

THE TRADE COMPONENT IN EUROPEAN UNION DEVELOPMENT POLICY

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ABSTRACT

The study aims to define trade as one of the important components of European Union (EU) development policy. This has emerged since the establishment of the European Community, but it has formed along with development throughout the growth of the EU. Furthermore, this debate presents an example from South Asia to test the applicability of trade aspects in EU development assistance. Historical methods helped here to assess the EU's overall aid and trade instrument of the EU, and its compatibility with development policy. In this discourse, there is a need to find the EU's motive behind the trade component with development, where the 2007 Lisbon Treaty referred to it as complementary treatment for third countries. The finding mainly indicated that trade facilitation is a central backbone of development, so it is a two-way process of facilitations and opportunities.

KEY WORDS: *European Union, trade, development policy, South Asia, aid.*

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Introduction

To bridge the gap between trade and development, the first United Nations Conference on Trade and Development (UNCTAD) took place in Geneva in 1964 to address the issue by providing needed substantive and logical support to developing countries. In the 1960s and 1970s, UNCTAD gained an authoritative standing as an intergovernmental forum for north-south dialogue and negotiations. After that, the General Agreement on Tariffs and Trade (GATT) followed the trade preference established by UNCTAD for developing countries, which is called the Generalised Systems of Preferences (GSP) and provides tariff reductions (UNCTAD 2022). But the World Trade Organization (WTO) agreements recognise the link between trade and development, and provide special provisions for developing countries. The Doha Ministerial Conference launched the Doha Development Agenda in November 2001 and has been continued. The WTO agreements provided the provisions for 'special and differential treatment', Aid for Trade (AfT). The December 2013 Bali Ministerial Conference adopted several decisions in the context of the development pillar to boost LDCs trade (WTO 2022).

The trade deficit with LDCs and the EU favours trade equality by providing assistance to these countries. For this, 'the EU's development policy stresses the importance of trade and focuses on the countries most in need' (Damien, Iglar 2021). Article 207 of the TFEU established the legal basis for the Common Commercial Policy (CCP), and Article 188(2) arranges the parliament's approval for implementation (Ibid.). This is a legal arrangement for trade-related assistance under the EU development policy as a key instrument of trade negotiations.

All these fundamentally changed the nature of the EU's development policy. The old relationship-based trade preference and development aid of the EU ended after the GATT and was integrated with the WTO's even greater trade liberalisation. The EU agreed to enter into WTO-compatible trade arrangements with its

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partners in developing countries. Academic papers on EU development policy concentrate on its economic and trade powers, which have been used for exact political leverage. Paul Sammon describes EU development policy as ‘trade, not aid’, because through the Africa, Caribbean and Pacific (ACP) partnership they have gained more trade and not aid. However, development aid should create an environment and favourable trading opportunities for both parties (Sammon 2005). In December 2001, the EU’s GSP became more efficient than before, when it had a quantitative limitation. This limitation was abandoned in 1995.

The 2017 EU Joint Aid for Trade Strategy is based on principles of reducing fragmentation, integrating tools and increasing leverage through better communication and coordinated delivery. This is scaling up the impact with the coordination with most instruments across EU external policies, such as: 1) External Investment Plan and Trade Agreements (EPAs, FTAs, DCFTAs, etc); and 2) trade schemes (GSP, GSP+ and EBA). It is relevant to the EU for a better, differentiated approach to countries with a wider focus on LDCs, as well as improved monitoring and reporting (European Commission 2017: 1–12). Similarly, AfT provides as one of the key instruments for development and trade policy increased soft power resources.

However, the article focuses on the gradual accommodation of trade facilitation by the EU within the development policy for developing countries. The article aims to trace the trade component in EU development and the motivation behind combining trade and development. This study mainly presents the example of South Asia, because the case of African countries may understand that EU development policy started with African, Caribbean and Pacific (ACP) states. But the case of South Asia is a new and unique composition to fill the gaps in the existing literature on this topic. The characteristics of the study are based on empirical data, so the empirical method is considered here to conduct a situation and methodological building of the research gaps.

However, historical methods helped to find the EU’s trade assistance for its partner countries and its more highlighted overview of trade-related support. It also tried to find an answer to the questions why the EU is focusing on trade assistance to LDCs and other developing countries, and what the motives behind the development policy are. To support the argument, the article accommodated a wide range of primary data from Eur-Lex, the official sites of the EU and its institutions’ official sites, international institutions’ websites and reports, strategy papers, and other documents related to the study. Secondary sources are based on articles, book chapters and books, magazines, and reports by think-tanks.

1. Development challenges in developing countries

In addition, development policy is a very dynamic and complex component of the foreign policy of any donor country and institution. The EU also stands in this regime. The EU’s development policy is engaged with key institutions as an actor and key player in the area of trade and development. Likewise, its development governance endorsed multi-level (global, regional, national) and multi-actor (public, private, public-private included with NGOs and civil societies). Moreover, development policy generally works in a very complex way, driven and conditioned by ‘Bretton Woods institutions with long-standing regional development banks’. It follows the set agenda and objectives of the development regime, which include ‘sustainable and socially inclusive economic development as per required by certain legal, social and environmental conditions’ (GLOBE and the European Union 2018).

Aid-recipient countries should meet all these benchmarks. In this line-up, the EU is the major aid provider to Official Development Assistance (ODA), along with the United States and China. For example, the EU works with regional development financing institutions such as the Asian Infrastructure and Investment Bank (AIIB) and the Asian Development Bank (ADB). These are leading governmental development organisations in the South Asia region. The EU has a specific funding mechanism in which they work with these global intergovernmental organisations.

The Organisation for Economic Co-operation and Development (OECD) also provides support to ‘private philanthropy for development’ under bilateral transactions directly with Civil Society Organisations (CSOs). Community organisations, village associations, environmental groups, women’s rights groups, farmers’ as-

sociations, faith-based organisations, labour unions, co-operatives, professional associations, chambers of commerce, independent research institutes, and the not-for-profit media are beneficiaries of these kinds of aid provided by the ODA. The Development Assistance Committee (DAC) list of ODA recipients is the list of developing countries for ODA, such as LDCs, other low-income countries (LICs), lower-middle-income countries (LMICs), and upper-middle-income countries (UMICs) (OECD 2018).

A recent report on poverty used multiple resources and pointed out the need for a better definition of well-being. The latest UNDP report on global poverty has used ten measures or indicators under the 'Multidimensional Poverty Index' (MPI), such as inadequate nutrition and unsafe drinking water, to gauge progress. According to the MPI, 23 per cent of the world's population, in 101 countries, are still considered poor. Almost 270 million people escaped poverty according to the latest type of indicator. Furthermore, data also says that in two thirds of the world the poor live in middle-income countries, while half are children below the age of 18. Foreign aid plays a crucial role, and under the Sustainable Development Goals (SDGs) of the UN, the focus will be refocused on its approach towards anti-poverty, and will quickly bring more change until 2030. According to the latest editorial in the *Christian Science Monitor*, 'Poverty has no or little association with levels of economic inequality' (Christian Science Monitor 2019). The economist Richard Fogel argues that 'progress against poverty usually came after an upwelling of religious fervour that focused on spiritual values, such as a sense of purpose, strong family ties, an ethic of benevolence, and a thirst for understanding.' This helps explain why many wealthy societies have poverty. Fogel emphasises the erasing of the spiritual divide. He says 'in rich nations, the principal characteristic of those afflicted by chronic poverty is their spiritual estrangement from mainstream society' (Ibid.).

The UNDP released the multidimensional report '2019 Global Multidimensional Poverty Index (MPI)' data, and published a report under the title 'Illuminating Inequality'. Considering the data, large numbers of people are experiencing poverty at regional, national and sub-national levels, and this data has revealed the inequalities across countries and the poor themselves. The MPI is a multidimensional indicator that monitors progress toward the SDGs to provide a comprehensive and in-depth picture of global poverty (UNDP 2019). The new 2020 MPI states that 'the Covid-19 pandemic unfolded amid this analysis. Although data are not yet available to measure the increase in global poverty after the pandemic, simulations based on different scenarios suggest that, if not addressed, progress in 70 developing countries could be delayed by 3–10 years' (UNDP 2020). Overall, in the world, MPI data reveals multidimensional poverty in sub-Saharan Africa, where South Sudan stands at 91.1 per cent, and Nigeria with 90.5 per cent, as well as the lowest value recorded in Gabon with 6.3 per cent.

According to the World Health Organization (WHO), 45 per cent of children suffer death from under-nutrition worldwide. In 2019, 821 million people were chronically undernourished, which is 12.9 per cent worldwide. In 2017, 811 million people did not have enough food, and one in nine people in the world population was hungry, in total 821.6 million people in 2018, including 513.9 million in Asia, 256.1 million in Africa, and 42.5 million in Latin America and the Caribbean. The UN Sustainable Development Goal number two of 'Zero Hunger' by 2030 is to 'end hunger, achieve food security and improved nutrition and promote sustainable agriculture' (WHO 2019). According to the FAO report 'The State of Food Security and Nutrition in the World (SOFI) 2019', the number of undernourished people has been increasing since 2015 (FAO 2019). SOFI 2019 stated that 'conflict and the climate crisis constitute the greatest drivers of hunger' (WFP 2019).

Hunger has grown in many countries due to the slow and contracted economy that has been seen in middle-income countries, and this is a great threat in a combination of drivers such as conflict, climate change and economic marginalisation. Every country or society needs three things, peace, freedom and equality, to achieve the idea of human development, which can make an 'inclusive society' in contemporary South Asia (Rodrik 2007). The Human Development Report (HDR) has always been concerned with gender inequality in the context of opportunities and predicaments between women and men. In South Asia, there are also other challenges, such as complex security issues and border disputes, which affect mutual trade due to diplomatic ignorance. As well as the India-Pakistan disputes, there are also other problems between other member states in the South Asian Association for Regional Cooperation (SAARC), and the members accuse India of dominance or hegemony in the SAARC; because of its large area, India is also a regional power.

Foreign Direct Investment (FDI) is a type of private capital financing for developing countries that is very important for any developing country to achieve better economic growth and development. Several extensive pieces of literature assess that FDI can contribute to economic growth and development in host countries. FDI is a significant source of private finance capital investment in developing countries that motivates external investors, thereby making profits on a long-term basis (Mallampally, Sauvart 1999). It helps to improve the competitiveness of goods and quality produced for the international market, as well as the technical capabilities of developing countries (Rahmonov *et al.* 2020). FDI generates employment, increases the earnings of foreign currencies through exports, and increases the supply of goods. FDI is associated with multinational corporations (MNCs) of developed economies that can create spill-over effects by providing new skills, technologies and market networking for local products.

2. Trade liberalisation and components in EU development policy

The world's aid agencies and multilateral institutions have been promoting development and poverty alleviation in low-income countries. The multilateral WTO Doha Development Round discussion introduced negotiations between imperfect trade and aid institutions in the world's lowest-income countries. An accelerated and intense discourse has been brought about by 'Aid for Trade', which has been defined as 'different things to different people'. This is the profound desirability of 'policy coherence', which is guided by the struggle against global poverty, trade and aid. All of these have always been closely connected. In the neo-liberal era, the official discussion of 'Aid for Trade' is in international relations, where this issue has been widely discussed in the Doha Round discussion. Trade was never an easy problem for developing countries, especially in the context of the countries with the lowest incomes. After the Doha Round discussion, developing countries agreed to continue to require official development assistance. Later, external finance and technical cooperation should continue to address the trade problems and possibilities related to developing countries. Trade and aid issues have highly complex commercial partnerships in their context. The study found most of the international assistance in trade discussions, where this is very important for aid donor countries and aid recipient countries (Helleiner 2008: xxv–xxvi).

Trade liberalisation is considered an engine of economic growth, but duties and tariffs are considered to be a trade barrier. Therefore, these trade barriers should be reduced, and those that require 'favourable market access regimes' removed from smooth trade, and low-income countries should address the severe challenges that are a problem for this, such as 'lack of human development, institutional, and production capacity', which hinder their integration into the global economy. For a low-income country it is difficult to tackle these problems, so it must be supported by development aid that aims to transform growth and trade. Such aid must help improve the competitiveness of developing countries, and its potency must meet standards in high-value export markets, as well as its 'institutional capacity to engage in trade negotiation and implement results', which must take into account 'the potential negative effects stemming from trade liberalisation' (Njinkeu, Cameron 2008).

According to Hugo Cameron and Dominique Njinkeu, 'Trade has long played an important role in expanding people's horizons and choices. Integrating or mainstreaming trade into development planning can therefore have a positive impact on human development' (Njinkeu, Cameron 2008). The UNDP report 'Aid and Human Rights: A Practical Guide to Mainstreaming Trade' states that mainstreaming trade can play a key role in addressing issues related to national development challenges. The report was appreciated for its 'analysis of trade opportunities, strategic interventions, inclusive participation of stakeholders, and coordinated action as a good practice for aid in creating a smooth path of trade. These are critical to mainstreaming trade into development planning, policies, and activities, which provide a concept of coherence, inclusiveness, and strategy' (United Nations 2011: 1–4).

The 2005 World Trade Organization (WTO) Ministerial Conference was a milestone for trade and human development under the Aid for Trade (AfT) initiative that took place in Hong Kong. The Hong Kong declaration stated that 'AfT should help developing countries build supply-side capacity and trade-related infras-

structure to help them benefit from trade agreements and, more broadly, to enhance the contribution of trade to development. The AfT initiative recognizes that existing trade negotiations need to be complemented by more robust domestic policy and international cooperation' (Gay *et al.* 2008: 11–14). The Least Developed Countries (LDCs) are already receiving aid under the Integrated Framework for Trade-Related Assistance.

However, EU development policy evolved according to relations with ACP states, and was the centrepiece established in the Lomé Convention in 1975 as deep trade commodity protocols and partnership models. In 1971, the Generalised System of Preferences (GSP) was set up to open access to other less developed countries. All these fundamentally changed the nature of the EU's development policy. The EU's old relationship-based trade preference and development aid ended after the GATT and the WTO's greater trade liberalisation. Now, the EU agreed to 'enter into WTO compatible trade arrangements with its developing country partners'. Academic papers on EU development policy base the main point on its economic and trading powers, which have been used to exact political leverage. Paul Sammon states that EU development policy is 'trade, not aid' because through the ACP partnership they have gained more trade, not aid. However, development aid is meant to create an environment and a favourable trading opportunity for both parties (Sammon 2005: 191–200).

The above volume evaluates that the EU has a concentration and a primary focus on ACP states, which means it neglects other regions. The European Summit (1972) and the Lomé Convention (1975) were wake-up calls for the European community, where the mandate favoured cooperation with other developing regions. The first cooperation was initiated with Mediterranean states, and later with ALA countries. It was more focused on trade relations with Asia and Latin America, which were governed quite recently by the GSP. However, the focus was aimed at different forms of cooperation, such as financial and technical assistance. The first budget was allocated tangibly under the title 'non-associated developing countries'. However, development policies still did not cover other developing countries, and such treatment was confined to ACP states only. Some member countries, like France, the United Kingdom, Portugal and the Netherlands, had post-colonial links with Asian countries. The accession of the United Kingdom to EEC membership took place on 1 January 1973, along with Denmark and Ireland. Then other regions were also accommodated to be part of the EEC's development policy (Bharti 2020; 2021).

Now the European Union represents a third official development aid that follows annually where aid for trade has been increasing. The EU's AfT has a comprehensive scope, from a wide range of projects, from the construction of roads, modernising ports, the development of the banking sector and local food producers, to the provision of more specific trade-related assistance. Trade-related assistance is based on technical support in trade negotiations with partner countries. The EU is a world leader in providing AfT in terms of volume and policy formulation, and it adopted the 'EU Aid for Trade Strategy' in 2007. This has helped to link the EU's development and trade agendas, which are often perceived as incompatible. It has also contributed to the link with the EU's preferential trade schemes complemented by the EU for developing countries. The 2017 strategy has been updated according to the UN SDGs, and the new European consensus on development for the future direction of AfT, as well as its effectiveness. The EU put a greater emphasis on bridging the digital gap and empowering women. Its commitment to AfT is to improve the situation of LDCs in the global trade system. The idea of trade has always been a motor of development, where the classic economists Adam Smith and David Ricardo advocated a free trade-based system that put an emphasis on absolute and comparative advantages, which would support the mutually beneficial division of labour to the maximisation of welfare across the world (Latek 2018: 1–2).

In a decade, AfT has increasingly become a prevalent form of ODA, from \$23 billion in 2006 to \$54 billion in 2015. Between 2006 and 2015, almost \$300 billion was 'disbursed for financing AfT programmes and projects in 146 developing countries, of which 41 per cent was mainly for Asia. But the EU and its member states have increased the volumes of AfT. In 2015, they committed 16.7 billion euros, and it accounted for almost 30 per cent of global AfT, which made the EU collectively a leading donor in the world. Its 26 per cent AfT was dedicated to Asia for trade-related infrastructure and building productive capacity in 2015. In 2012, recognition of the benefits of regional integration was one of the key points of the Commission, based

on trade, growth and development. The MIP (2007–2013) and MIP (2014–2020) have made this instrument for use, where South Asia comes under these benefits. In the 2015 ‘Trade for All’ strategy, the European Commission focused on the poorest countries of South Asia and ‘EU trade policy measures in favour of developing countries’. It has been stipulated in the EU’s GSP and GSP+ regulations that it permits developing countries to create trade preferences in the context of special treatment for all LDCs. The AfT strategy was updated in November 2017 for better coordination with a focus on social and environmental sustainability, as well as improved monitoring and reporting. It has put a greater emphasis on the involvement of the ‘private sector and civil society and the emphasis on increasing the leverage effect of AfT’. It has been modified more by the development policy of the 2017 EU External Investment Plan and the EU Global Strategy (Ibid.: 2–11).

The EU’s financial and technical cooperation is an essential component of its overall partnership with countries of South Asia. This is also aimed at establishing a clear path for the promotion of trade and the encouragement of regional cooperation between South Asian countries. The Generalised System of Preference (GSP) is also a tool of development policy, which emphasises trade relations. The EU’s GSP, EBA and Aid for Trade (AfT) encourage the integration of South Asian markets into international markets, which encourages developing countries to recognise their role in trade (European Commission 2022). So the countries of South Asia can also play a role in the integration of sustainable development. However, the purpose of the financial and technical cooperation of the EU is in particular to encourage political, economic and social reforms in South Asia.

3. The part of trade in EU development policy

The 2012 Commission Communication included the ‘Aid for Trade’ (AfT) line with the EU’s trade policy towards developing countries, and this focuses on trade and investment policy for the most needy countries. The Communication and strategy aim to suggest actions to help LDCs gain the benefits of trade for inclusive growth and sustainable development. The AfT strategy also ‘aims to improve the integration of developing countries and LDCs into the world trading system’. The strategy was designed to cover the objectives of the MDGs and was later replaced by the SDGs for 2030. It was financed by the EDF, DCI and the Instrument for Pre-Accession Assistance (IPA II). The 2012 document highlights the role of trade and development instruments in developing countries and LDCs, which are the following (European Commission 2012):

1. The generalised scheme of preferences (GSP) allows developing countries to pay lower or no duties on their exports to the EU. A revised GSP, which has a greater focus on the least developed countries, entered into force in 2014.
2. The strengthening of bilateral and regional relations with developing countries, such as ‘free trade agreements’ (FTA) with countries in Asia, Latin America, the Eastern neighbourhood and the southern Mediterranean.
3. Promoting ‘foreign direct investment’ (FDI) in developing countries and LDCs.
4. Assistance to small traders in developing countries and LDCs to help them better access the European Union (EU) market through, for example, the Export Helpdesk.
5. Emphasising the importance of good governance in developing countries; it seeks to a) stimulate trade and investment, b) ensure that the poorest people also benefit from the economic growth resulting from trade, and c) secure the sustainability of their development.

The 2016 Council Conclusion on ‘the EU’s approach to trade, growth and development in the next decade’ presents huge progress, where 33 objectives out of 50 are met or are on track, and another 19 are in progress. These are the main goals and fundamental objectives in line with the trade and development policy of the Union. This document describes eight sections that correspond to the objectives of the Communication and the Council. These are: 1) general objective, 2) non-reciprocal preferences, 3) aid for trade, 4) measures for small operators, 5) bilateral and regional trade agreements, 6) sustainable development, 7) resilience and response to a crisis, and 8) the multilateral agenda (European Commission 2016: 2).

The European Community currently has three main principles for negotiations with developing countries that study the objective of the EU in the field of development. 1. Political dialogue: the political dialogue is conducted under the framework of the CFSP at the level of a country or with regional groups or organisations such as the Euro-Med partnership, ASEAN, ASEM, SAARC, Rio Group, Mercosur, ACP states, and others. 2. Development cooperation: the EU provides support to partner countries through support for general and sectoral policies, programmes and projects that jointly define priorities. The interaction of trade and development is the need for trade-related technical assistance to improve the domestic market, such as capacity-building. These can help developing countries integrate into the trading system and promote growth and development using the opportunities offered to them. 3. Trade: the framework of trade and investment is a key lever for the development of the EU's trade policy (Commission of the European Communities 2000: 10–11).

According to a statement by the European Commission, 'at the multilateral level, by contributing to a fair and equitable multilateral trading system and thereby facilitating the integration of developing countries into the world trading system, at the bilateral level by facilitating access to the markets of the developed countries', but the Community's trade policy is contributing to development by facilitating access to the European market at the bilateral level (Ibid.). The European Union has always been in favour of or a promoter of effective international trade based on the rule of law, particularly with LDCs, by enjoying access to a fair market and supporting economic growth. The EU and the United States' approach to the Economic Partnership Agreement (EPA) are the best examples of FTA. The EU is looking for similar EPA-based partnerships for FTA and dialogue platforms in other regions of the world.

The African, Caribbean and Pacific Group of States (ACP) was established as an organisation in 1975 by the Georgetown Agreement. It is currently composed of 79 states. This comprises 48, 16 and 15 countries respectively, from sub-Saharan Africa, the Caribbean and the Pacific. Another objective of the ACP is greater integration into the global economy. The position of the EEC changed towards ALA countries just after the accession of the UK. There were many former British colonies that were too developed to join the Lomé Convention because of disagreements between both sides.

It has included the objectives of the Union as a more cohesive structure in all areas of international relations. The EU's development policy has been subject to some changes after the ratification and adoption of the Treaty of Lisbon. The treaty was signed on 13 December 2007. It has presented an umbrella notion on the functioning of the European Union. The treaty aims to meet the challenge with respect to common external action and its integration of all EU external policies within the European External Action Service (EEAS) (European Union 2007: 25–27). The EEAS brings a significant change by implementing the Union's development policy framework within a single diplomatic service (Van Reisen, Stocker 2010). The Lisbon Treaty has replaced the three-pillar structure of the Maastricht Treaty, such as 1) the European Community, 2) the CFSP, and 3) justice and home affairs. The single system brought together trade, the environment, development and humanitarian assistance with foreign policy. The EU is promising a greater role in international relations.

The CFSP activity of the EU is in the process of integrating the policies and actions of member states towards partner countries. Ginsburg argues that the European Commission's foreign policy actions brought a growing response to global economic interdependence, which is an emerging sense of the EU's mission in global politics. The European Union is a civilian actor in the international system, where it is creating mutual interdependencies through political dialogue and strategic security concerns to avoid complex situations in the neighbourhood. The EU maintains diplomatic relations with more than 130 countries, and many of its members have close bilateral ties with these countries. The EU's international relations have been strengthening since 1958, and they have now taken a broader shape. Free trade is one of the achievements of the EU since the formation of the European Free Trade Association (EFTA), and they have very effective relations with Mediterranean, Latin American and African countries. However, the EU's relationship with the United States interprets the extent of the EU's CFSP activity as the influence of complex global interdependence in the policy making of the European Union (Ginsberg 1989: 1–8).

However, the EU promotes aid efficiency through research and development and innovation (R&D&I), which is an important objective of the Union, mentioned in Article 179 of the treaty. This is determined by the

scope and implementation of the multiannual framework programme. ‘The Europe 2020 strategy recognises research and development (R&D) as a key driver to achieve smart sustainable and inclusive growth.’ The ‘innovation Union’ flagship initiative also aims at improving conditions and access to better aid investment that can actively and positively contribute through ‘promoting and supporting initiatives for more innovative, efficient and greener technologies, while facilitating access to public support for investment, risk capital and funding for research and development’ (Communication from the Commission 2014: 2–3). Aid measures are covered by the following framework: i) aid for R&D projects, ii) aid for feasibility studies, iii) aid for the construction and upgrade of research infrastructures, iv) aid for innovation activities, and v) aid for innovation clusters. EU aid efficiency also includes transparency, evaluation, reporting and monitoring, applicability and revision, and these all advocate for better aid effectiveness in the partner countries (Ibid.: 4–29).

The EU innovation policy increases the Union’s role in providing benefits for both consumers and workers. According to the European Parliament, ‘innovation policy is the interface between research and technological development policy and industrial policy, and aims to create a conducive framework for bringing ideas to market.’ Innovation policy is widely recognised and strongly linked with other policies of the EU ‘to create competence in the global market and improve the quality of life in the EU’. The EU’s aid efficiency and innovation policy aim to invest 3 per cent of GDP in R&D under the Europe 2020 flagship initiative. It aims to secure the EU’s global competitiveness, and Horizon 2020 is the financial instrument (European Parliament 2021). The EU’s R&D&I and R&D also work to improve the implementation of the development policy and result-orientation in developing countries. Horizon 2020 involved all regions and almost every institution in the world. Furthermore, linking relief, rehabilitation and development (LRRD) is a concept that has been a focus of the international agenda for decades. It originated in the 1980s. It is a response to the funding gap identified between relief operations and longer-term development operations in cases of disasters. LRRD is enhanced for a better understanding between humanitarian and development actors. LRRD is developed as one of the instrumental parts of EU development policy for developing countries.

4. The way forward

The EU now targets trade and regional integration through development and trade policies. GSP, GSP+, EBA and Aid for Trade (AfT) all provide trade liberalisation for LDCs and other developing countries. It also provides duty-free access to goods imported by developing countries from Europe. To make the way easy for FTAs, the EU provides AfT to developing countries for improvement in their trade policy and regulation, trade-related infrastructure development, and building productive capacity. The EU’s regional integration programme is part of a development policy that focuses on political stability, the promotion of democracy and prosperity of regional economic organisations such as ASEAN, SAARC, ACP, and others. It also focuses on addressing common challenges, building institutional capacity, and effective regional policies on sustainable development, as well as fixing problems related to a common consensus on trade barriers. So the EU is dealing with these challenges through its development policies, such as MIP 2007–2013, MIP 2014–2020 and MFF 2021–2027, to target regional blocs on common platform efforts towards the signing of FTAs. Therefore, EU trade policy combined with development policies for economic partnership agreements to improve the business environment, build up regional markets and promote good economic governance.

Conclusions

However, trade relations have been strengthened especially in the last two decades. South Asia is one of the top aid-receiver regions from the EU, and the Union is actively promoting trade facilities by providing trade-related technical assistance and training. EU support is noticed mainly in the area of small and medium-sized enterprises (SMEs) in South Asia. For example, the EU mainly supported textile industries in Bangladesh to improve the work environment in factories based on labour laws and the promotion of qualities in order to compete in international markets. Similar support was provided in Pakistan for leather and

football manufacturing factories. These are a few examples that show that the EU uses AfT and trade-related aid to promote trade liberalisation in South Asia, and the ultimate goal is to achieve FTA with countries in the region. The EU also promotes regional integration, and the proper function of SAARC can provide a single platform for trade negotiation. Therefore, the South Asian Free Trade Area (SAFTA) is one of the core interest areas that often faces a crisis due to the India-Pakistan territorial dispute over Kashmir.

The EU is not widely visible in South Asia, despite the existence of major trade and aid partners. The EU is mainly in India due to strategic partnership and ongoing FTA negotiations, as well as regular dialogue through the annual EU-India summit. Likewise, this recommends that the EU needs to recognise the potential of other countries in South Asia that also have the potential to become strategic partners, such as Bangladesh and Pakistan. EU aid is barely visible in South Asia because China, India and the USA are major players in the region. The EU needs to immediately revise the Asia Strategy, and needs to adopt a separate South Asia Strategy document. After that, the EU trade component could be more visible along with development policy. The strengthening and spreading footprints of China in South Asia may make it more inconvenient for other key players in the region.

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EUROPOS SAJUNGOS PLĖTROS POLITIKOS PREKYBINIS ASPEKTAS

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Santrauka

Atlikus tyrimą siekta apibrėžti prekybą, kaip vieną svarbių Europos Sąjungos (ES) plėtros politikos komponentų, įkūrus Europos Bendriją, kuri formavosi kartu plečiantis ES. Šiose diskusijose pateikiamas Pietų Azijos pavyzdys, siekiant pagrįsti prekybinį aspektą, svarbų ES vystymosi praktikai. Istoriniai metodai leido įvertinti ES savitarpio pagalbos ir prekybos ES reglamentavimą, jos atitikimą vystymosi politikai. Šiame

diskurse reikėtų suvokti ES motyvą, nepaisant prekybos ir vystymosi aspekto, kuo 2007 m. Lisabonos sutartyje nurodyta prekyba ir pagalba trečiosioms šalims naudinga ES. Tyrimas iš esmės atskleidė, kad prekybos palengvinimas yra vystymosi pagrindas, taigi tai yra abipusio palengvinimo ir galimybių procesas.

Vis dėlto per pastaruosius du dešimtmečius prekybos ryšiai stiprėjo. Pietų Azija – vienas iš daugiausia pagalbos gaunančių ES regionų, pastaroji aktyviai skatina taikyti prekybos priemones, teikdama su prekyba susijusią techninę pagalbą ir mokymus. ES parama Pietų Azijoje daugiausia teikiama mažosioms ir vidutinėms įmonėms (MVI). Pavyzdžiui, ES daugiausia rėmė tekstilės pramonę Bangladeše, siekdama gerinti darbo aplinką gamyklose, remiantis darbo įstatymais ir kokybės skatinimu, taip siekiant konkuruoti tarptautinėse rinkose. Panaši parama teikta Pakistane odos ir futbolo gamykloms. Tai tik keli pavyzdžiai, rodantys, kad ES teikia su prekyba susijusią pagalbą, skatindama ją liberalizuoti Pietų Azijoje, galutinis tikslas – sudaryti laisvosios prekybos susitarimą su šio regiono šalimis. Be to, ES skatina regioninę integraciją, tinkama Pietų Azijos regioninio bendradarbiavimo asociacijos (angl. *South Asian Association for Regional Cooperation – SAARC*) veikla gali būti viena iš derybų dėl prekybos platformų. Todėl Pietų Azijos laisvosios prekybos zona yra viena pagrindinių interesų sričių, dažnai patirianti krizę dėl Indijos ir Pakistano teritorinių ginčų, kurie susiję su Kašmyru.

PAGRINDINIAI ŽODŽIAI: *Europos Sąjunga, prekyba, plėtros politika, Pietų Azija, pagalba.*

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