively recently and it will take commitment on both parties to deepen engagement in this field. However, EU institutions have so far failed to devise an effective approach to attract emerging powers as development partners and they have not translated high-level bilateral commitments to cooperation into action, even where there is genuine interest, such as with Korea. More needs to be done to explore potential for collaboration where agendas align to some extent, as with South Africa. Critically, EU delegations lack the capacity and support to engage effectively with strategic partners on the ground in developing countries.

Despite this, there are some potential entry points for the EU to strengthen its engagement on development with the strategic partners reviewed here, in particular around specific issues where interests and priorities align. These include food security and hunger, where Brazil wishes to show global leadership; African security, governance and development, which is a shared priority for the EU and South Africa; and technical and vocational education, on which Korea is keen to partner. As sustainability takes centre stage within the global development agenda, there could be new opportunities for engagement with Korea, Brazil and even China on this issue. Likewise, the EU can seek opportunities for coordination with all strategic partners in fragile states where EU peace and development goals align with its strategic partners' security or economic interests. Even where cooperation proves out of reach, the EU can seek to enhance complementarities between its development cooperation and that of its strategic partners. For example, by building human capacity and soft infrastructure (such as management and oversight institutions) that complement the hard infrastructure that emerging powers tend to support.

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Converting high-level dialogues into meaningful action has been a challenge across many areas of the EU's strategic partnerships, and development is no exception. Despite various obstacles, it is critical that the EU leverages these partnerships to deepen its engagement with those emerging powers that are playing an ever more important role in the field of international development.

### **ENDNOTES**

- <sup>1</sup> Tied aid is aid that is linked to service provision by enterprises from the donor's country. Untied aid is aid that has no such link.
- <sup>2</sup> The OECD-DAC defines official development aid as that provided by official agencies, with the objective of promoting the economic development and welfare of developing countries, and concessional in character with a grant element of at least 25 per cent.
- <sup>3</sup> For example the Group of 77 (which includes Brazil, India and South Africa) and China have advocated for the inclusion of the principle of 'common but differentiated responsibilities' in the post-2015 framework. Many developed countries reject the inclusion of this principle.

# The EU-Brazil partnership on development: a lukewarm affair

**Lidia Cabral**

## Introduction

Brazil joined the club of the European Union's (EU) strategic partners in 2007 when the two parties met for their first bilateral summit in Lisbon. The gathering was hailed as a turning point in the long-standing relations between the two partners,<sup>1</sup> reflecting the Union's acknowledgment of Brazil's increasingly global stature.<sup>2</sup> The new framing has expanded relations beyond the bilateral dimension of the European Commission's Country Strategy Papers, highlighting the potential for collaboration in multilateral and global fora. It opened the door for jointly addressing international development issues, such as global poverty, social inclusion and development cooperation, as well as a range of related global governance issues, including multilateralism, peace and security, trade and climate change. The ambition to broaden EU-Brazil engagement was materialised in the Joint Action Plan 2012-2014, endorsed at the fifth bilateral summit in Brussels in 2011.<sup>3</sup>

This chapter analyses EU-Brazil engagement in international development. It looks at their interaction in multilateral fora, as well as trilateral cooperation in third-party developing countries. The analysis suggests that multilaterally the scope for engagement is limited given that much of the debate is infused by a discourse that, by juxtaposing 'North' versus 'South' and 'traditional' versus 'emerging' players, places Brazil and the EU on opposing sides. Yet, there are opportunities to build alliances around specific thematic issues, such as the global fight against hunger. With regard to trilateral cooperation, the analysis reveals a mismatch between high-level pledges and motivations on the one hand and on-the-ground operational capacity on the other. It also shows a fading emphasis on this modality of engagement. There is still scope, nonetheless, for joint learning on trilateral cooperation. This is the case with Brazil and several EU member states. This process could inform the debate on development effectiveness among the parties and on the multilateral stage, and help move beyond the North-versus-South narrative.



## The rise of Brazil in international development

### Brazil as a bilateral development partner

The rise of Brazil as an international development player is a relatively recent phenomenon. It reflects both Brazil's increasing importance in the world economy (as the seventh largest world economy in nominal GDP terms) and the result of an active diplomatic campaign, spearheaded by former President Lula da Silva. Moved by a counter-hegemonic impulse and an emphasis on South-South relations, the Lula administration was keen on matching Brazil's influence in global governance with the country's economic standing, as well as affirming Brasilia's position as a regional power.<sup>4</sup> Brazil's development cooperation has been instrumental to the achievement of such goals, helping to forge new alliances across the Atlantic and gradually build muscle in international affairs. Although the objective of gaining a seat at the United Nations Security Council continues unfulfilled, the appointment of two Brazilians to head the World Trade Organisation (WTO) and the Food and Agriculture Organisation (FAO) are pay offs of the South-South offensive.

Brazilian cooperation increased swiftly during Lula's presidency, particularly in Africa where Brazil's diplomatic presence doubled during this period<sup>5</sup> and its partnerships spread well beyond its traditional language affinities with Portuguese-speaking countries. Today, Brazil runs technical cooperation projects in 95 countries, 42 of which are in Africa.<sup>6</sup>

Brazil's 'solidarity diplomacy', a legacy of Lula's South-South cooperation narrative, translates into guiding principles such as demand-driven action and no interference in partner country's affairs. Brazilian cooperation also claims to have no commercial interests attached and be solely based on solidarity, although the argument is undermined by the 'mutual benefit' discourse that is gaining ground. In 2013, President Dilma Rousseff announced the creation of a new agency for international cooperation, trade and investment, to replace the Brazilian Cooperation Agency (ABC) that is part of the Ministry of Foreign Affairs. The policy scope of the new agency confirms the increasingly dominant business motivations informing partnerships with developing countries, although questions remain as to how this new agency would fit into the current institutional set-up. In the meantime, cooperation modalities are gradually adapting to a more commercially-minded focus – for example, the More Food International Programme is using a new concessional lending window to export Brazil-made tractors and other agricultural machinery and equipment to Africa.<sup>7</sup>

Brazilian authorities define the country's cooperation as comprising technical cooperation, educational cooperation (or scholarships), scientific and technological cooperation,

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humanitarian cooperation, refugee protection, peace operations and contributions to international and regional multilateral organisations.<sup>8</sup> Debt relief and concessional lending are not yet considered part of development cooperation. However, these go hand in hand with bilateral technical cooperation initiatives. The same applies for growing investment lending by the Brazilian National Development Bank (BNDES).

Despite representing a small proportion of Brazil's official cooperation (6 per cent of an overall amount of US\$923 million in 2010),<sup>9</sup> technical cooperation has gained considerable visibility in recent years. It is less about the volume of resources invested and more about Brazil's distinctive practice of it. The fact that the latter draws on Brazil's own public policy experiences, technology and know-how is seen as an added-value of Brazilian cooperation.<sup>10</sup> This adds to Brazil's claim of affinity with technical support recipients, which is particularly strong in terms of cooperation in the agriculture and health sectors in tropical countries that share similar agro-ecological and epidemiological conditions.

**Brazil's engagement in multilateral and minilateral fora**

Brazil's sizeable contributions to multilateral development organisations, which in 2010 accounted for two-thirds of the country's total official development cooperation,<sup>11</sup> reflect its long-standing commitment to multilateralism.<sup>12</sup> Yet, Brazil's influence in international fora remains limited. Its priorities in relation to multilateralism, including reforming the governance structures of leading multilateral organisations and strengthening the role of the United Nations (UN) in global affairs, remain largely unmet. However, Brazil has assumed a lead role in building an alliance among developing countries to counter the perceived dominance of the United States and Europe and promote a more multipolar order, without compromising the ambition to build a stronger multilateral system. This is reflected in the establishment in 2003 of the G20 of developing countries<sup>13</sup> in the context of the WTO.<sup>14</sup> Brazil also plays a central role in other counter-hegemonic 'minilateral' alliances established in recent years, such as IBSA (India, Brazil and South Africa), BASIC (Brazil, South Africa, India and China), and BRICS (Brazil, Russia, India, China and South Africa). International development issues are relatively low in the agendas of these groupings, which in practice focus more on pursuing the individual or collective geostrategic interests of their members. However some initiatives, such as the envisaged creation of a BRICS development bank, may have an impact on the global development system and Brazil's own engagement in international development.

There are two areas in particular where Brazil has the potential to influence the international development agenda in general and specific processes, such as the negotiation of the

post-2015 UN development framework. These are the global fight against hunger and food insecurity, and environmental sustainability.

Brazil is a player in ascendency in the global fight against hunger. The election of José Graziano as FAO director-general has placed Brazil at the centre of the international fight against hunger, with Brazilian public policies (for example, *Fome Zero* or the *Food Acquisition Programme*) and discourse (the idea of family farming,<sup>15</sup> for instance) being increasingly portrayed as sources of inspiration for global action.<sup>16</sup> This is complemented by high-profile actions of the Lula Institute, particularly in Africa, with former President Lula as the Brazilian ambassador for the hunger cause, and a more active Brazilian diplomacy at large.<sup>17</sup>

Regarding the environmental sustainability agenda, Brazil is pursuing a multipronged strategy, which includes playing a leadership role in multilateral processes (for example it hosted the 2012 UN Conference on Sustainable Development, or Rio+20), working through South-South alliances, and strengthening relations with developed nations. Together with Southern allies, particularly within BASIC, Brazil has been pushing for a ‘common but differentiated responsibilities’ perspective with regards to climate change,<sup>18</sup> an approach that is echoing across the post-2015 debate.<sup>19</sup> However, Brazil has also sided with the United States and the EU on issues such as renewable energy sources and biofuels.<sup>20</sup> It is debatable whether these moves are part of an ‘environmental multilateralism’ strategy, or whether they are simply a set of uncoordinated actions in response to different Brazilian interests (including business interests).

### **Trilateral cooperation**

While ‘South-South’ coalitions have been strengthened via bilateral and minilateral channels, alliances with member countries of the Organisation for Economic Cooperation and Development (OECD) – particularly Japan, Germany and the United States – and established international organisations (particularly UN agencies) have not been disregarded, as suggested by Brazil’s engagement with trilateral cooperation arrangements.<sup>21</sup> Trilateral cooperation entails a partnership with another bilateral ‘donor’ country or multilateral development agency in a (third-party) developing country. In addition to expanding the scale of and strengthening Brazilian cooperation, trilateral cooperation potentially helps Brazil to secure access to developed countries’ technological innovation and expertise, as well as to justify the continued presence of their development cooperation programmes in Brazil (from where trilateral cooperation with Brazil in third countries is managed), which has now become an upper middle-income country and a provider of development assistance.<sup>22</sup>

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As for Brazil's bilateral cooperation, despite its ambitions it is likely to remain limited in scope, particularly in light of current budgetary constraints. The continued rise of Brazil in the international development arena is therefore contingent on cooperation with other donors. However, even in this context, it is questionable whether a closer partnership with the EU would be either attractive – beyond high-level display – or operationally feasible for Brazil.

## Brazil-EU engagement in international development

The EU and Brazil interact on international development issues through joint development cooperation initiatives in third countries and in the context of international multilateral institutions and processes.

### EU-Brazil trilateral cooperation in third countries

Trilateral cooperation featured prominently in the Joint Action Plan 2012-2014, which, in line with the broad vision set out in 2007,<sup>23</sup> presented it as 'one of the major areas for the Strategic Partnership' and 'a modality to complement the existing bilateral initiatives, as well as leverage knowledge, coherence and additional financial resources for the benefit of developing countries'.<sup>24</sup>

EU-Brazil engagement in trilateral cooperation had been foreseen from the outset of the strategic partnership. It was then envisaged that the European Commission would explore triangular cooperation with Brazil and the Community of Portuguese-Speaking Countries in areas such as energy.<sup>25</sup> The idea gained momentum in 2009, when a group of development agencies gathered in Brasilia to discuss the potential of this modality of cooperation in an event hosted by the German Cooperation Ministry, the EC delegation and the Brazilian Cooperation Agency.<sup>26</sup> At the fourth Brazil-EU summit in 2010 progress was achieved, with the adoption of a Joint Work Programme on triangular cooperation and an initiative focused on the sustainable development of bio-energy in 'interested African countries'.<sup>27</sup>

A Partnership for the Sustainable Development of Bioenergy in Mozambique was also agreed between Brazilian President Lula and Commission President Barroso at the 2010 summit. It envisaged the elaboration of a feasibility study looking at sustainable bioenergy production and the mobilisation of funding to carry out bio-energy projects.<sup>28</sup> However, the initiative attracted much criticism. International advocacy movements warned about the social and environmental costs of biofuel investments<sup>29</sup> and there was concern about the

existence of Brazilian private interests behind the cooperation programme. On the EU's side, there was scepticism about the gap between high-level diplomacy and country-level operational instruments.<sup>30</sup> Ultimately, the EU delegation in Maputo played a relatively minor part in the process, responding to a request for comments on the study's design. Since the completion of the feasibility study, no progress has been reported.

Brasilia and Brussels have continued to express interest in trilateral cooperation. In their fifth summit in 2011 and subsequent gatherings, both parties reiterated their commitment to this approach and to identifying new potential areas for such cooperation.<sup>31</sup> However, so far no further concrete activities have been announced. Cooperation on bio-energy remains an option, after both parties expressed the intention to expand joint initiatives in energy efficiency and the sustainable production of biofuels at the sixth summit in 2013.<sup>32</sup> It remains to be seen whether the next EU-Brazil Joint Action Plan 2015-2017, announced in Brussels in February 2014, will shed light on the future of EU-Brazil trilateral cooperation.

The lack of progress in EU-Brazil trilateral cooperation reflects both an ambiguous commitment and tangible operational constraints, noticeable in both sides. The relative priority given to development issues within the EU-Brazil partnership at the highest diplomatic level contrasts with scepticism at operational level. On the EU's side, there is certain scepticism of Brazil's position as an international development player and doubts as to whether its self-proclaimed Southern alternative can in fact offer a substantial alternative to established cooperation practices. As for Brazil, it is sceptical about the level of EU interest in trilateral cooperation. Yet, Brazil too remains vague about its stance on trilateral cooperation, as this modality does not easily fit with the importance of bilateral cooperation as an instrument of Brazil's foreign policy or its emphasis on South-South discourse and affinities.

In terms of operational constraints, ABC has limited operational capacity, particularly outside Brazil where it has no representation and operates via diplomatic channels. On the EU's side, Brussels has not provided concrete guidance on how EU delegations should interact with Brazil on trilateral cooperation matters, either in Brasilia or in third countries. This gap became apparent in the Mozambique case in relation to the challenge of reconciling Brazil's seemingly commercial thrust with the EU's development cooperation mandate.

The rigidity of the EU's programming system is also difficult to reconcile with Brazil's policy of demand-driven cooperation and non-interference. For example, Brazilian officials report that when the two parties began to discuss potential areas

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of collaboration, these had to match those already pre-defined in the Commission's Country Strategy Paper.<sup>33</sup> The effective involvement of third (supposedly beneficiary) countries has also been limited.

While EU-Brazil trilateral cooperation stalls, other actors are making inroads with this form of cooperation with the South America giant. Japan and the International Labour Organisation (ILO) are Brazil's main triangular cooperation partners<sup>34</sup> and some EU member states such as France, Germany, Italy, Spain and the UK have ongoing trilateral cooperation projects across a range of issues with Brazil.<sup>35</sup>

**EU-Brazil engagement in global and multilateral development agendas**

The Joint Action Plan 2012-2014 indicated areas of convergence between the two strategic partners in the context of global and multilateral processes. These included a common commitment to reforming the multilateral system and strengthening the UN, strengthening cooperation on climate change and environmental sustainability, and coordination on the post-Busan partnership for development effectiveness.<sup>36</sup>

Yet again, implementation has fallen short of these high-level pledges. On climate change, the Action Plan subscribed to the principle of 'common but differentiated responsibilities and respective capabilities', a proposition firmly supported by Brazil. The EU, however, has reportedly lobbied for the exclusion of this principle from the Rio+20 outcome document.<sup>37</sup> The principle is absent from subsequent EU-Brazil summit statements. Meanwhile, there is heated debate on whether this principle should be included in the post-2015 agenda, with a North-South divide beginning to surface.<sup>38</sup> Recently, an EU representative, speaking at the UN meeting of the Open Working Group on Sustainable Development Goals, expressed that: '[t]he EU recognises the principle of common but differentiated responsibilities and respective capabilities. However, it stresses that responsibilities and capabilities are differentiated but evolve over time and that the agreement should reflect those evolving realities by including a spectrum of commitments in a dynamic way'.<sup>39</sup>

On the issue of coordination around the global partnership for development effectiveness, it is unclear how the EU and Brazil could collaborate. Brazil remains, at best, a reluctant member of the post-Busan club and still emphasises South-South distinctiveness (relative to North-South) rather than convergence or coordination.<sup>40</sup> Plus, Brazil's choice of export-credits as a development cooperation modality will raise questions about fair competition in Brussels and among OECD members in Paris.

## Looking ahead

The EU-Brazil strategic partnership in terms of international development has been, at best, a lukewarm affair. The same applies to the economic and financial aspects of this strategic partnership.<sup>41</sup> The praising of the achievements of Brazil-EU trilateral cooperation and the support expressed for Brazil's South-South development cooperation model in the sixth summit's joint statement<sup>42</sup> contrast with modest results and scepticism on the ground. The statement's wording on trilateral cooperation is undoubtedly more restrained than before and no reference was made to new concrete projects. Instead, it highlighted the EU-Brazil partnership on development at global level, with the post-2015 framework and the Global Partnership for Effective Development Cooperation at the top of the agenda. However, it is debatable whether these policy spaces can offer any concrete opportunities for consolidating the EU-Brazil strategic partnership, as the two partners represent essentially different positions in the contested global development debate.

Looking ahead, the global fight against hunger, food insecurity and malnutrition seem to offer the most scope for synergies. The EU is a leading food donor and it is the largest single source of voluntary funding to FAO. Meanwhile, Brazil's influence on food and nutrition matters is growing and the country has the potential to exercise a reformist pressure on the global food aid system. With Graziano at the top of FAO, the moment seems ripe to explore the potential for EU-Brazil dialogue on this pressing development issue. Furthermore, at a time when the UN secretary-general, Ban Ki-Moon, has made Zero Hunger a leading development priority, the question can also be used to leverage EU and Brazilian commitment to multilateralism and a UN-centred agenda.

With regard to trilateral cooperation, a recent attempt to reinvigorate joint cooperation seems to be under way. The EU's suggestion to discuss new opportunities for triangular cooperation at the early stages of preparation of its new planning cycle (Country Strategy Papers 2014-2020), rather than after the agenda has been set, has been welcomed by Brazil. However, it is unlikely that beneficiary countries will be involved from the outset.

Even if the prospect of significant EU-Brazil cooperation on development remains unfulfilled, cooperation between Brazil and some EU member states in the area provide a basis for further engagement between Brasilia and Brussels. This would greatly contribute to the Global Partnership on Development Effectiveness process, not only to showcase the potential of working with Brazil on international development, but also with a view to overcoming the discursive divide between North-South and South-South cooperation.

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- <sup>16</sup> See, for example, the message from the FAO Director-General on the 2014 International Year of Family Farming, available at: <http://www.fao.org/family-farminG2014/en/>.
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<sup>30</sup> For example, the Mozambique Country Strategy Paper had not envisaged the initiative. Interview with EU official, 2014.

<sup>31</sup> Across issues as diverse as: human rights promotion, peacekeeping operations, post-conflict stabilisation, drug control, supporting the achievement of the Millennium Development Goals, monitoring of electoral processes, fighting diseases such as HIV/AIDS, supporting innovation in small-scale and family farming systems, supporting the sustainable development of the Amazon Region and the sustainable production of bio-energy.

<sup>32</sup> Council of the European Union, 'VI European Union – Brazil Summit. Joint Statement', Brussels: Council of the European Union, 2014.

<sup>33</sup> Interview with Brazilian Cooperation Agency official, November 2013.

<sup>34</sup> de Abreu 2013, op. cit.

<sup>35</sup> Ibid.; B. Ayllón Pino, 'Cooperação Triangular do Brasil: avanços e precauções', *The South-South Opportunity*, 30 May 2011, available at: <http://www.southsouth.info/profiles/blogs/cooperacao-triangular-do>; and Cabral and Weinstock 2010, op. cit.

<sup>36</sup> Council of the European Union 2011, op. cit.

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<sup>38</sup> Developing countries, represented by the G-77 and China, have argued that the principle should guide the translation of each Sustainable Development Goal into more specific targets and respective commitments. See Muchhala 2014, op. cit.

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# The China-EU strategic partnership on development: unfulfilled potential

Sven Grimm

## Introduction

China's increasing engagement in development cooperation is part of a broader international trend. The share of development cooperation provided by non-Organisation for Economic Cooperation and Development (OECD) countries has almost doubled from 5 per cent in the 1990s to 10 per cent by 2006.<sup>1</sup> China's economic rise, its increasing global financial weight and its expanding engagement in developing countries, makes it an increasingly important partner for other major actors in international development cooperation, including the European Union (EU). In this context, the EU-China strategic partnership, which was launched in 2003, should help facilitate dialogue and build trust between the two sides over the longer term.

However, Chinese-European engagement on international development is problematic owing to differing political ideologies and strategic approaches, as well as the challenge of coordinating a variety of Chinese and European actors, including the commercial enterprises that implement Chinese development projects. China does not accept the OECD consensus on what development cooperation is or how it should be provided. It also rejects key tenets of the European approach, such as the idea of untied<sup>2</sup> aid and the application of conditionalities related to domestic reforms in recipient countries. Moreover, unlike EU actors, the Chinese government sees development cooperation primarily as a tool of foreign economic diplomacy. Given these major differences, any substantial coordination and collaboration between the EU and China on development remains highly unlikely.

## China's development agenda

China's approach to international development cooperation is based on the principle of non-interference and the conception of cooperation as based on 'mutual benefit' and driven by economic considerations. Chinese rhetoric remains strongly that of South-South cooperation. This South-South emphasis has its origins in the Non-Aligned Movement (NAM), which China used to distinguish itself from the Socialist camp under the leadership of the Soviet Union in the 1960s and 1970s. China's current emphasis on a non-interference policy is closely linked to these principles of South-South cooperation, as well as reflecting China's resistance to external criticism of its political system. Additionally, its stance on non-interference is a signal to Western powers that China no longer strives to export revolution<sup>3</sup> The Chinese government is adamant that China should not be seen as a donor and its policy papers usually start with the statement that China is a developing country itself.

Since its reengagement with the developing world at the turn of the twenty-first century, China's policy approach has become pragmatic and driven more by economic interests than ideology. The need to secure its supply of raw materials, particularly energy resources,<sup>4</sup> as well as the need to engage in new markets, is China's overriding preoccupation. China's neighbours in South and South-East Asia constitute important growing markets and potential regional allies for China, while Africa is strategically important owing to its abundant and underexploited mineral wealth.<sup>5</sup>

### Chinese development cooperation in third countries

Chinese aid is usually a package of trade, infrastructure construction (facilitated by loans from Chinese banking institutions), and investment. Revenue from commodities produced by recipient countries is often used as a guarantee for credit. Through this model, developing nations receive substantial and immediate so-called 'no-strings attached' loans for major infrastructure projects while banking on future revenue from commodities.

The selection of partner countries strongly follows Chinese economic interests – and in the case of its neighbours – also political and security interests. Within Asia, regional rivalries – notably with India and Japan – frequently influence China's choice of development partners and explain its growing cooperation with countries such as Nepal and Sri Lanka. Economic interests and the need for access to natural resources inform its engagement in other countries, such as Afghanistan and Myanmar. In Africa, Chinese involvement has grown rapidly since the 1990s with increasing trade, aid and investment links. Between 2006 and 2011 around two-thirds of China's trade with Africa focused on six – mostly resource-rich –

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countries: Angola, South Africa, Sudan, Nigeria, Egypt and Algeria.<sup>6</sup> In addition to economic interests, China's diplomatic efforts in Africa during the 1990s were also an attempt to win political support in light of the international opprobrium generated by its violent suppression of the 1989 Tiananmen Square pro-democracy protest. Chinese investment in Latin America is also increasing, although the region is politically less interesting for Beijing than Asia and Africa.

In 2009, official aid from China was predominantly directed to Africa (45.7 per cent), followed by Asia (32.8 per cent) and Latin America and the Caribbean (12.7 per cent).<sup>7</sup> However, total Chinese investment is far higher in Asia. Between 2010 and 2012, China claims to have provided US\$14.41 billion of aid in the form of grants, interest free loans and concessional loans.<sup>8</sup> However, figures on Chinese aid are only selectively published so a country-by-country analysis is not possible.<sup>9</sup> This constraint persists even following the publication of Beijing's latest White Paper on Aid in July 2014.

China's sectoral and project priorities at country level, including its strong focus on infrastructure, closely match its interests. However, in some cases they are also a response to the demands of its more assertive partner governments.<sup>10</sup> For example, in at least three African countries, including Rwanda, the Chinese government has to choose aid projects from a list compiled by the partner government in line with its development plans.<sup>11</sup>

The ministries most involved in Chinese development cooperation are the Ministry of Commerce (MOFCOM) with the Ministry of Foreign Affairs (MFA) as a rather secondary player. China does not have an aid implementation agency, although there is growing debate about the need for one. Aid projects are usually implemented by commercial enterprises.<sup>12</sup>

China's experience in developing countries has been mixed. Many Chinese development projects have not been implemented or have not delivered the expected profits for Chinese actors or benefits for African partners. Chinese risk awareness appears to be increasing with regards to involvement in Africa, both at the political level and owing to the negative experiences of several Chinese companies.<sup>13</sup>

**China and the global development agenda**

While Beijing seeks to be involved in all global development institutions, it does not prioritise a multilateral approach to development cooperation. Bilateral development engagement remains the priority for Beijing, not least in order to corroborate its South-South narrative and to avoid being considered a 'donor'. Indeed, China even regards multi-country platforms

such as the Forum on China-Africa Cooperation (FOCAC), which was established in 2000, primarily as a vehicle for strengthening bilateral engagement.<sup>14</sup>

China seeks to increase its influence in multilateral institutions, particularly international financial institutions,<sup>15</sup> by increasing the number of Chinese personnel working in them. In particular, it seeks to have more representatives in the World Bank while at the same time pushing for reform of the institution to give 'Southern' countries (ie. China) more influence. China sees the establishment of a BRICS (Brazil, Russia, India, China, and South Africa) development bank as providing political as well as financial capital by channelling resources through a multilateral body.

China's participation in other multilateral development fora, such as the G20, the United Nations (UN), or the OECD, is largely used to fend off demands that it reform its economic involvement in developing countries. China has a loose relationship with the OECD's Development Assistance Committee (DAC), but will not join it or accept its standards. China has participated in a number of development-related multilateral fora, including the China-DAC study group and the G20 Development Working Group. It has used these fora to showcase its approach, foster 'Southern' credentials and to discuss development agendas in a non-binding setting. The scope for China to engage with traditional donors, even where it clearly shares interests in relation to security and stability, poverty reduction, inclusive economic development or the environment, is inevitably curtailed by its need to avoid being seen as a donor itself. However, China has been involved in the creation of fora for high-level contact, including on development, with other emerging powers and developing countries, such as the BRICS and FOCAC.

China has been active in the post-2015 debate and was one of the countries on the UN High-Level Panel on the Post-2015 Development Agenda. China's own position on the post-2015 agenda emphasises a 'diversity of development models' and 'seek[s] consensus through consultation'.<sup>16</sup>

## EU-China engagement on development

The EU-China strategic partnership has included some engagement on development. In particular it included discussions about cooperation on African development, although this has not led to any specific decisions and has aroused suspicion among African actors.<sup>17</sup>

Fundamentally, the Chinese approach to development cooperation driven by interests and used to leverage business sits uneasily with the European conception of aid being provided for

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non-commercial reasons or as a catalyst for reform. The EU and China also have very different institutional arrangements for implementing development cooperation, with the EU working through development cooperation agencies and the Chinese through implementing business entities. However, despite these differences, there may be some areas where Chinese and European interests converge.

**Consensus and divergence over global development agendas**

The EU and China have some important areas of consensus and divergence in their approach to multilateral development agendas. Economic growth and the Millennium Development Goals (MDGs) are accepted as goals by both the EU and China.<sup>18</sup> Additionally, environmental problems in China make the country open to more emphasis on 'green investment'.<sup>19</sup> Both are also concerned about stability in developing countries, not least with regards to the security of their investments.<sup>20</sup>

European and Chinese cooperation policies, while undoubtedly in competition in some areas, are complementary in others.<sup>21</sup> For example, China's investments in infrastructure could complement EU emphasis on institution building, with Chinese construction enterprises engaging in hard infrastructure while the EU prioritises supporting the development of related institutions such as road authorities. Likewise, training and human capital are areas where both the EU (on the ground in developing countries) and China (via scholarships in China) operate and where greater complementarity could be possible. However, while the two actors share some common goals, there is little consensus on how to achieve them.

Divergence between the EU and China is most clear with regard to political conditionalities or engagement on issues of internal reform in developing countries, which China emphatically rejects. While China's stance on this is increasingly under pressure due to business interests, the political rhetoric is carefully preserved, as it draws political benefit from the distinction it makes with other development actors. This difference of approach makes closer cooperation between the EU and China highly unlikely.

China's emphasis on bilateral and government-to-government relations inhibits a strong focus on regional agendas, unlike the regional emphasis of EU development engagement. Beijing holds that loans need to be guaranteed by governments and has limited trust in regional organisations.<sup>22</sup> This is somewhat contrary to the European approach that promotes regional frameworks, such as the beleaguered attempt to promote Economic Partnership Agreements with African regional organisations and the Joint EU-Africa Strategy for cooperation with the African Union (AU).

## China-EU engagement in third countries

EU efforts to engage China and African states in trilateral cooperation have not resulted in any tangible outcomes. Mention of the relevance of trilateral cooperation in the 2007 Joint Africa-EU Strategy and a 2008 European Commission Communication on Trilateral Cooperation have produced little result,<sup>23</sup> as neither China nor African partners are interested in trilateral cooperation. A major obstacle has been China's suspicion that Europe seeks to 'socialise' it through trilateral cooperation, as well as African actors' concerns that such trilateral cooperation will limit their options if large partners work together. European actors, for their part, are unwilling to divert from key conceptual cornerstones of development assistance,<sup>24</sup> thus preventing any discussion 'without pre-conditions'. European actors often include reference to key development principles (Paris Declaration, Accra Agenda for Action, Busan High-Level Forum) in their trilateral cooperation agreements, as is the case, for instance, with Swedish-South African cooperation in Rwanda. These general agreements on principles, however, are not practical for China, as the country rejects being tied into traditional development frameworks.

Discussion fora on development with Chinese researchers and officials have been held in almost all European countries. This type of 'second track diplomacy' has increased since 2006 when the China-Africa summit in Beijing involved impressive high-level African attendance, triggering increased European interest in China's role as a development partner. However, only a few joint (trilateral) research projects have been conducted by European member states, such as Belgian, Chinese, and Congolese researchers working together in the DRC<sup>25</sup> or German and Chinese researchers in Rwanda.<sup>26</sup> Other modalities of engagement with China in development cooperation are limited to a strategic partnership agreement between the UK and China (2011), which includes commitments to cooperation on development; occasional cooperation between Germany and China;<sup>27</sup> and a French dialogue with China on development and security matters.<sup>28</sup> However, none of these initiatives represent fully-fledged trilateral cooperation as none includes joint implementation of projects.<sup>29</sup>

## Options for better engagement

Given the many obstacles, the challenge is to find specific complementarities between European and Chinese development cooperation that do not appear to Chinese officials to be attempts at 'socialisation' and that can provide genuine development benefits. It is also critical that third-country decision-makers are on board and any discussions should be chaired by the beneficiary government. Overall, it might be better for developing countries

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to take advantage of complementarities between China and Europe rather than having a large number of partners to negotiate with.

Linking specific national and regional level initiatives might be an avenue to explore for EU-China engagement, at least in Africa. The 2014 Chinese White Paper on Aid indicates that this could be a direction that China is pursuing. While project planning and implementation remain strictly at a bilateral level, Beijing increasingly seeks a regional dimension for its involvement. Indeed, China already provides some support to the AU and to the New Partnership for Africa's Development (NEPAD) via the African Development Bank (ADB).<sup>30</sup> This could be an entry point for more coordinated work on regional development agendas. For example, regional organisations could provide the framework for co-ordinated infrastructure provision by China and related investment in institutional capacities by the EU. Furthermore, training for African officials could offer potential for joint engagement.

At the multilateral level, China's growing interest in promoting a stable environment for investment and its increasingly pragmatic application of the principle of non-interference may offer some scope for cooperation. The Chinese government engages selectively under UN mandates in Africa,<sup>31</sup> and with increasing levels of investment its interest in addressing state failure is likely to increase. For example, China is actively mediating in the conflict between Sudan and South Sudan and has deployed troops within the UN mission in South Sudan (UNMISS), as its interests are located in both countries and oil exports depend on working relations between Khartoum and Juba, as well as peace in South Sudan. Diplomatic channels already exist for exchanges on peace and security between the EU and China, not least so via the strategic partnership. However, a key requirement for Beijing is that its engagement take place within the framework of decisions taken in the African peace and security architecture or a UN mandate. Therefore, there may be some scope for engagement between the EU and China at UN level on issues related to the nexus between security and development, even if progress will probably be slow.

Discussions of the post-2015 framework offer opportunities for exchanges on the nature and aim of development cooperation.<sup>32</sup> The advantage of this debate is that it sets a timeframe for agreeing a new agenda and it takes place in the context of a UN process that China regards as legitimate.

Continuous, long-term engagement to build trust with China is likely to be a frustrating endeavour, but it is ultimately more promising than seeking quick wins by pressing Beijing into taking positions too fast. The EU-China strategic partnership offers a framework



for ongoing engagement. Development and related agendas such as environmental sustainability and support to fragile states should therefore maintain an important place within the strategic partner dialogue.

## ENDNOTES

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# Development and the India-EU strategic partnership: missing incentives and divergent identities

Emma Mawdsley

## Introduction

India has neither a strong inclination nor sufficient incentive to make international development a priority issue of its strategic partnership with the European Union (EU), whether in third countries or at global fora. While some collaboration is taking place in specific locations and in response to concrete issues, it is unlikely that in the medium term the EU-India strategic partnership will significantly expand bilateral or trilateral development engagement. Despite sharing some features with Brazil<sup>1</sup> and China<sup>2</sup> in this regard, there are a number of factors that make development cooperation even less tractable with India than with other rising powers.

## Development within the EU-India strategic partnership

The EU-India strategic partnership was launched in 2004. Since then, a series of meetings including annual summits have been organised and agreements have been signed, including the 2005 and 2008 Joint Action Plans and other issue-specific collaborations. However, the partnership is widely considered to be underwhelming. Many see the action plans as 'long on shared fundamentals and abstract political objectives but short on specifics and deliverables, and devoid of timelines'.<sup>3</sup> In the case of India, it is suggested that while the strategic partnership has facilitated the widening and deepening of dialogue beyond trade and commerce, the two sides 'have not been able to transform shared values into shared interests and shared priorities due to a big disconnect in world-views, mindsets and practical agendas, because the two are at different levels of socio-economic development, come from two different geopolitical milieus and have different geographical and geopolitical priorities'.<sup>4</sup>

Development cooperation featured heavily in the initial EU-India strategic partnership dialogue.<sup>5</sup> First, the focus was placed on development within India, with the 2004 Strategic Partnership Agreement proposing ‘development cooperation in order to enable India to achieve the Millennium Development Goals’.<sup>6</sup> Attention then shifted towards greater recognition of India’s external role as a development partner. The 2008 Joint Action Plan includes commitments to ‘join efforts in international fora in using expertise in global development policy to promote the achievements of the Millennium Development Goals and aid effectiveness’ and to ‘conduct a dialogue on issues relevant to cooperation with third countries’.<sup>7</sup>

This change of direction reflects a wider transition from seeing India and other emerging powers as poor countries to acknowledging their role as donors/partners. The EU first attempted to engage China on development cooperation dialogue,<sup>8</sup> but now it also sees partners like India and Brazil as potentially influential actors in global development. In 2003, India ejected all but its largest donors and paid off many of its outstanding international debts.<sup>9</sup> While the EU was one of the donors that remained at that time, it officially ended bilateral development cooperation to India in 2014, although ongoing projects are still being completed.<sup>10</sup>

## India’s development cooperation

India has been a provider of development assistance since the early 1950s. The last decade has witnessed an acceleration of India’s development cooperation flows.<sup>11</sup> This demonstrates both growing capacity and renewed recognition of its strategic value in supporting geo-economic and diplomatic interests. However, the complex nature and multi-institutional management of India’s development cooperation mean that caution needs to be exercised when projecting figures. The best available data suggests that Indian expenditure on foreign technical and economic cooperation constituted a historic high of 59.5 per cent of all the Ministry of External Affairs (MEA) spending in 2012-2013, having generally hovered around 35-40 per cent since 1997-1998. It is reported that in 2013-2014, the Government of India put aside US\$1.3 billion for foreign assistance, a figure that excludes the much larger lines of credit (LoC).<sup>12</sup>

India’s development cooperation activities have traditionally focused on its South Asian neighbours. In 2012-2013, Bhutan received 36 per cent (US\$213 million) of India’s technical assistance budget, mostly focused on generating hydropower, of which India buys back a substantial proportion; and Nepal received 8 per cent (US\$49 million).<sup>13</sup> Afghanistan is an increasing priority and India has invested substantially in roads, energy and social programmes, and helped build Kabul’s new parliament building.<sup>14</sup> India has also established longstanding development partnerships with many African countries, the number of which is expanding both

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through flagship technical assistance programmes, such as the pan-Africa e-network,<sup>15</sup> and very notably through LoC. Energy-rich West and Central African countries are a growing focus of official partnerships.<sup>16</sup>

India's development cooperation claims to draw lessons from its own experience of many of the social, environmental and market conditions shared by partner countries. Examples include training in organising elections in low literacy regions, capacity-building in information and communication technologies (ICT) in poorer contexts, and promoting suitable agrarian technologies to dry and sub-tropical soils and climates. Another important characteristic shared with other Southern development partners is India's claim to respond to partners' priorities instead of imposing policy conditionalities.

India's fragmented institutional framework for development cooperation is currently being adjusted. The MEA is nodal, but the Ministries of Finance and Commerce and the EXIM Bank play a growing role. The Indian Technical and Economic Cooperation (ITEC) scheme, launched in 1964, is a central part of India's development cooperation architecture. ITEC's main focus is on providing training in areas as diverse as small and medium enterprises, rural credit programmes, food processing, information technologies (IT), textiles and women's entrepreneurship. It is present in over 150 countries and has a budget of around US\$11 million annually.<sup>17</sup>

India's EXIM Bank manages official LoC, through which the Indian government provides capital and lowers risk for Indian investors by guaranteeing loans and providing interest subsidies. Like other aspects of India's development cooperation, these LoC are tied heavily to the purchase of Indian goods and services. While 'traditional' donors criticise India for blurring the lines between aid, geopolitics and commerce, others argue that this blended approach provides a more effective bundling of financing and technical assistance.<sup>18</sup> India's total LoC commitments in 2012 were estimated at US\$7.7 billion, comprising 153 LoC in 94 countries.<sup>19</sup> Projects financed include rice production in Senegal, power plants in Belarus, and IT training centres in Mongolia.

Discussions have been underway since 2003 regarding stronger institutionalisation of Indian development cooperation. In 2012 the Development Partnership Administration (DPA) was established within the MEA to enable more effective and streamlined development cooperation. However, both the MEA and DPA suffer from a lack of personnel, which is likely to remain a problem, especially given the growing depth and complexity of bilateral and multilateral relationships with which they are dealing.<sup>20</sup>

Alike all donors/development partners, India also derives a series of direct and indirect economic benefits from its development assistance. Indirectly it can contribute to improved international and

regional relations, warming the ground for Indian trade and business. Development cooperation programmes and investment in Bangladesh and Myanmar, for example, contribute to deepening diplomacy, trade and investment. India's technical assistance and LoC (to support transport and energy infrastructure in particular) help build the connective tissue of regional economic integration, from which Indian firms can benefit. Roads and pipelines in Afghanistan and Nepal, for example, enable the transit of coal, gas and electricity, as well as the movement of goods and services. LoC also help Indian companies move into risky markets in Africa and elsewhere. By tying a substantial percentage of these loans to the purchase of Indian goods and services, they help stimulate the Indian economy. These incentives are firmly couched as part of a mutually-beneficial, win-win relationship.

India's complex security interests also play a part in its development cooperation priorities. Some of these are resource-related, with development cooperation playing a part in India's energy security and access to commodities. India also has varied national security interests in neighbouring countries such as Afghanistan, Nepal and Bangladesh that shape its development cooperation in these countries. ITEC, for example, was created in part to counter China's expanding influence through its development partnerships.

### **India in multilateral development frameworks**

India is becoming a larger and arguably more powerful creditor to a number of organisations such as the International Monetary Fund (IMF) and World Bank, and is increasing its commitment to several initiatives such as the World Food Programme (WFP). For example, India has gone from being a net recipient of food aid in 2000 to becoming one of the larger donors to the WFP, and it has remained so even during difficult production years.<sup>21</sup> However, India engages in international development on its own terms and shows little interest in 'traditional' donor-led initiatives, such as the Global Partnership for Development Effectiveness. India is very cautious about the post-2015 development agenda, insisting on its right to determine its own domestic development priorities, on the distinctiveness and autonomy of South-South cooperation, and on the need to re-balance and democratise global decision-making power.<sup>22</sup> While India by no means seeks to actively undermine the post-2015 agenda, it will vigorously guard what it views as its 'national' interests regarding this agenda.

India is more active within rising power formations, such as IBSA (with Brazil and South Africa) and the BRICS (with Brazil, Russia, China and South Africa), although these are still finding their identity and rationales. The long-awaited New Development Bank (NDB, formerly the BRICS Development Bank) has now been agreed, and an Indian will become its first president. Although there are still many uncertainties regarding how the NDB will operate and in what ways it might shape the future relationships among the BRICS, it is clearly a strong signal of their growing initiative, voice and impact.<sup>23</sup>

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The strategic rationales for Indian development cooperation are multiple. The earliest and most enduring has been South-South solidarity in a context of a deeply uneven distribution of world power. India has been a leading voice in this struggle, including through the Non-Aligned Movement (NAM), demands for a new international economic order, and the G77 grouping at the United Nations (UN). South-South cooperation policies and programmes have been a material and symbolic element of this foreign policy identity and agenda for decades. However, beyond the moral discourse, this has never been an 'idealist' stance alone, but also a pragmatic recognition that weaker states can find power in numbers. India has strengthened its relationships with Western powers in recent years and has become a G20 member, but it continues to invest heavily in Southern bilateral, regional and emerging power relationships – for example through the South Asian Association for Regional Cooperation (SAARC), the India-Africa Forum summits, BRICS and IBSA. Indian development cooperation therefore remains a means of continuing to assert Southern identity and loyalty.

## Potential for EU-India cooperation on development

The EU-Indian strategic partnership is unlikely to leverage significantly enhanced bilateral or trilateral international development cooperation for a number of reasons. These fall into three broad and inter-related categories.

### **EU development institutions and norms**

For the last decade, the EU and some of its member states have been at the forefront of the aid effectiveness agenda. Formalised around the 2005 Paris Declaration and the 2008 Accra Agenda for Action, this global development 'consensus' centred on poverty reduction (rather than economic growth *per se*), with a strong emphasis on good governance and social inclusion. Notwithstanding claims to being country-led, the aid effectiveness agenda represents the last in a series of Western-led development paradigms that can be seen as interfering in the sovereign space of partner countries, in terms of their economic and political systems and the promotion of human rights and social welfare.

This raises several red flags for India. Historically, many in the global South, including India, have sought to resist Western interference in their domestic affairs. With its growing economic and political muscle, India has begun to take a stronger line. A 2014 report by India's Intelligence Bureau to the Prime Minister's Office reportedly stated that foreign-funded non-governmental organisations (NGOs) are 'actively stalling' India's economic growth and that Western donors raise human rights related concerns in order to serve their own interests and keep India under-developed.<sup>24</sup> While

much of Indian civil society rejects such an extreme view, it illustrates some major disjunctures between elite level European and Indian assumptions about development cooperation. Similar dynamics can be seen in relation to democracy promotion. While India provides technical support for electoral systems in some partner countries and will engage in 'democratic assistance',<sup>25</sup> it is 'deeply suspicious of and resistant to the EU's apparent enthusiasm both for external democracy promotion and "intervention" in the affairs of others'.<sup>26</sup> In sum, many of the EU's international development norms and practices remain deeply contentious for many Indian observers.

A second set of issues concerns visibility, legitimacy and credibility. The EU is not a particularly visible donor in India. In a 2009 study of news coverage, researchers found hardly any articles on the EU as a donor to India. This lack of visibility was also reflected in elite interviews.<sup>27</sup> This attests to broader challenges facing the EU in projecting itself as a coherent foreign policy actor and inevitably decreases its attractiveness as a desirable partner. More critically, as an assemblage including many former colonial powers (specifically the UK) and as an emblematic part of the post-1945 Western-led international order, the EU is part of an international development regime that is criticised in India. In the eyes of India, it would risk eroding its long-standing claims to South-South solidarity if it appears to be co-opted by 'traditional' development powers. This is why India resists being labelled a 'donor', and shows little interest in developing bilateral or trilateral relations with Northern partners.

### **Global trends**

A 'perfect storm' has challenged the coherence of the global development framework led by the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD), international financial institutions (IFI) and the UN. Growing competition from emerging economies, the global financial and Eurozone crises, the changing geographies of wealth and poverty, and increasing public and political discontent towards 'foreign aid' have led to major shifts in norms, modalities and the architecture of international development. The authority of Western-led fora such as the OECD-DAC has been eroded. Meanwhile, new initiatives such as the Global Partnership on Effective Development, the UN's Development Cooperation Forum and the post-2015 agenda have failed to attract widespread buy-in among Southern actors. At the same time, most Western donors in fact seem to be moving closer to some elements of the 'Southern' model, including the use of blended finance (the complementary use of grants and loans), a stronger focus on economic growth, and a more clearly stated commercial agenda.<sup>28</sup> Within this context, there is little incentive for India to limit its policy space by committing to a fracturing regime.

India's scepticism about reforms to the global development regime does not only stem from concerns that these reforms reflect Western agendas.<sup>29</sup> India is also concerned that such reforms



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could make it easier for developing countries to hold it to account regarding its development cooperation. India, China and Brazil have not been fully supportive of the UN's recently established Development Cooperation Forum, precisely because it does have greater democratic legitimacy.<sup>30</sup> While India has credible grounds to refuse to conform to Western development norms, it would face greater challenges in a more representative development forum where its Southern 'developing' partners might seek to hold it to account.

**Indian factors**

India is (for some good reasons) acutely sensitive to the subject of sovereign respect. Many Western commentators overlook how attractive the South-South solidarity and non-interference discourse is in India, despite its growing geo-economic capacities and interests. Although this non-interference narrative does not always translate into reality (India unquestionably interferes in the domestic affairs of its neighbours), India continues to insist on this principle. This narrative is very much appreciated by countries with which India seeks to do business and build diplomatic relationships (even if they are aware of its limits in practice). In most cases, it is simply not in India's interest to compromise on this for the sake of closer cooperation with the EU. That said, there have been examples of cooperation with Western actors in exceptional circumstances, such as in Afghanistan and Nepal, where India has security and economic interests, and in response to the 2004 tsunami, where the scale of the disaster clearly required rapid coordination.

A rather different set of inhibiting issues concerns India's development infrastructure. Although growing and changing, the potential for cooperation with the EU on development is restricted by the limited capacity of the small and over-worked MEA, within which the DPA is still finding its feet. MEA personnel tend to have limited development experience, and find dialogue processes, participation in global fora, and other mechanisms for building cooperation time-consuming and somewhat alien. Within most partner countries, India's diplomatic personnel generally has little space or incentive to coordinate with the wider international development community.<sup>31</sup>

## Conclusion

Compared to emerging powers such as Brazil, China and South Africa, India appears least likely to establish a meaningful cooperation with the EU on development. While it is prepared to selectively engage in those multilateral frameworks that appear to be more genuinely open to Southern representation and leadership,<sup>32</sup> India remains reluctant to be associated with the 'traditional' donor community. There are exceptions, such as Afghanistan, and it is here, perhaps, that the EU should focus its efforts to build bridges with India.

EU officials, diplomats and development actors need to grasp the extent to which many of their normative assumptions about international development are questioned or rejected by Indian policy-makers. This is not to advocate that progressive EU principles be abandoned in order to build a partnership with India, but to make the point that 'development' is a problematic area in which to assert shared values.

Perhaps a more positive outlook stems from efforts by some important EU member states, including the UK, Germany and The Netherlands to move closer to South-South cooperation approaches. This includes a focus on economic growth as opposed to poverty reduction alone, on infrastructure and productivity, a growing role for the private sector, the relative decline of official development assistance (ODA) and the rise of various forms of 'blended finance'. This arguably more 'realist' approach to international development from some European donors might bring India and the EU closer together and create new opportunities for European-Indian collaboration, for example in sectors such as infrastructure or agriculture. Alternatively, however, it could drive deepening competition and a race to the bottom in terms of environmental and labour standards.

International development will continue to be an area of EU-Indian dialogue. Despite the difficult context, the EU should continue to seek opportunities for collaboration that draw on the relative strengths of both actors in achieving economic growth, social welfare, human rights and peace-building. However, as it stands, the disappointing EU-India strategic partnership seems unlikely to provide a strong basis for such dialogue and collaboration.

## ENDNOTES

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- <sup>2</sup> S. Grimm, 'The China-EU Strategic Partnership on development: unfulfilled potential', *ESPO Policy Brief 12*, Madrid/Brussels: FRIDE-Egmont, September 2014.
- <sup>3</sup> B. von Muenchow-Pohl, 'India and Europe in a Multipolar World', *The Carnegie Papers*, Washington: Carnegie Endowment for International Peace, May 2012, p. 13.
- <sup>4</sup> R.K. Jain, 'India-EU Strategic Partnership: Perceptions and Perspectives', *NFG Working Paper 10/2014*, Berlin: Freie Universität, 2014, p. 9.
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- <sup>10</sup> India still remains eligible to receive EU funds under the regional and thematic dimensions of the Development Cooperation Instrument and the new Partnership Instrument.
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# Korea and the EU: a promising partnership for development cooperation?

Sung-Hoon Park

## Introduction

In 2010, the European Union (EU) and Korea began a new era of engagement by establishing a strategic partnership, which intends to strengthen bilateral dialogue and cooperation in regional and global affairs. The EU-Korea Framework Agreement specifically commits the two parties to 'strengthening cooperation in the area of [...] development assistance'.<sup>1</sup> As a new development donor and recent member of the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD), Korea is reforming and scaling up its development assistance and establishing cooperation initiatives with traditional donors, including some EU member states. In this context, cooperation on international development appears to be a promising issue for the future agenda of the Korea-EU partnership.

## Korea's emergence as a development donor

Korea provides a rare example of a state that has successfully transformed itself from a poverty-stricken country to a flourishing industrialised nation within just a few decades.<sup>2</sup> While in 1962 Korea's per-capita income was around US\$80, by 2013 it had increased to more than US\$23,000. This experience has contributed to shaping the country's commitment and approach to development cooperation, including its interest in sharing lessons from its own development progress.

Korea first began to provide international development assistance in the 1980s. In 1987, it established the Economic Development and Cooperation Fund (EDCF) and in 1991, the

Korea International Cooperation Agency (KOICA).<sup>3</sup> During the period 1987-2000, Korea was a 'Janus' in international development cooperation, as it increasingly provided funds as a donor, while receiving itself development assistance from Western countries.<sup>4</sup>

## **Development Assistance Committee membership and related reforms**

Korea became a DAC member in 2009. An important factor that motivated the Korean government to seek membership was the fact that Korea had received huge amounts of development aid from the international community in the early stages of its economic development. Korea's political leadership saw this as a means to pay back the international community for its support, while fulfilling its international responsibilities as a newly industrialised country.<sup>5</sup> Korea's more proactive involvement in development cooperation can also be seen as an attempt to increase its profile and strategic position in East Asia, taking advantage of the current leadership vacuum in the region that has been created by growing rivalry between China and Japan.

DAC membership has triggered a number of important reforms in Korea's development cooperation policy. In line with commitments undertaken during the membership negotiations, the overall development assistance budget has been increased;<sup>6</sup> there is now greater emphasis on grants rather than on loans; the ratio of untied loans has been raised relative to tied loans;<sup>7</sup> and the policy governance structure has undergone significant reforms.<sup>8</sup> Among the measures taken, the adoption of the Framework Act on International Development Cooperation (hereafter Framework Act) in 2010 was particularly noteworthy. This provided the basis for the establishment, also in 2010, of the Committee of International Development Cooperation (CIDC) under the Prime Minister's Office (PMO) as a control centre for all development-related policies.<sup>9</sup>

But Korea's international development cooperation still faces a number of challenges and there is a long way ahead to reach the standards of other DAC members.<sup>10</sup> Despite increases, in 2013 Korea's international development cooperation budget represented around 0.15 per cent of GNI, which is one of the lowest among DAC members. The DAC has recommended that Korea consistently increase its official development assistance (ODA) to reach 0.25 per cent of GNI by 2015.<sup>11</sup> Furthermore, Korean aid is highly fragmented, which reduces its impact. In 2012, the DAC recommended that Korea concentrate on fewer sectors and countries.<sup>12</sup> Korea's ODA also overly focuses on Asia, overlooking development needs in Africa and Latin America.<sup>13</sup> Finally, despite reforms, Korea's aid governance system is still in need of improvements, particularly in terms of the division of competences for grant-type and loan-type ODA.

## **Korea's multilateral role and international partnerships**

In recent years, Korea has assumed an increasingly prominent role in multilateral discussions on development.<sup>14</sup> For example, during the 2010 G20 Seoul summit, held under Korea's G20 presidency, the country played an instrumental role in bringing 'development' onto the official summit programme and promoting the adoption of the 'Seoul Consensus on Development'. The consensus, with its strong focus on economic growth, represented a change from the traditional OECD-DAC 'pro-poor' agenda and was championed by G20 emerging powers.<sup>15</sup> In the run-up to the summit, Korean diplomats conducted extensive negotiations with leading G20 countries, as well as with the International Monetary Fund (IMF) and the World Bank, in order to secure an agreement.<sup>16</sup> Likewise, as host of the Fourth High-Level Forum on Aid Effectiveness in 2011, Korea played a significant role in helping achieve an agreement among traditional donors and emerging economies on the language of 'common goals' but 'differential commitments', as well as promoting the inclusion of gender empowerment in the Busan Outcome Document.<sup>17</sup>

Since its accession to the DAC, Korea has increased its cooperation with other bilateral donors and has established development partnerships with a number of countries, including the United States, Japan and some EU member states. These partnerships have served to both upgrade Korea's own development policy framework and increase the effectiveness of its aid. The partnerships with some EU countries, such as Germany, are among the most far-reaching.

## **Korea's flagship Knowledge Sharing Programme**

Among the various elements of Korea's international development cooperation, the Knowledge Sharing Programme (KSP) stands out as a unique policy instrument. Established in 2004, it is funded by the Ministry of Strategy and Finance (MOSF) and administered by the Korea Development Institute (KDI). It aims to share lessons from Korea's development experience – both successes and failures – with developing countries. The MOSF has designated around 50 developing countries in Asia, Africa and Latin America as partner countries and since its inauguration KSP has implemented around 135 projects. It encompasses a wide range of policy areas, ranging from trade and investment to infrastructure development, agricultural sector competitiveness and industrial policy.

In 2012, the Korean government launched under the KSP umbrella the 'Joint Consulting with International Organisations (IO)' initiative. It includes cooperation projects with international organisations, primarily regional and multilateral development banks such as the World Bank

and the Asian Development Bank (ADB). The initiative is currently managed by the Korea EXIM Bank and aims to combine 'lessons drawn from Korea's development experience with IOs' development consulting expertise'.<sup>18</sup>

## **Korea-EU engagement on development**

Korea-EU engagement on development has not yet gone beyond the high-level commitments established in the strategic partnership framework agreement. While Korea has engaged in policy dialogue and practical collaboration on development with various EU member states – including through Memoranda of Understanding (MOUs) and joint project implementation – so far there has been no concrete collaboration with EU institutions.

This is due to two main factors. First, in recent years Korea has focused more on the internal policy reforms required for DAC membership than on the need and potential for cooperation with the EU. Second, the size and importance of the EU as a donor has often not been sufficiently recognised in Korean policy circles.<sup>19</sup>

## **Korean collaboration with EU member states**

Korea's collaboration with other donors, including EU member states, began mainly after Korea's DAC membership. Since then, Korea has developed a wide portfolio of cooperation activities with a number of EU countries, including Germany (2006), Denmark (2010), France (2011), and Spain (2012). The collaboration with Germany is the oldest and most advanced, and covers a wide range of areas, including Technical and Vocational Education and Training (TVET), trilateral cooperation, regional development and environment, Aid for Trade (AfT), research cooperation, and staff exchange. Both Germany and Spain are keen on strengthening trilateral cooperation programmes with Korea. For its part, cooperation with France focuses on basic human development goals, such as education, health, sanitation, poverty reduction and food security.

Korea also cooperates with some EU member states on sustainable development, climate change and environment. Together with Denmark, Korea played an important role in setting up the Global Green Growth Institute (GGGI) as an inter-governmental organisation in 2011.

In 2010 German, French, Korean and Japanese development agencies formed a network for cooperation on development. This could be seen as part of European efforts to deepen partnerships with Asian regional actors in order to increase their collective impact both regionally and globally.

**EU strategic partnerships and development**

Korea's partnerships with EU member states have evolved from workshops and MOU-type declarations of intent to include pioneer cooperation projects in the areas of project/programme evaluation, human resource development and capacity-building. These are sectors where EU member states and Korea have strong experience and can work in synergy, drawing on their respective expertise. Programme and project evaluation is also a sector where Korea can learn from European actors.

**Korean engagement with EU institutions**

There appears to be significant potential for greater Korean collaboration with EU institutions in the area of development, although the recent dialogue between the two partners on development (launched in 2012) has not translated into concrete action so far.

The 2010 Framework Agreement<sup>20</sup> and the 2012 Summit Declaration could provide strong institutional and administrative underpinnings for such collaboration. The Joint Press Statement of the 2012 Korea-EU Summit Meeting identified international development as an important area for future bilateral cooperation, stating that '[...] the leaders agreed to conduct regular policy dialogue and to exchange information on their respective programmes and, where appropriate, to coordinate their engagement in-country to increase their impact on poverty eradication'. Since 2008, Korea and the EU have held three director-general-level policy consultations on development cooperation. During the third such meeting, held in March 2014, the two parties shared their experiences in development cooperation, explored synergies between their cooperation projects in developing countries, and discussed ways to cooperate on key international development issues, including the Busan Global Partnership and the post-2015 development agenda.<sup>21</sup>

Commitments to strengthen the Korea-EU partnership on development must be understood in the context of the upgrading of bilateral economic relations through the 2011 Korea-EU Free Trade Agreement (FTA). In fact, Korea was the EU's first Asian FTA partner and is so far the only country in the world to have signed both a Strategic Partnership Framework Agreement and an FTA with the EU. This unique status provides a strong foundation for deepening bilateral cooperation in a variety of fields, including in international development cooperation. 'Korea could have a special role on acting as a bridge between the traditional and the new emerging donors'.<sup>22</sup> Adopting such a mediating role is a strategic aim of the Korean government in relation to both the East Asian regional architecture (mediating between developed and developing Asia) and the global trade policy agenda (mediating between developed and developing trading nations).



## An agenda for the future

High-level commitments, together with several MOUs between Korea and individual EU member states, are important foundations for strengthening Korea-EU cooperation in international development. The two partners must now identify how to work in complementary ways to avoid overlaps and duplications.

Trilateral cooperation could be an important modality for collaboration. Trilateral engagement in Asia, Latin America and Africa has the potential to combine the two partners' respective regional expertise. Existing pilot projects being undertaken by Korea and Germany in Nepal and Mongolia could offer some useful lessons for future EU-Korea trilateral cooperation.

Given Korea's own development experience through export promotion and the expertise of some EU member states in TVET, the EU and Korea could consider the development of trade-related infrastructure and human resources as a priority area for collaboration. Trade promotion, TVET and human resource development are among the most popular areas for support within Korea's KSP. KSP benefits around 30 countries every year, with an average of 3-5 subject areas per project. KSP could thus provide a promising framework for EU-Korea engagement. EU participation could be carried out in a format similar to that of the Joint Consulting with International Organisations initiative and could take various forms. For example, EU institutions could participate in already existing country projects by sharing budgets, sending their own experts and providing regional expertise. Alternatively, the two parties could develop new joint projects.

Green growth and climate change, which are core issues of the post-2015 sustainable development agenda, could be another area for Korea-EU engagement on development. The EU and its member states have an excellent track-record in environmental protection. They also possess some of the most advanced green technologies. In contrast, Korea has only recently begun to develop its interest in this field. Korea's green growth initiative in the G20 Summit Meeting was well received and resulted in the establishment of the Global Green Growth Institute. The Green Growth Planning and Implementation (GGP&I), which constitutes one of core activities of the GGGI,<sup>23</sup> could be an excellent candidate for Korea-EU partnership in these fields.<sup>24</sup>

Korea-EU engagement on development has so far been largely limited to working with individual member states. However, there appears to be significant potential for increased collaboration with EU institutions, building on Korea's experiences with EU member states. In order to realise this potential, policy commitments to dialogue and cooperation must be translated into action. This will require identifying a few strategic projects on which the EU and Korea can begin concrete collaboration.

## ENDNOTES

- <sup>1</sup> See Article 2 of the 2010 EU-South Korea Framework Agreement.
- <sup>2</sup> A. Marx and J. Soares, 'Korea's Development Cooperation Policy: Assessing Opportunities for European Union Collaboration in a New Global Development Cooperation Architecture', Paper presented in the conference 'EU-Korea Relations in a Changing World', November 2013.
- <sup>3</sup> EDCF manages loan-type development assistance and is supervised by the Ministry of Strategy and Finance, whereas the KOICA manages grant-type development assistance and is supervised by the Ministry of Foreign Affairs. See Government of the Republic of Korea, 'Memorandum for the DAC Peer Review: Republic of Korea', Seoul: Government of the Republic of Korea, May 2012.
- <sup>4</sup> It is reported that Korea had received a total sum of US\$12.6 billion by the time it graduated from being a recipient country in 2000.
- <sup>5</sup> S.H. Park, 'Quest for a stronger regional leadership and an upgraded global profile: Korea's opportunity in the crisis', in: *Asia Europe Journal* 9(2-4): 225–36, 2012.
- <sup>6</sup> Korea's ODA budget has increased by an annual average of 21.6 per cent since 2001, having reached approximately US\$1.6 billion in 2012. For more details, see Government of the Republic of Korea, 'ODA White Book: Opening a New Era of Happiness for All Humanity', Seoul: Government of the Republic of Korea, 2014.
- <sup>7</sup> Grant-type development assistance has increased from 30 per cent to 60 per cent of the total development budget. The share of untied loans has also continuously increased, having reached 36 per cent in 2011, but is subject to fluctuation. See Government of the Republic of Korea 2014, op. cit., p.90.
- <sup>8</sup> For a more detailed description of such policy efforts, see Government of the Republic of Korea 2012, op. cit.
- <sup>9</sup> Ibid.
- <sup>10</sup> A more detailed discussion can be found in OECD, 'Korea: Development Assistance Committee (DAC) Peer Review 2012', Paris: OECD, 2012.
- <sup>11</sup> This was the commitment made by the Lee, Myung-Bak government when applying for DAC membership. See OECD, 'Development Cooperation of the Republic of Korea: DAC Special Review', *DCD (2008)7*, Paris: OECD, 2008.
- <sup>12</sup> Korea has already begun reforms to better focus its ODA, including identifying 26 priority partner countries and reducing the sectors in which it works. For more details, see Government of the Republic of Korea 2012, op. cit.
- <sup>13</sup> The Korean government is attempting to address this challenge by designating several priority partner countries in Africa and Latin America; spending more of its budget on basic needs and on cross-cutting issues; and engaging more strongly in international partnerships. As a result, the share of ODA provided to Africa increased from 2.6 per cent in 2001 to 22.1 per cent in 2012. See Government of the Republic of Korea 2012 and 2014, op. cit.
- <sup>14</sup> Marx and Soares 2013, op. cit.
- <sup>15</sup> The Seoul consensus consists of eight pillars: infrastructure, private investment and job creation, human resources development, trade, financial services, G20 platform for knowledge sharing, resilience and food security, and governance.
- <sup>16</sup> G. Chin and J. Heine, 'Consultative Forums: State Power and Multilateral Institutions' in Currie-Alder et al (eds.), *International Development: ideas, experience and prospect* (Oxford: Oxford University Press, 2014).
- <sup>17</sup> H.S. Sohn, 'Busan High-Level Forum: From Dead Aid to Better Development?', New York: Council on Foreign Relations, 2011.
- <sup>18</sup> Cited from KSP, *Joint Consulting with International Organisations (IOs)*, Seoul: Ministry of Strategy and Finance of Korea, 2011, available at: <http://www.ksp.go.kr/pillars/jointmain.jsp>.
- <sup>19</sup> This may be due to (i) a strong orientation of Korea's policy cooperation with the United States and regional neighbours; (ii) a focus on traditional bilateral country-to-country cooperation; (iii) weak engagement by the EU institutions with the Korean Government, especially in the area of international development cooperation.
- <sup>20</sup> The Preamble of the 2010 EU-South Korea Framework Agreement identifies 'development assistance' as one of the most important cooperation areas, while Article 27 of the Agreement is fully devoted to bilateral cooperation in this area.
- <sup>21</sup> Ministry of Foreign Affairs of Korea, 'Third ROK-EU Policy Consultation on Development Cooperation to Take Place (March 17, 2014)', *Press Release*, Seoul: Ministry of Foreign Affairs of Korea, 2014.
- <sup>22</sup> Marx and Soares 2013, op. cit.
- <sup>23</sup> See the website of the GGGI: [www.gggi.org](http://www.gggi.org).
- <sup>24</sup> For more details on cooperation between GGGI and GTC-Korea, see <http://gggi.org/gggi-and-green-technology-center-korea-pledge-to-collaborate-on-green-growth-research/>.

# The EU and South Africa: towards a new partnership for development

Lesley Masters

## Introduction

The growing role of emerging countries in the development assistance landscape is bringing about a change in the international politics of development. South Africa, along with other emerging countries such as China and India, is moving beyond a position as an 'aid' recipient towards defining its role as a development assistance partner. Within this changing international landscape, developed and developing countries alike are reassessing their relationships in the field of development cooperation. In exploring the impact of these changing relations, this chapter considers the shape and direction of South Africa-European Union (EU) engagement in development cooperation, where the two parties are moving from a donor-recipient relationship to the construction of a collaborative partnership in support of development. By tracing the emergence of South Africa as a development assistance partner, this analysis highlights areas of policy convergence and divergence with the EU and the potential for making of trilateral development cooperation (TDC), a more central element of the EU-South Africa strategic partnership.

## Drivers of South Africa's international developmental agenda

In the early 2000s South Africa began to pursue an active role in negotiating the future shape and direction of the international development regime through participation in the negotiations around aid effectiveness and later the Global Partnership for Effective Development Cooperation (established at the 2011 High-Level Forum on Aid Effectiveness in Busan). Pretoria has also moved towards positioning itself as a development assistance partner, particularly within Africa, through the creation of the initial African Renaissance and International Cooperation Fund (ARF) in 2001, and the planned establishment of a South African Development Partnership Agency

(SADPA). Underpinning these moves are South Africa's own historical legacy; its pursuit of domestic development priorities in foreign policy; and its aspirations to play a central role in shaping the future contours and direction of the international development regime.

The country's history of apartheid has left South Africa as one of the world's most unequal societies, with approximately 40 per cent of the population (predominantly black) living below the poverty line. Economic development is seen as a means to address these inherited economic imbalances. Following South Africa's democratic transition, the government introduced a number of development-oriented policies, including the Reconstruction and Development Programme (RDP), the neo-liberal Growth, Employment and Redistribution (GEAR) policy, and the more recent National Development Plan (NDP), released in 2011. Despite slight differences in emphasis across these initiatives, they are all consistent in envisioning South Africa as a developmental state and in addressing the injustices of the past.

Linked to the idea of a developmental state is the idea of a 'developmental foreign policy'.<sup>1</sup> This prioritises development concerns within South Africa's international agenda, linking domestic priorities to international engagement. The Zuma administration has consistently maintained that domestic development priorities and a particular focus on the African agenda continue to inform South Africa's stance towards development cooperation and the post-2015 development agenda. Development cooperation is increasingly seen as a 'vehicle to advance South Africa's foreign policy to address challenges of poverty, underdevelopment and marginalisation in Africa and the South'.<sup>2</sup>

The link between domestic and foreign policy in terms of development is further underlined in the 2011 draft White Paper on foreign policy, *Building a Better World: The Diplomacy of Ubuntu*, which notes the importance of 'foreign policy alignment with South Africa's domestic and developmental needs, particularly to create a better life for all South Africans'.<sup>3</sup> Moreover, international development cooperation is, for the first time, included within the mandate of the Department of International Relations and Cooperation (DIRCO).<sup>4</sup> The draft White Paper also provides direction for South Africa's engagement on 'aid effectiveness, increased global development assistance, and strengthening development partnerships'.<sup>5</sup>

In addition to pursuing the role of an emerging development cooperation partner, South Africa has sought to play a central role in shaping international development negotiations, assuming the position of co-chair of the G20 Development Working Group, and acting as an elected representative to the United Nations (UN) Economic and Social Council (ECOSOC) for the period 2004-2006 and then again from 2013-2015. Within these multilateral platforms South Africa has called for the strengthening of the voice of the global South through

engagement with the Africa Group (the African Common Position),<sup>6</sup> the G77+China, IBSA (India, Brazil, South Africa), and the BRICS (Brazil, Russia, India, China, South Africa). For example, during the 2011 Busan negotiations on aid effectiveness, the inclusion of emerging development cooperation partners such as China, India and South Africa contributed to a change within the negotiations from an emphasis on 'aid' to an emphasis on development cooperation and partnership.

The Busan discussions saw a marked distinction between the position of South Africa and other members of the geo-political South on the one side, and that of the EU and other Organisation for Economic Cooperation and Development (OECD) donors on the other. While the EU was concerned with addressing the proliferation and fragmentation of aid providers, South Africa and other developing countries were more welcoming of an increase in the number of development assistance partners, a trend which provides more options for developing countries to negotiate terms and conditions.<sup>7</sup> There has also been a division between South Africa and the EU over what should constitute official development assistance (ODA), with developing countries arguing that this should be broadened to include elements such as trade, technology transfers, and investment.<sup>8</sup> This contrasts with the EU's more traditional interpretation, set out by the OECD, which limits ODA to being provided by state agencies, having a primary focus on economic development, and having a grant element of at least 25 per cent.<sup>9</sup>

As negotiations around the post-2015 development agenda gather pace, South Africa argues that there should not be an attempt to re-negotiate existing global development commitments, but rather an effort to build upon the frameworks already in place. Key priorities for South Africa within the post-2015 debates include: funding and implementation of the current Millennium Development Goals (MDGs); an understanding of the particular development needs of recipient countries; a focus on poverty eradication, income inequality and job creation (particularly for Africa); an emphasis on all dimensions of sustainable development (economic, social and environmental sustainability); and continued commitment to the principle of 'common but differentiated responsibilities'. South Africa also wants to see a genuine partnership emerge between the geo-political North and South, with Northern countries fulfilling their commitments to contribute 0.7 per cent of gross national income to official development assistance.<sup>10</sup>

## South Africa's practice of development cooperation

South Africa's approach to development cooperation has focused on supporting the promotion of democracy and good governance; the prevention and resolution of conflict; socio-economic development and integration; and humanitarian assistance and human

resource development.<sup>11</sup> South Africa's development cooperation budget for the ARF saw development assistance grow from an initial R50 million (about €6 million) in 2003-2004 to a peak of just under R700 million (about €60 million) in 2008-2009. This has been reduced to just over R500 million (about €50 million) since 2011.<sup>12</sup>

There has been consistency in the focus of South Africa's approach towards development cooperation, from the ARF to discussions concerning the future engagement of the South African Development Partnership Agency (SADPA). This is in line with South Africa's foreign policy priorities, which exhibit a central focus on Africa, particularly in terms of peacekeeping, capacity building, regional integration, post-conflict reconstruction, and humanitarian assistance. In terms of capacity building, South Africa has already organised programmes for civil servants from countries such as Burundi, the Democratic Republic of the Congo (DRC), Rwanda, and South Sudan, while peacekeeping initiatives have seen South African troops operating in Burundi, the DRC, the Central African Republic (CAR), South Sudan, the Comoros, Liberia and Côte d'Ivoire.<sup>13</sup> South Africa has also contributed towards elections assistance in the DRC and the Comoros and supported a SADC observer mission to the 2008 elections in Zimbabwe.

In all of these areas South Africa possesses particular expertise and experience – the fruits of the country's own peaceful transition, its domestic development, and its role in peacekeeping and peacemaking initiatives on the continent. The principles guiding South Africa's approach are linked to the wider context of South-South cooperation, and include an emphasis on recipient countries' ownership of development processes, particularly in determining the focus and outcomes of projects and programmes. A further principle is that partnerships should be based on needs assessment, should be demand driven, and should contribute to improving coordination between development assistance partners within the recipient country.<sup>14</sup> South Africa has also attached importance to building greater understanding of the political, economic and security contexts within each recipient country, in order to ensure that development cooperation does not undermine peace, stability or democracy.<sup>15</sup>

The creation of SADPA is likely to be a positive step in managing the implementation of development cooperation, although the agency is yet to be operationalised. SADPA will be tasked with policy development (through crafting policy principles that guide decision-making), with engagement with relevant departments and partners, and with managing the implementation of projects and programmes. In terms of implementation, SADPA aims to enhance the effectiveness and coherence of development programmes across government, to provide administrative and management accountability, and to provide clear operating principles and guidelines.<sup>16</sup> This approach is important, as Pretoria has found itself increasingly stretched in terms of its capacity to manage both its multilateral engagement on development and its bilateral develop-

ment partnerships.<sup>17</sup> In addition, challenges of communication between the relevant departments have been a problem, causing delays in the implementation of projects. There has also been a lack of policies and guidance for implementation of the ARF, as well as capacity constraints in the monitoring and evaluation of projects.<sup>18</sup>

While these constraints present implementation challenges, they can also provide the impetus for Pretoria to engage in collaborative partnerships with other actors – such as the EU – in order to meet foreign and development policy objectives.

## South Africa, the EU and engagement in international development cooperation

Relations on development cooperation between the EU and South Africa are in a state of transition. The EU has traditionally been one of the largest sources of ODA to South Africa, providing ‘70 per cent of all external assistance funds: 25 per cent from the European Commission, 20 per cent from the European Investment Bank (EIB) and 25 per cent from the EU Member States’.<sup>19</sup> In 2013, South Africa received some €100 million for the country’s infrastructure programme and approximately €50 million for job creation initiatives.<sup>20</sup> EU ODA to South Africa is aimed at adding value through ‘enabling experimentation and learning, innovation, risk-taking, and capacity building’.<sup>21</sup> However, it is important to note that South Africa is not dependent on ODA, which accounts for approximately 1 per cent of the state budget and 0.3 per cent of GDP.<sup>22</sup>

South Africa-EU engagement on foreign policy and development issues has gathered pace since the 1999 Trade, Development and Cooperation Agreement (TDCA). Within the TDCA particular attention is paid to development cooperation within the ‘context of policy dialogue and partnership’, yet this is focused on South Africa as a recipient of EU ODA. In 2007 a strategic partnership was established between the EU and South Africa with regular high-level summits taking place. The 2007 South Africa-European Union Strategic Partnership Joint Action Plan identifies a number of areas for cooperation, including development. However, like the TDCA, the focus in this action plan is on South Africa as a recipient country and not on the prospects for EU-South African partnership in promoting development externally.<sup>23</sup> Reflecting this interpretation of EU-South Africa relations, the Joint Country Strategy Paper 2007-2013 is also primarily concerned with ODA between the EU and South Africa, making only short references to South Africa’s role as a collaborative partner, and only a passing reference to potential regional or continent-wide cooperation (involving bodies such as the Southern African Development Community, the Southern African Customs Union, and the African Union) and the scope for engagement with the New Partnership for Africa’s Development (NEPAD).<sup>24</sup>

Both the Action Plan and the Joint Country Strategy Paper continue to reflect a vision of South Africa-EU engagement as merely a partnership in which the EU supports South Africa's development. However, there are a number of areas of policy convergence that could enable deeper collaboration between the two partners in promoting development more broadly, both at multi-lateral level and within third countries.

## Policy convergence and divergence on development cooperation

An important point of convergence between South African and EU approaches to development is the priority given to Africa. This includes South Africa's foreign policy focus on the African Agenda; its peacemaking and peacekeeping commitments on the continent; and its emphasis on supporting the socio-economic development of Africa. Likewise, the EU accords priority to Africa within its development policy framework, Agenda for Change, noting that the 'EU should continue to recognise the particular importance of supporting development in its own neighbourhood and in Sub-Saharan Africa'.<sup>25</sup> Moreover, given EU commitments to increasingly allocate its aid budget to the world's poorest countries, Africa will become an even greater priority for the EU.

In addition to a focus on the development of Africa, both the EU and South Africa converge around the principles of poverty reduction, human rights, democracy and good governance.<sup>26</sup> These broad shared principles were stressed at the sixth South Africa-EU summit held in 2013 in Pretoria, where both parties reaffirmed a commitment to 'shared values and interests including the promotion of peace and security, human rights, democracy, the rule of law and sustainable development'.<sup>27</sup>

With much convergence in terms of their regional focus and the broad principles informing their approach to development, the main challenge in building a stronger partnership between the EU and South Africa is divergence concerning practice and implementation. For instance, South Africa's foreign policy focus on South-South cooperation and its emphasis on 'solidarity' with developing countries have encouraged Pretoria to look askance at certain conditionality policies, especially those concerning democracy and good governance.<sup>28</sup>

Furthermore, South Africa, as well as other developing countries, continues to question the linkages between EU economic interests and the EU's approach to development cooperation. South Africa and other actors are concerned that EU policies in areas such as trade, agriculture, manufacturing, and non-tariff barriers may undermine development gains made on the ground



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in recipient states. For example, the EU Raw Minerals Initiative may see developing countries become more dependent on the export of primary commodities, despite attempts by some countries to introduce export restrictions as part of their developmental strategies.<sup>29</sup>

The challenge for the EU is to balance its interests and values in a transparent way that addresses some of these concerns. 'Europe is known for its strong discourse on democracy and governance. Yet too often this value-driven EU agenda is perceived as clashing with the way it pursues its security and economic interests, which can undermine the Union's credibility'.<sup>30</sup> However, much like the EU, South Africa too has come under scrutiny regarding the balance between perceived economic interests and its peacekeeping, post-conflict reconstruction, and development activities in countries such as the DRC and CAR.

There is also concern within South Africa over the EU principle of 'differentiation' between developing countries, which sets out to distinguish advanced developing countries and those less developed countries which remain significantly dependent on external sources of finance (aid).<sup>31</sup> The EU's argument is that middle-income countries (MICs) are able to support some of their own development, although this distinction glosses over the continued challenges of inequality and poverty within MICs. The problem with the EU claiming that some states have 'graduated' to MIC level is that it creates a perception that the EU is defining new partnership models in which it 'still sees it as its [the EU's] responsibility to define the stature of its partners'.<sup>32</sup>

Despite these sources of tension, the significant areas of policy convergence between the EU and South Africa do provide a platform for deepening relations as collaborative partners on development. In building such a collaborative partnership, trilateral development cooperation could help facilitate a better understanding of respective development approaches and enhance cooperation in the field.

## South Africa-EU as collaborative development partners: the future of trilateral development cooperation

The potential for TDC between the EU and South Africa has been under-explored and requires greater attention. In contrast to the experience of emerging development partners such as China and Brazil, where trilateral cooperation initiatives have received something of a 'lukewarm' reception or failed to gather momentum, trilateral cooperation is an area that is gaining attention within development thinking in South Africa. South Africa has already pursued TDC with individual EU member states, including Germany's TriCo Fund, in the

pursuit of shared development objectives.<sup>33</sup> Nevertheless, when it comes to EU-South Africa partnerships, thinking on trilateral engagement remains in its infancy. The 2007-2013 Joint Country Strategy Paper only referred to the 'potential' of TDC, while the most recent Progress Report available on the EU and South Africa as development partners (2010) only includes a few lines on the matter, noting that there is potential for the EU to undertake TDC with South Africa, not least given the experience of EU member states, such as Germany, which have already launched joint initiatives on the continent.<sup>34</sup>

South Africa is currently in the process of developing a TDC framework, which will guide Pretoria's approach towards trilateral partnerships aimed at ensuring that they are demand-driven, meet the development priorities of the beneficiary country, and promote local ownership and partnership. The potential benefits of TDC include the creation of a platform for improving co-ordination between development partners in beneficiary countries, boosting resources for projects or programmes (particularly as South Africa's own ODA budget is relatively small), and the creation of economies of scale. The benefits for South Africa of a partnership with the EU lie in the opportunity to engage with existing expertise on development cooperation and to enhance South Africa's own development cooperation capacity. For the EU, there is the opportunity to learn from South Africa's unique experience and its understanding of the region.

Moving towards a more substantial EU-South Africa partnership on development requires further research into the partners' different approaches to development cooperation, with a view to building a deeper working partnership. This should include identifying existing programmes/projects and unpacking the 'lessons learned' to inform future TDC initiatives. The challenge has been that engagement so far has been *ad hoc* and uncoordinated, with the SADPA yet to be operationalised. Progress should include building shared understanding around basic concepts (development, democracy, human rights) and their policy implications for development, as well as defining approaches (best practices, monitoring and evaluation) for managing a horizontal partnership between the EU, South Africa and beneficiary countries. The next steps should also include consideration of just what *is* strategic for the partnership when it comes to development, or where an EU-South Africa partnership with a beneficiary country could add the most value in a field where there is a burgeoning number of development actors. What will be critical to EU-South Africa relations going forward is that the strategic partnership dialogue (and future action plans) should reflect the potential for the two to act as equal partners in promoting development in Africa and beyond, advancing from their previous donor-recipient relationship.

## ENDNOTES

- <sup>1</sup> C. Landsberg, 'Towards a Developmental Foreign Policy? Challenges for South Africa's Diplomacy in the Second Decade of Liberation', *Social Research* 72(3), 2005.
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# The EU and its partners on development: how strategic on the ground?

**Clare Castillejo and Christine Hackenesch**

## Introduction

The strategic partnerships of the European Union (EU) with Brazil, China, India, Korea and South Africa include discussion of development issues, and in some cases commitments to collaboration. However, little is known about whether this high-level, bilateral dialogue influences the EU's engagement with these strategic partners on the ground in developing countries. This paper examines how the EU engages with these emerging powers in aid recipient countries, and identifies challenges and opportunities for strengthening engagement. It draws on field research in Mozambique and Nepal.

Nepal and Mozambique both receive substantial development assistance from the EU and its member states, while emerging powers have also recently become important partners for these countries. Nepal and Mozambique offer contrasting examples of development contexts and of the type of interests at play for the EU and emerging powers. Nepal is a conflict-affected Asian country where geostrategic and security interests are a priority for neighbouring powers and peacebuilding is the context for EU engagement. Meanwhile, Mozambique is a resource-rich African country where economic interests are paramount for emerging powers and shape the scope for EU engagement with its strategic partners. Interesting common themes emerge from these cases. These suggest ways forward for the EU to strengthen its engagement on development with its strategic partners in third countries.

## Nepal

Nepal emerged from conflict in 2006 but remains fragile, with progress on peacebuilding largely stalled. It currently ranks 157 out of 187 on the Human Development Index. The EU is a major donor to Nepal. Under its 2014-2020 Country Strategy Plan, the EU will treble its aid to the country, to reach €360 million. EU assistance focuses on sustainable rural development, education and democracy. The UK, Germany, Denmark and Finland also provide aid to Nepal, with the UK playing a particularly prominent role. With little economic engagement in Nepal, the main interest of European actors is to avoid instability.

### Strategic partners in Nepal

India and China are the strategic partners that provide most development assistance to Nepal. As neighbours, both have complex political, economic and security interests in the country. Their development cooperation is informed by these interests, as well as growing rivalry between them for influence. Korea is also a donor, although its assistance is modest compared to that of China, India or the EU<sup>1</sup>.

India has historically dominated Nepal's political and economic life. Since Nepal's conflict ended in 2006, India's engagement with the country has been shaped by insecurity over its loss of influence, both because of the rise of anti-Indian political forces and because of China's growing presence. India provides assistance across multiple sectors, with a particularly strong focus on health, education and infrastructure. New Delhi does not attach conditions to its aid, although its assistance is generally tied.<sup>2</sup> India shares limited information about its assistance with other international actors.

China has dramatically increased its assistance, investment and political engagement in Nepal since 2006. Its commitment is shaped by its interests in maintaining a secure Tibetan border and opening Nepal for Chinese business. China has become Nepal's biggest investor and controls key industries such as telecoms and tourism. In 2014, China and Nepal signed a new cooperation agreement that commits China to increase further its assistance. Most Chinese assistance takes the form of concessional loans for infrastructure projects, which include roads, hospitals, airports and a dry port on the Sino-Nepal border, although it also provides grants. Chinese aid is always tied. China does not share information about its activities with other international actors and stresses that it is 'a neighbour not a donor'.

Korea provides grant assistance to Nepal focused on the health, education, agriculture and energy sectors. This generally takes the form of projects, although there is ambition to provide sectoral level budget support.

## **EU engagement with strategic partners**

European actors have different levels of engagement with strategic partners in Nepal. There is no significant dialogue between the EU delegation and Chinese officials and little discussion of China's role in EU coordination meetings with member states. Apart from China's reluctance to engage in dialogue, divergent positions on human rights and Tibetan refugees also hinder collaboration. European actors know very little about Chinese development cooperation and effectively operate in parallel to China – frequently in the same sectors – without much understanding of Chinese activities. The EU delegation accepts that this situation is problematic.

Despite China's unwillingness to engage with Western donors, the UK has had some success in establishing cooperation. Under the umbrella of the UK's strategic partnership with China, the Department for International Development (DfID) established technical level collaboration with the Chinese Ministry of Commerce to support Nepal's earthquake preparedness.<sup>3</sup> This cooperation was politically possible because it focused on a technical and apolitical area and involved the United Nations Development Programme (UNDP) as a 'neutral' partner.

EU engagement with India is limited, but improving. In the years immediately following Nepal's conflict India was largely hostile to European actors in Nepal because of their engagement with the anti-Indian Maoist forces.<sup>4</sup> However, as Nepal's Maoists have become less of a threat to Indian interests and China's growing influence becomes a greater concern, India is seeking to improve relations with European donors. Moreover, the EU delegation has deliberately reached out to the Indian embassy in recent years. There is now regular dialogue between the EU and Indian Ambassadors, as well as frequent meetings between the EU Ambassador to Nepal and officials in New Delhi. However, this improved political relationship has not translated into greater engagement on development cooperation.

Korea takes a very different approach to that of India and China. As a member of the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) and with no significant interests at play in Nepal, Korea shares information on its activities and participates in all donor coordination initiatives. Moreover, in 2013 it signed a joint cooperation agreement with the German agency GIZ to collaborate in the health sector. However, some European actors report that Korea's approach – for example its emphasis on projects or reluctance to address governance issues – presents a barrier to deeper engagement.

## Convergence, divergence and opportunities for greater engagement

Despite limited engagement so far, there are some areas of convergence between the EU and China and India in Nepal, which could potentially provide entry points for greater interaction. At critical moments in the peace process the interests of these actors have aligned, resulting in greater cooperation. For example, during the 2013 elections there was unprecedented coordination among international partners to support smooth elections. Officials from India, China and Korea all participated in an EU-chaired technical working group on the elections, while their Ambassadors participated in a high-level working group chaired by the UN.

Moreover, at such crucial moments India has sometimes actively sought collaboration with the EU, recognising the value of its perceived neutrality. For example, when the dissolution of the first constituent assembly in 2012 created a dangerous power vacuum, India sought the EU delegation's assistance in encouraging Nepal's political actors to support the interim government.

Stability and peacebuilding are therefore undoubtedly a shared concern for the EU, India, China and Korea. However, their very different visions for the Nepali state limit scope for collaboration outside of crisis moments. China's interest in the repression of all political activity related to Tibet and India's interest in preserving its influence over the country are both very different to the EU's stated vision of an inclusive and democratic Nepali state. Moreover, all three strategic partners diverge from the EU in their reluctance to discuss human rights.

China, India and the EU frequently work in the same sectors, such as health and infrastructure, and – despite different approaches – their engagement is in some cases complementary. For example, the EU supports basic rural infrastructure while China focuses on economic infrastructure, such as major transport facilities, both of which are required for inclusive growth. Moreover, in some politically-sensitive sectors, such as hydropower, it could serve Chinese and Indian interests if the more neutral EU took a greater role.<sup>5</sup>

A central barrier to greater EU engagement with China or India is lack of information about their activities. While China and India are generally reluctant to share information, it is clear that existing mechanisms for donor coordination are also entirely unsuited to their participation. The main donor forum involves a broad membership, rather than the discrete bilateral engagement that these powers prefer, and mixes both technical and sensitive political issues.<sup>6</sup> European actors are aware of the need to find an engagement format that is more acceptable to China and India.



**EU strategic partnerships and development**

Another obstacle to deeper engagement is the fact that Chinese, Indian, Korean and European development cooperation institutions are all structured differently and there is little understanding of how each other operate. Chinese and Indian decision-making is centralised at capital level, so there is limited traction to be gained from seeking engagement in Kathmandu alone. Moreover, the depth of Chinese and Indian historical links and strategic interests in Nepal means that they operate within a much longer timeframe than the EU, which is focused on programming cycles.

## Mozambique

Mozambique is one of the largest recipients of EU development aid, with €747.6 million allocated under the European Development Fund (EDF) for the period 2008-2013.<sup>7</sup> European donors<sup>8</sup> work in a range of sectors, including infrastructure development, rural development, health and education, and provide a significant proportion of aid through direct budget support. However, it is reported that some member states have begun to direct their aid towards the gas and coal sectors in support of their own economic interests.

Mozambique continues to languish at the bottom of the Human Development Index.<sup>9</sup> However, with discoveries of substantial gas and coal deposits, extensive fertile and underused arable land, and significant potential for tourism, external actors' interests in the country are changing. Indeed, China, India, Brazil, South Africa and Korea have all significantly increased their engagement in Mozambique in recent years. For both traditional donors and emerging powers, economic interests – particularly in the energy sector – are increasingly shaping relations with Mozambique.

### Strategic partners in Mozambique

Among the EU's strategic partners in Mozambique, China is by far the most important due to the size of its loans. China has supported a number of large infrastructure projects and Chinese companies have begun investing in the country's gas sector. Mozambique receives Chinese assistance through the Forum for China-Africa Cooperation (FOCAC).<sup>10</sup>

Brazil has a significant presence in Mozambique, largely due to close socio-cultural ties between the two countries. Brazil supports Mozambique with technical assistance and large investments in agriculture and mining. For example, the Brazilian company Vale invests in one of the biggest coal mines in the country's north, while the Brazilian cooperation agency

(ABC) and Japan's international cooperation agency (JICA) are developing Pro Savanna, a large and highly controversial agriculture development zone.<sup>11</sup>

Mozambique is the third-largest recipient of Indian lines of credit (LoC) in Africa, after Ethiopia and Sudan. The India's EXIM bank has provided US\$500 million in LoC for a variety of projects, from sanitation to transmission lines. Indian companies have invested in the gas and coal sectors. India also provides training through its Indian Technical and Economic Cooperation (ITEC) programme.

The intensity of South Africa's engagement with Mozambique is shaped by its proximity and development cooperation is a minor element of bilateral relations. South Africa's official assistance to Mozambique covers a wide range of sectors, including education, health and security. South African companies have sizable investments in almost all sectors including tourism, banking, manufacturing and retail, although they have yet to make a significant inroad into the mining sector.

Finally, Korea has only recently begun providing assistance to Mozambique, for example in the energy sector. Korean companies have increased their investments in areas such as infrastructure and mining.

## **EU engagement with strategic partners**

The EU's engagement with its strategic partners in Mozambique has been limited. The EU delegation has not pursued a regular dialogue with these partners. The existing donor coordination fora offer little room for engagement with strategic partners. The most important forum for donor-government engagement on macro-economic or political issues is the budget support dialogue, in which strategic partners do not participate as they do not provide budget support. Meanwhile the Development Partners' Group (DPG) brings together all of Mozambique's donors, but is mainly used for sharing information on bilateral assistance programmes rather than discussing more strategic issues. India and Brazil occasionally join these meetings. Interestingly, Brazil, China, India and South Africa have established an informal dialogue mechanism to exchange information on their activities in Mozambique.

Plans for trilateral cooperation between the EU, Brazil and Mozambique, which emerged from the EU-Brazil strategic partnership dialogue, have not led to any tangible results. EU member states have been more successful in this regard and Germany, Italy and the UK have all established trilateral cooperation projects with Brazil in Mozambique. Discus-

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sions between the EU and South Africa regarding collaboration are ongoing, but China and India remain extremely resistant to such initiatives.

Where trilateral cooperation does happen, it is often driven by pressure from European capitals rather than a genuine convergence of interests and approaches with strategic partners on the ground. Moreover, some of the trilateral cooperation projects in Mozambique – such as the Pro Savanna initiative – appear to be related not just to development goals, but also to the economic interests of emerging powers and traditional donors.

**Convergence, divergence and opportunities for greater engagement**

Mozambique clearly needs investment from both traditional donors and emerging powers for its development. However, European actors are concerned with the way in which some of their strategic partners – notably China – engage with the country.

Debt sustainability has become an issue of concern for European and other donors. Although revenues from the gas and coal sectors will only start flowing after 2020, the Mozambican government has begun borrowing against future returns, particularly from China.<sup>12</sup> Meanwhile, large Chinese infrastructure projects, such as the bridge over Maputo Bay or the ring road around the capital, are questioned as not being the best value for money.

In response to the new context created by the growing engagement of emerging powers in Mozambique, the EU announced that it would use blending of grants and loans, rather than just grants, for future support to transport infrastructure. However, such changes in EU policy appear to be based on *ad hoc* decisions rather than a clear strategy.

Investments by private companies from both emerging powers and traditional donor countries in the energy and agriculture sectors have raised concerns regarding their social and environmental consequences. Likewise, Mozambican civil society has accused some Chinese actors of illegal practices, including illegal logging and illegal fishing.<sup>13</sup> Following strong criticism, there has been some progress in strengthening Chinese companies' compliance with local laws. However, weak domestic legal frameworks and the convergence of the interests of Chinese and other external private sector actors with those of local Mozambican elites continue to facilitate illegal exploitation of natural resources.

Few mechanisms currently exist for the EU to address these issues with Chinese officials within Mozambique. However, the EU's strategic partnership with China could potentially provide a forum to discuss such issues in relation to Mozambique and other African countries.

## The way forward for engagement

While there are many differences between the Mozambique and Nepal contexts, some common themes emerge.

As the administrative structures of strategic partners are highly centralised, decisions over whether to engage in dialogue, share information, participate in coordination processes, or engage in cooperation are taken at capital level. The EU must therefore prioritise dialogue at capital level to explore possibilities for information sharing, coordination and collaboration on the ground in third countries.

Strategic partners are reluctant to engage through traditional donor coordination mechanisms and the EU needs to find other entry points for establishing engagement at country level. These will obviously vary according to context. In some cases, a technical entry point might be best; while in others, political level contact could prove more fruitful.

In seeking engagement with its strategic partners, the EU must be mindful of how such engagement may affect the interests of powerful local actors and of how local power holders may promote or block such engagement. European actors must analyse what factors may encourage strategic partners to engage in greater dialogue with them. Demands by local governments for greater cooperation between donors could be one such incentive, while threats to investments from instability could be another. Moreover, the EU also needs to understand how the dynamics between emerging powers – whether characterised by collaboration or competition – shape incentives for them to engage with traditional donors.

Even where possibilities for engagement are severely limited, it is important that EU delegations understand and adapt to the changing context that is created by the presence of strategic partners. This requires both sufficient analytical capacity within the EU delegation and support from Brussels. The challenges that emerge from the rise of emerging powers differ quite substantially between recipient countries and therefore guidance from Brussels would need to be tailored towards the specific context. It also requires thinking outside the programming cycle, given that strategic partners' engagement in developing countries generally has longer-term horizons.

Coordination among member states and the EU delegation in third countries is frequently a challenge, and this is true in relation to engagement with strategic partners. While member states inevitably pursue their own relationships with strategic partners, more coordination between the EU delegation and member states would be useful, as would a stronger role for the EU delegation. In some cases the EU may also be able to learn from member states' experience of collaboration with strategic partners.

The strategic partnership framework could potentially facilitate greater engagement on development between the EU and its partners on the ground. However, linking up these high-level bilateral frameworks and dialogues with country level practices will require greater coordination between Brussels and EU delegations. Brussels must support and incentivise EU delegations to understand the strategic partnership framework and use it to seek engagement with emerging powers. Indeed, there may be something to learn from the UK's experience of strategic partnership with China, which – although limited – involves actionable regional level programmes for collaboration, as well as encouragement of staff on the ground to implement these.

Finally, delegations can provide valuable feedback to Brussels regarding strategic partners' practices on the ground and potential opportunities for engagement that Brussels could explore. They can also identify issues of concern (such as debt sustainability or corporate social responsibility) for the EU to raise with its strategic partners. Critically, better communication between Brussels and EU delegations on strategic partnerships could help overcome the current disconnect between high-level bilateral commitments and the reality of lack of engagement on the ground.

## ENDNOTES

- <sup>1</sup> According to the OECD, Korea's total aid to Nepal in 2012 was US\$20.77 million.
- <sup>2</sup> Tied aid is foreign aid that must be spent on purchasing goods or services from the country providing the aid.
- <sup>3</sup> Specifically in the area of urban search and rescue. Given the relatively large numbers of Chinese and British nationals in Nepal, the UK and China have a mutual interest in strengthening such capacities.
- <sup>4</sup> The Communist Party of Nepal (Maoist) formed the rebel movement during the ten-year civil war and went on to win most votes in the 2008 constituent assembly elections. A central element of their agenda was to reduce Indian influence in Nepal. However, this position has mellowed in recent years and the Maoists lost control of the government in the 2013 elections.
- <sup>5</sup> Nepal's hydropower sector has great potential, but requires significant investment. Because of India and China's proximity and potential to benefit from Nepalese hydropower, major investment by either neighbour would be politically controversial.
- <sup>6</sup> This forum is the International Development Partners Group (IDPG), which includes all of Nepal's traditional bilateral and multilateral donors. China and India are regularly invited to this forum. Chinese officials do not attend. India sometimes sends representatives to IDPG meetings.
- <sup>7</sup> EDF funding focuses on two sectors: transport infrastructure and regional economic integration, and secondly agriculture and rural development.
- <sup>8</sup> As well as the EU, almost all major European bilateral donors are present in Mozambique, with the most aid being provided by the UK and Portugal.
- <sup>9</sup> In 2013 Mozambique ranked 185 out of 187 in the Human Development Index.
- <sup>10</sup> The FOCAC is a platform established for Chinese engagement with African countries for dialogue and cooperation activities. Under this framework, China supports an agriculture demonstration centre and training for Mozambican officials.
- <sup>11</sup> While this project was established by the Brazilian and Japanese official development agencies, close collaboration is planned with the Brazilian and Japanese private sectors.
- <sup>12</sup> In light of this, the International Monetary Fund has urged that debt sustainability must be observed and public investments carefully managed.
- <sup>13</sup> These criticisms have been primarily directed at Chinese private companies.

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