Global economic competition and EU Millennium Development Policy

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Introduction

The financial crisis and accompanying structural changes in the global economy are exposing gaps in EU approaches to the Millennium Development Goals (MDGs). The goals were consensually agreed at the 2000 UN Millennium Summit. A split has since emerged not only on their future directions but also over the once consensual principles that underpin international development cooperation broadly. The approaches of traditional western donors including the EU now contrast sharply in many respects to the evolving roles and emphasis of emerging donors like China, Brazil and South Korea.

First, the seemingly inexorable shift in global economic power towards Asia in particular is challenging Europe's once solid economic dominance over a region like Africa. The nascent shift in thinking in many developing regions of the global south also tend, broadly speaking, in the direction of a new assertive discourse of growth models and development paths being promoted by the non-western emerging powers.

In geopolitical terms, this debate appears skewed against the west. For Europe, the largest source of global development aid, this shift portends serious policy implications. If a graphic illustration is needed, the west and the emerging world's contrasting rhetoric at the September 2010 UN Summit on the MDGs served as a timely reminder of the still elusive quest for a post-Washington Consensus.

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Second, real world geopolitical transformations have fed more fundamental doubts over the MDGs – their underlying focus, ambitions, conceptualisation and measurement and suitability to a global economy in rapid transition. This further puts question marks over EU development cooperation policies and practices, currently buffeted by the twin pressure of post-Lisbon institutional revamps and a bloc economy in crisis and incipient decline.

Third, the evolving international agenda has accelerated EU introspection around aid efficiency concerns and Policy Coherence for Development (PCD). A coordinated western approach to the 2011 High Level Forum on aid effectiveness to be held in South Korea seems ever more urgent, while the EU must work to restore European leadership on the development chapter of the G-20 under France's presidency in 2011. Debates have being stimulated also by the European Commission green paper for public consultations published in late 2010. Yet, fundamental challenges remain.

I. EU geopolitical challengers and 2010 UN MDG Summit

More than the symbolic closing of ranks in support of poverty eradication efforts at the September 2010 MDGs Summit, the spectre of an increasingly illusive search for shared consensus on the modalities, ends and funding of development assistance post-Washington Consensus hung over proceedings. Two fundamental ferments, both intrinsically connected to the MDGs debate, were on display. First, emerging economic powers, led vocally by China and South Korea in the run up to the summit, were themselves asserting worldviews and setting out development priorities which seemed to differ radically – sometimes in content, oftentimes in approach – from those of traditional western powers. South Korea, recently admitted to the western-dominated Development Assistance Committee (DAC) of the OECD, maintained a position more in line with the economic growth emphasis of the emerging world.

Emerging powers have moved in less than a generation from low-income category (with less than 970 dollars per capita) to joining the group of middle-income countries (MICs), characterised by rapidly changing social structures and expanding middle classes. As dynamic growth nodes driven by search for energy and other industrial inputs, as well as expanding market opportunities, they have continued to offer up their own export-driven modernisation as an alternative model for developing countries. Meanwhile, narrow debates in many western capitals remain unwisely focused on whether China and others' "resource-for-infrastructure" strategy should count as Official Development Assistance to developing countries.

Second, the EU's developing world partners expressed frustration at what they criticise as the west's habit of breaking aid pledges, ignoring the transparency bargain binding both sides. Countries in the Africa, Caribbean and Pacific (ACP) grouping, which historically have been locked into a special development partnership with Europe, also lamented the EU's weakening commitment to the Cotonou Accords amidst the intensifying battle of ideas with emerging donors. Southern economies complain that the north is failing to engage constructively the broad array of stakeholders on leveraging emerging opportunities in the global economy to meet MDG challenges.

From developing countries' perspective, many indices in the new global economy point to converging parameters for wide-reaching realignment of development efforts towards more beneficial, practical collaboration joining older and newer donors. Africa in particular is being boosted by better governance, sustained high commodity prices and falling debt burdens. Yet, progress in south-south cooperation is only now gathering pace and link-up with more advanced economies has been slow. The developing world rallied around a strong summit message of outlining shared visions on sustainable, self-help development which better capitalises on growth potentials in developing regions.

The EU's clout and size marks it out to play a coordinating role, helping to bring about a paradigmatic shift in which fairer trade, inter-polar coordination and progressive access to vital technologies serve as the triple engines for transforming the human material condition. Yet, nagging concerns about competiveness at home and hesitancy on the part of emerging powers themselves is also holding up practical progress.

The EU's own response at the summit was neither coordinated nor inspired. Facing demands for clearer additionality and timelines, European donors shifted emphasis. The MDGs narrow agenda clearly needed broadening, but major European donors instead anchored summit message on transparency and governance challenges in recipient countries. The case for efficient aid use and accountability could clearly be extended to EU donors' responsibilities to free up development spending, transcending mere rhetorical commitments really to allow recipients determine priority programmes and projects. Many developing world delegates were unsurprisingly quick to dismiss what they see as backdoor attempts to reintroduce controversial governance conditionality, even suspecting European determination further to trim development budgets amidst the sovereign debt crises.

MDG-type social progress are seen by emerging powers themselves in geostrategic terms: a cornerstone of their growing commercial expansion into emerging southern markets as traditional western engines of global growth and consumption decelerate in decades ahead. In general, as developed regions like the EU demand MICs assume a fairer share of responsibilities for global development, the latter have countered with proposals expressly aligned to specific national geostrategic projections and commercial priorities. Specifically, they warn with increasing unanimity that the MDG targets of halving extreme hunger and poverty, attaining universal primary education and reducing child/maternal mortality, among other headline goals, will be invariably missed in Africa except global economic and development policies bolster their growing roles in trade and development cooperation with southern countries.

For late developers advocating "selling" an alternative development model to Africa, positions coalesce around a broad-based development approach, explicitly linking questions about the narrow objectives of the MDGs to the emerging economic renaissance in Africa. In this thinking, more explicit effort ought to be made to connect a broader conception of development in Africa to the extant re-balancing and transformations sweeping the global economy, and the renewed impetus that emerging economies in particular provide for sustained economic growth in Africa and elsewhere. While the EU appears set on pressing ahead with the original technocratic framing of the MDG campaign, emerging powers have sought a bigger say in the global governance of development, without unquestioning acceptance of ideas, assumptions – much less, 'consensus' – that previously underpinned western aid efforts.

II. MDG pessimism and EU Development Policy

To the extent that the core objective of EU development cooperation is poverty reduction, recent interesting trends in the transforming global economy present a mixed, sometimes confusing, picture. On the one hand, evidence shows that there are no automatic correlations between high economic growth figures and the progressive emergence of large populations from poverty. According to one UNCTAD study, some 53 million people in the developing world have fallen below the poverty line and more than 100 million additional people are going hungry since the start of the economic crisis. Even impressive growth performance figures recently delivered by Africa shows that gains have been concentrated primarily in a minority of countries like Nigeria, South Africa, Angola and Algeria (indicating high extractive resource and energy-related component of recent growth). It is within this mix that the EU and other established donors have to formulate policy. Recent EU discourse around equitable growth also reflects the recognition that income inequality and unevenly distributed benefits of growth within countries are unlikely to enhance poverty reduction and promote broader MDGs agenda.

Yet, ferment over the MDGs focus, and doubts over the 2015 deadline, are inspired in large part on the recent successful experience of emerging economies like Brazil, India and China. Critics contrast the MDGs' emphasis on specifically non-trade-related, social sectors with the state-directed production and export drive which has brought success to emerging economies and their sub-regions. Sustained periods of impressive growth in "catch-up" economies have also coincided with corresponding improvements in social development indicators. Between them, they halved extreme poverty in populations representing nearly a third of the combined world total. Similar gains are being recorded in healthcare delivery and education. Although the social accomplishments correspond in many respects to MDGs-type measures, how they are functionally connected to MDG policies remains a hotly disputed topic. Nonetheless, the qualitative dimensions, speed and scope of improvements – driven primarily by production boom and expanding exports – have impressed many observers who point out that they in fact transcend the restrictive, technical headline goals of the MDGs.

Critics like William Easterly question the very design and underlining measurement of the eight MDG goals, arguing they 'make Africa look worse than it really is'. The skewed weighting of growth in poverty reduction, and the unjustified choice of 1990 as baseline year – taking in a decade in which African economies performed woefully before the MDGs were designed in 2000 – are seen as setting up Africa to 'fail to meet' the goals. The approach of allocating zero value to growth which increases the income of individuals below the poverty line (counting only growth accruing to those above the line) is criticised for distorting the picture in sub-Saharan Africa where the initial headcount of extreme poverty was disproportionately high.

Some MDGs benchmarks evaluate progress in positive terms while others measure changes in negative terms. Besides, the arbitrary choice between measuring relative or absolute change was applied inconsistently across the goals. The consequence is that choices made in many of the goals actually disadvantaged Africa. Meanwhile, unrealistic and historically unprecedented levels of growth required to meet MDG targets also underplay Africa's recent economic achievements. As the 2010 UN MDGs Summit acknowledged, the continent's progress towards the eight MDGs goals has been slow, but beyond higher levels of external aid, a redoubling of support for key productive sectors will be vital to giving the MDGs additional internal impulse. Rhetoric aside, EU approaches remain poorly aligned with evolving regional economic realities.

III. MDGs and Economic Partnership Agreements in Africa: an incongruous mix

Specific short-term measures to restore European competitiveness may clash with commitments to support faster economic growth to bolster MDGs across the developing world. In some regions, there have been obvious political ramifications as failed EPA negotiations poison wider EU-Africa relations. The EU is failing to craft a convincing "aid-for-trade" development narrative with its African partners at the same time that the continent has come to occupy an increasingly pivotal role in a transforming global economy. Resource and commodity scarcity in the long term and commodity price increases imply Africa's role at the base of the global raw material chain is now more important than ever.

This transformation has implications for the MDGS and assumptions about development paths. Europe will be a more credible voice if it grasps more fully Africa's truly improving prospects, reflecting more directly the continent's changing economic fundamentals in the concrete design and implementation of development programmes. The emerging debate compels the EU at least to take the lead in envisioning a post-MDG framework ahead of the 2015 deadline. This should include a "MDGs +" plan in which aid spending is more explicitly targeted to foster African and developing countries' growth opportunities. The move towards EU strategic partnerships with developing regions better to support integrated programmes of beneficial investment, trade and institution-building relations is a right step in the right direction.

In practice however, EPA negotiations between the EU and Africa have recorded meagre progress after more than ten years. Issues came to a head during the 29-30 November Africa-EU Summit in Libya when the modest agenda – focused on investment, jobs creation and economic growth – was upended by assorted thorny issues, including Europe's perceived economic bad-faith. In the EPA negotiations, a wide gap persists between the two sides, as revealed in a vitriolic paper released by five African Regional Economic Communities (RECs) and the African Union Commission shortly before the summit. EU EPA demands include elimination of tariffs on a full 80 percent of African imports, but Africans contend this will spell disaster for domestic production and customs revenue. African leaders argue that Europe's tough negotiating stance contradicts its commitment to support developing economies to achieve the MDGs.

Disagreements invariably seeped into other areas, undermining European hopes of forging a common position with Africa on climate change in the lead up to the November 2011 climate conference in Cancun. Africa rejected a proposed joint climate declaration as non-reflective of African priorities. EU officials argue the lack of sync between trade agreements and mainstream development policy will be progressively addressed as intercontinental processes take shape amidst profound institutional changes on both continents. Yet, a more coherent approach cannot wait indefinitely if European pledges on MDG achievement by 2015 are to retain credibility. Developing countries must do their part but MDG objectives will not be realised without traditional and emerging donors, along with the

EU, better matching the spirit of the 9th MDG goal on effective Global Partnership for Development.

The key difficulty for the EU remains how to combine pressing demands for restoring competitiveness and structural rebalancing internally with its avowed ambition of putting effective development cooperation at the heart of external action in a highly competitive global environment. The "Seoul Consensus" unveiled at the November 2011 G20 summit rightly emphasises trade, greater internal resource generation and the private sector as engines of developing countries growth, but leading economies must collectively translate words into action. Europe requires stronger political leadership better to educate the public on the imperative of meeting development commitments amidst a serious financial crisis, and perhaps even explaining how assistance to Africa and least developed countries is the core of an effective response to strategic challenges facing Europe from rivals. ■