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[POLICY BRIEF]

European Development Cooperation to 2020: Rising Powers and New Global Challenges

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Introduction

The challenges facing European development cooperation have changed substantially in recent years. Analysts and politicians have commented on the increasing influence of China in Africa and the challenges this poses for EU influence to the EU strategic and policy objectives.

In fact, both China and India have expanded their development cooperation programmes in Africa and are using aid as a means to gain economic and political influence and access to strategic resources, above all energy resources. In doing so, they appear to challenge the aid principles agreed by the OECD Donor Assistance Committee (DAC). Because of China's high-profile in Africa, much of the discussion about new donors has centred on China's role as a new actor in development cooperation, and the differences between its approach to development cooperation and the DAC principles. But the challenge for EU development cooperation goes far beyond aid principles and the DAC consensus. The underlying challenge arises from a combination of the emergence of new economic and political powers and a radically changing global conjuncture.

The DAC consensus was formed in particular economic and political circumstances. In the 1990s, the collapse of the Soviet Union freed development cooperation from great power politics, while reductions in spending by Russia and donors in the Middle East donors left the DAC group in control of 95 % of international aid (Manning 2006: 371–2). The removal of aid competition allowed donors to pursue economic and political conditionality, human rights and democracy issues more insistently. At the same time, with a relatively benign global environment characterised by low and stable commodity prices and growth across much of the world, the DAC donors were confident about prioritising aid towards poverty reduction and the needs of the poorest countries downplaying the role of aid in pursuing the strategic and political interests of the donors.

* Based on »European Development Cooperation in a Changing World: rising powers and global challenges after the financial crisis«, EDC2020 Working Paper 8, available at www.edc2020.eu.

The challenges to EU development policy posed by China and India are frequently posed in terms of development policy and practice. The real challenge is more fundamental – relating to how the EU develops relationships with new global powers. Weakened by the global financial crisis and needing to pursue security and strategic goals alongside development objectives, the EU needs to address the internal challenge of building policy making capacity and the external challenge of supporting more effective global governance frameworks.

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The changing context for development cooperation

In the past decade, the global context has changed in three fundamental ways:

1. **The rise of new powers.** Between 1980 and 2000, real GDP growth in high-income countries averaged 2.9 %. In the developing countries of East Asia and the Pacific, it averaged 8.5 % (World Bank 2007: 3). This gap in performance has persisted and even widened over the past decade. The OECD predicts that the GDP of the non-OECD economies (at purchasing power parity exchange rates) will exceed that of OECD members by 2015, as shown in Figure 1. As important, the increasing economic weight of the new powers is now being reflected in new discourses about global power and global futures. China and India recognise themselves as emerging or actual global powers, and other countries view them in the same way. Similarly, the designation of Brazil, China, India and Russia as the BRIC countries is both a recognition of their increasing importance and a boost to the self-image of these countries as important global actors. This is reflected in meetings of the BRIC countries and other related groupings such as the IBSA group (Brazil, India and South Africa), and the role of emerging powers in the G20.
2. **Global financial crisis.** The crisis of 2008 and its aftermath have accelerated the rebalancing of global power. At the end of 2008 gloomy predictions were made about the impact of the crisis in emerging and developing countries. Contrary to these expectations, the recent crisis hit OECD countries hardest, while China and India (and other Asian countries, such as Bangladesh and Indonesia) were able to move back towards previous high levels of growth after slowdowns in 2008–09, as shown in Figure 2. Continuing economic problems in the OECD countries combined with rapid growth elsewhere undermines the credibility of OECD powers. It is also likely to constrain development spending. In the context of slow growth and fiscal tightening, it will not be easy to generate public support for current levels of development assistance, let alone increases.
3. **Competition for resources.** One of the consequences of rapid growth in the global economy has been volatile energy, commodity and food prices. If predictions of resource constraints turn out to be true, then competition over scarce resources leading to instability and possibly conflict may well increase. Disputes over water resources already exist in water basins around the world. Food and energy shortages could lead to conflict, or increasing attempts to tie up resources in order to secure energy and food security. It is far from clear whether such shortages will emerge, but in the face of uncertainty, governments are likely to take steps to safeguard the integrity of their economies and populations in the face of possible future global shortages. In other words, the possibility of resource scarcities is sufficient to generate competition for resources.

Responding to the new challenges

The changing global environment and new global challenges requires the EU to change its policy making and change the way it promotes global solutions. On policy-making, the first step is for the EU to improve the speed and effectiveness of its policy-making. At the very least, this means more effective policy coordination between member states, and it might imply more foreign policy making by the Commission or by the High Representative of the Union for Foreign and Security Policy.

The EU must also address the issue of policy coherence. In a world of increasing competition for scarce resources, the neat compartmentalisation of development cooperation from strategic interests becomes more difficult to sustain. The analysis of EU energy policy by Youngs (2009) undertaken within the EDC2020 research programme has already discussed in detail the challenges of policy coherence in this area. Youngs argues that while *development concerns* have been an important element of EU energy policy in sub-Saharan Africa, *energy security concerns* have prevented the EU from pursuing its democracy and good governance agenda in countries that are considered important suppliers of energy to the EU. This is seen in EU policy towards Africa's main energy producers, and particularly in Nigeria (Youngs 2009: 15–16). Similar observations have been made with respect to the priorities of energy security and human rights in EU policy in Central Asia. These inconsistencies reflect real policy dilemmas which are only likely to increase.

How the EU frames this issue is particularly relevant to China and India, as they (and other Asian powers) seek to secure increasing quantities of imported energy and natural resources to sustain their rapidly-growing economies. The EU must develop a credible narrative that reconciles strategic and developmental concerns in order to be able to engage effectively with the new powers on these issues. As competition over scarce resources has the potential to create instability and possibly lead to conflict, particularly in fragile states, developing a credible discourse for engagement on this issue is strategically important.

The second challenge concerns supporting frameworks that help to deliver global solutions to global problems. The emergence of new powers creates new challenges for global governance. Managing power transitions is always difficult, and the simple addition of new voices into global negotiations creates new complexities that have to be managed. The challenge now is that this power transition is taking place at a time when global challenges are particularly complex and need rapid action. The global financial crisis and continuing difficulties in making progress on climate change have highlighted the need to revamp and revitalise global governance. How can the EU support global processes that will contribute to the development of effective responses to these challenges?

Two strategies are likely to be particularly important for strengthening global governance to meet the new challenges. The first axis for strengthening is to increase the density of networks in order to create opportunities for interchange and the development of ideas. Evans et al. (2010) have suggested that strengthening bilateral and multilateral contacts in multiple fora increases the interchange of ideas and reduces the potential for misunderstandings. Similarly, Helleiner and Porter highlight the importance of *informal* cooperation and information sharing in the area of financial management, arguing that »the resort to networks…provides a way of reconciling the enduring commitment to national sovereignty in the regulatory arena with the need for some kind of international cooperation and accountability« (Helleiner and Porter 2009: 15). In the financial arena, bodies such as the Financial Stability Forum and the International Accounting Standards Board have broadened their membership to reflect increasing importance of emerging and developing economies.

As a further element of strengthening network development and the interchange of ideas, Evans *et al.* suggest that more bodies like the Inter-governmental Panel on Climate Change (IPCC) should be created to provide authoritative knowledge that can form the basis for establishing consensus. Even a scientific consensus that remains contested and politically sensitive is better than no agreed science.

The second axis along which the EU can contribute to more effective global decision-making is through increasing the capacity of global institutions. On the one hand, the EU should support moves to increase the decision-making capacity of the G20. Its organisation and support mechanisms should be strengthened, with more preparation, more consistent chairing of meetings and possibly a permanent secretariat. However, more formal and more broadly representative decision-making bodies also need to be strengthened. Here, more important contribution that the EU would be to broaden membership of key international bodies and welcome new fora in which the new powers can develop positions.

Evans *et al.* argue that the countries that are already well represented in international fora, which includes Member States of the EU, should cede space to the emerging powers. At the same time, established powers should welcome the formation of new bodies that assist the formulation of policy. The justification for this point of view is not based on the argument that a rebalancing of representation is necessary on the grounds of fairness. The argument is a utilitarian one. In a more complex world, the challenge is to create networks, and in order to create networks it is necessary to cede space and allow others to enter. The implication of is that it is in the interests of the EU to cede space in international organisations such as the UN Security Council, the World Bank and the IMF in order to make these more effective instruments for the pursuit of EU goals. In ceding this space, the EU does not necessarily lose influence. It could retain authority, even if its representation is diminished, and the shift in membership would increase the effectiveness of these organisations by incorporating new decision-makers (or merely reducing their size and unwieldiness).

About the author: John Humphrey has an interdisciplinary background in sociology and economics. He has 25 years experience in research, research management and teaching in development studies.

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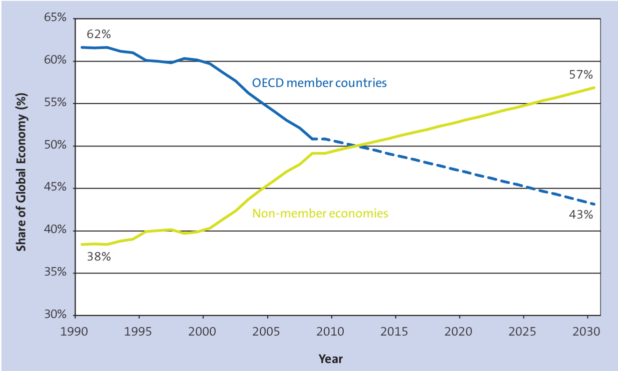
Figure 1:

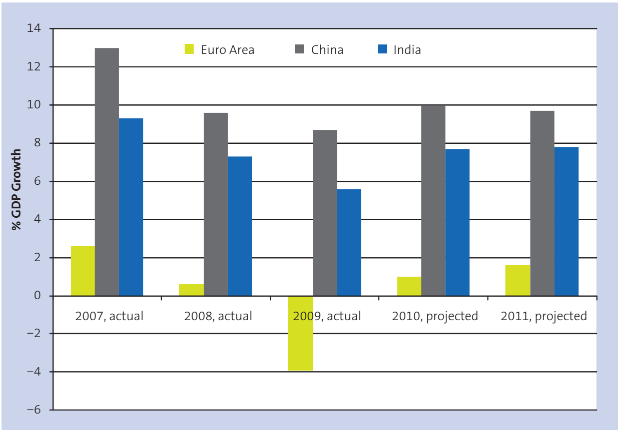
Shares of global economy in purchasing power parity terms, OECD and non-OECD countries (%)



Source: OECD (2010: 24).

Figure 2:

Actual and projected growth rates in the Euro Area, China and India, 2007–11 (%)



Source: IMF (2009: 6; 2010: 2).

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