From the Treaty of Rome to the European Consensus on Development: Five Decades of European Development Cooperation

Sanjida Siraj, University of Limerick
Email: sanjida.siraj@ul.ie

Development cooperation was the last minute's entry in to the Treaty of Rome of 1957. Development cooperation, however, enjoyed a legal status as a Community competence since then and precedes the Common Foreign and Security Policy (CFSP). European Union (EU) Development cooperation has evolved over time. The dynamics of this evolution have often been affected by the EU's own internal metamorphosis. In December 2006, the European Commission, the European Parliament and the Council of Ministers have adopted a Joint Statement on European Unions development Policy, 'The European Consensus'. This consensus reiterated the EU's overarching objective of development cooperation, namely, the reduction of global poverty. There are however new addition such as soft security agenda and migration. In this paper we study the evolution of EU development cooperation over the last five decades. We put forward the hypothesis that during these five decades the EU has loosely followed the global trend in development cooperation, with all its vices and virtues. To test this hypothesis, we delve into the evolution of different aid paradigms and show how the EU's own development cooperation can be seen as a follower rather than a trend- setter in the global aid regime.

1. Introduction

On March 25, 2007, the European Union (EU) celebrated the 50th anniversary of the signing of the Treaty of Rome, a precursor of today’s integrated and expanded EU, which has been slowly emerging as a formidable global power mainly in the economic front but also in the international relations. The EU’s external relations now include a broad array of economic and political issues such as trade, development, environment and security issues. This has been built on a vast network of relationships with countries and organisations in all parts of the world. The EU development cooperation had concentrated first and foremost upon Africa, with a special emphasis on sub-Saharan Africa. This historical emphasis has changed over the last five decades and the EU has built up interactions with all developing countries in the World (Lister 1997; CEC 2003).

At the time of the foundation of the European Economic Community (EEC), development policy was not a part of the institution’s competence and was nearly excluded from the founding treaty (Pescatore 1981; Hilpold 2002). The Treaty of Rome of 1957, under articles 131-36, Part IV, however, provided the legal basis for *associationism*, which had later been transformed into an autonomous development policy. Development cooperation, however, enjoyed a legal status as a Community competence since then and precedes the Common Foreign and Security Policy (CFSP).

EU Development Cooperation has evolved over time. The dynamics of this evolution have often been influenced by the EU's own internal metamorphosis. In December 2006, the European Commission, the European Parliament and the Council of Ministers have adopted a Joint Statement on European Unions development Policy, 'The European Consensus'. This consensus reiterated the EU's overarching objective of development cooperation, namely, the reduction of global poverty (CEC 2006).

The focus of the present article is to understand the 'rationale' of the EU development cooperation: why does the EU gives aid and how does it compare with other global development actors. To find a satisfactory answer to these questions one needs to start from the perspective of global aid régime to find out why the EU gives aid to developing countries. We put forward the hypothesis that during these five decades the EU has loosely followed the global trend in development cooperation, with all its vices and virtues. To test this hypothesis, we delve into the evolution of different aid paradigms and major development thoughts that have influenced the last five decades of aid régime. For this, a critical historical discourse of EU development cooperation has been undertaken.

With this, we try to determine the *nature* of EU development cooperation with developing countries and how the EU aid régime itself has corresponded with various contemporary aid paradigms. There are however new additions such as soft security agenda and migration. In this paper we study the evolution of EU development cooperation over the last five decades and show how the EU's own development cooperation can be seen as a follower rather than a trend- setter in the global aid regime

2. Why aid?

It is important for the present study to establish at the outset why the EU provides aid, in what form and nature, and to whom. The economic justification of EU aid, as well as aid from other donor countries or institutions can be derived quickly from the 'two-gap theory', which states that 'investment and development are restricted by levels of either savings or import-purchase capacity' (Colman and Nixson 1994: 29). A 'savings gap' is said to exist if domestic savings are inadequate to utilise available foreign exchange for investment, while a 'foreign exchange gap' is said to exist if foreign exchange availability is insufficient to permit all the domestic savings to be invested.

It is generally accepted (Browne 1990; Colman and Nixson 1994 and Meier and Rauch 2002) that in the early stages of development, a foreign exchange gap is typical in a developing country and can be filled in by foreign exchange flows, in addition to the country's own export earnings, from foreign countries who have a surplus (i.e. developed countries) or multilateral institutions and banks who are able to provide such assistance.

Economic grant aid[1] is expected to make a positive contribution to the development of poor nations. Grant aid is normally seen as the 'gold standard' to represent an

[1] Here, a distinction needs to be made between economic assistance or aid, and commercial loans and transfers. Aid has a concession element either as a grant, which are not required to be repaid or as a soft loan, which is lent below the market interest rate, can be repaid in longer times and may contain a grace period that waives repayment for the first few initial years. Both aid and loans can flow from the governments of the donor countries- official aid or overseas development assistance (ODA), or from the commercial activities of banks and firms- private flow. Only a small portion of private flows can actually be termed as aid. Private flows can further be classified as a) loans and export credits by private banks and firms and be repaid at market interest rates (fixed or variable) over a shorter repayment periods and b) direct investment by firm, typically termed as Foreign Direct Investment (FDI) on the condition that part of the profit earned can be repatriated (Colman and Nixson 1994).

unambiguous addition to the recipient country's import-purchasing capacity and is expected to increase Gross Domestic Product (GDP) per capita. Dissident views towards this positive association between growth and aid are not uncommon[2]. Yet, aid is a reality in the post-war world and the motivation behind aid activity goes beyond a pervasive desire to improve economic growth. The question of why an aid giver, popularly termed as a *donor*[3], gives aid is often discussed in terms of the donor's motives – commercial self-interest, the desire for power, a belief in global interdependence, concern for poverty, social emancipation, and so on. White (1974: 34) argues that specific action by a donor in a given circumstance is primarily determined by the 'historical situations' in which the donor happens to find itself, and in any given situation 'differing motives will give rise to *similar* actions'[4]. This historical determinism has been proposed on the basis of the assumption that there is 'no spirit moving the donors to *seek* opportunities for giving aid' (*Ibid*: 35) and is opposed in the current paper.

3. Marshall Plan and the Ascent of Global Aid

As early as 1929, the British Parliament promulgated its Colonial Development Act to provide £1 million annually for the development of British dependencies (Browne 1990). From the 1930s until the late 1960s, international finance and the idea of globalisation slumbered (Ferguson 2008: 305), with the notable exception of the so called Marshall Plan. After the Second World War, the US aid to war-ravaged Europe for rebuilding Europe was the first of its kind that was given to countries not tied in colonial dependency. In June 1947, the then US Secretary of State, General George Marshall delivered his famous speech at Harvard University:

> The truth of the matter is that Europe's requirements for the next three years of foreign food and other essential products — *principally from America* — are so much greater than her present ability to pay that she must have additional help or face *economic, social and political deterioration* of a very grave character… Our policy is *not* directed against any country or doctrine but against *hunger, poverty, desperation and chaos*. Its purpose should be the *revival* of a working economy in the world so as *to permit* the emergence of *political and social conditions* in which *free institutions* can exist (quoted in Browne 1990: 11-12; emphases added).

This speech is important, as later on various political leaders in the North, when defending the case for overseas aid, have echoed the spirit of benevolence embedded in foreign aid.

Six decades later, even today, the ethos of aid régime is not too far off from what has been laid out in the above speech. The speech was followed by a total of $12 billion

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[2] For example Bauer (1984) and Griffin (1970 and 1991) argue that the case for aid in general is by no means axiomatic and aid will not automatically lead to greater development. Econometric analyses performed in recent years (World Bank 1998; Lensink and White 2001) argue that above a certain level of aid inflows to a country, aid can impart negative returns on growth.

[3] The term attributes a false sense of charity. A typical donor will provide loans as well as grants, so the whole affair may not be as altruistic as it may sound by the use of the word *donor*.

[4] Emphasis added.

aid[5], 90% of which was in grant form, from the US to the Western Europe for four years starting in 1948. The programme is popularly known as the Marshall Plan and was a classic example of Keynesian-style that inspired the concept of economic *priming* to foster national savings.

Such generosity from the part of the US to Europe was never matched by any foreign donor to the developing world in the last six decades. It was often argued that if the scale of US aid to Europe had been replicated towards the developing countries, the scenario of world economic redistribution could have been different. Ferguson (2008: 306) calculates that the total amount disbursed under the Marshall Plan was equivalent to approximately 5.6 percent of US GNP in 1947 and 1.1 percent between 1948 and 1952. This is equivalent to a $550 billion between 2003 and 2007. By comparison, the US aid between 2001 and 2006 totalled less than $150 billion, an average of below 0.2 percent of GDP (Ferguson *ibid*).

Despite different paradigmatic shifts in the aid régime in the last six decades, aid to developing countries did not achieve the prosperity that it brought to post-war Europe. Wood (1986) argued that the US policy makers behind the Marshall Plan foresaw the benefits that could be gained from the policy of *mutual interests* in helping Europe's reindustrialisation as opposed to the contrary. The whole plan was mobilised by the US official machinery and to the primary benefit of the US, Wood (1986) argues, to avoid another global economic depression. It did work for the US through export promotion and access to European colonies on equal terms, which the US used mostly for extraction of raw materials (Wood 1986).

Prior to the Marshall Plan, in July 1944 at Bretton Woods, New Hampshire, a new financial architecture was designed for the post-World War II world. 'In this new order, trade would be progressively liberalized, but restrictions on capital movements would remain in place' (Ferguson 2008: 305) thus encouraging capital flow across national borders from government/s to government/s (as was in the Marshall Plan) or international financial institutions. Governments were resolved to chose any two out of the three policy options: a full freedom of cross-border capital movements; a fixed exchange rate; and an independent monetary policy oriented towards domestic objectives (Ferguson 2008).

On political terms, US were also able to stop the spread of communism in the Western Europe, reinforced political alignment and promulgate the US hegemony beyond Europe. It also stopped the traditional inter-European trade between the Western and Eastern Europe and made Europe more dependent on the US. For Europe, the 1951-dollar gap was even worse than that of 1948 and the conceivable solution to the problem in short term was either a massive increase in the US import from Europe, which was politically impossible, or to a move towards rearmament of Europe to take the advantages of war-economy. According to Wood (1986), the US policymakers saw rearmament as solving the problems aid could not solve.

Marshall Plan was therefore followed on by another much less heard of programme called Mutual Security Plan, which funnelled an extra $18.9 billion, in which 'the distinction between aid in support of foreign military effort abroad and aid for

[5] It was not aid in the contemporary sense, but it was a forerunner of development assistance

economic recovery' was thin (Block 1980:46-47, quoted in Wood 1986:64). The rearmament assured a continual flow of dollars in to Europe in exchange of *tying* Europe to American military hardware. The ultimate attainment of the goals of Marshall Plan especially the attainment of full employment in Western Europe was a kind of military Keynesianism, which caused a boost in the US a decade ago (Wood 1986: 65). As regard to the rhetorical statement of General Marshall quoted in the beginning of this section, the revival of a European economy indeed permitted the emergence of political and social conditions in Europe in which *free institutions* such as the European Economic Community could exist.

4. Aid Régime and the Legacy of the Marshall Plan

The inspiration of Marshall Plan behind subsequent aid programme is well recognised (Wood 1986; Browne 1990; Stokke 1996). Marshall Plan not only shaped the international context within which the aid régime subsequently evolved, but it also created a body of operating principles and procedures that remained an integral part of aid administration. It also inspired the donor/s to pursue some agenda, hidden or explicit, which might not coincide with the interest of the recipient. Nevertheless, Marshall Plan influenced large-scale economic aid programmes in the developing world from their outset. The Plan itself was never extended to the developing world[6], but its troubles became almost symptomatic to the subsequent aid régime: aid *tying*, donors' export promotion, pursuance of explicit/implicit political agenda, political bandwagon highlighting the perceived benevolence and affirmation of the virtues of (the neo-classical version of) free market economy without opening up the donors' own market for the recipients' manufactured goods.

This reality of donor's economic and political interest in providing aid prevailed until 1955, by when official aid flows from the US and the Soviet Union were heavily concentrated on ideological grounds and each superpower tried to extend its sphere of influence into the developing world as they decolonised. In the Afro-Asian Conference held in Bandung, Indonesia, representatives from the newly decolonised states proclaimed a policy of non-alignment to either the US or the Soviet doctrine. From an aid perspective this meant either a total refusal of external assistance, or the possibility of acceptance of aid from either camp. The newly independent countries hardly followed the former route and by 1960, there were thirty aid recipients who could attract aid from either camp, some of them from both. Bandung Conference thus created a grey area of competition between the two ideological camps: the US proclaiming 'the need for aid to the developing world on the grounds of social justice' in one side with the Soviet offering an alternative that is 'free from any political or military organisations' (Quoted from the Soviet Premier Nikita Khruschev in Browne 1990: 16).

The most immediate intellectual contribution of the aid régime was that it stimulated newer economic thinking, largely among the policy-planners, for a better

[6] Even a pledge for a South American Marshall Plan to run in parallel with the European one was turned down with the fear that it might harm the interest of American private capital in Latin America. Instead, the needy governments were directed to the World Bank or the Export Import Bank (Dobney 1971: 223-224).

understanding of a country's development. Because the explicit goal of providing aid to a *developing* country was to help it to breakaway from the *vicious circle* of poverty and underdevelopment, economic theorising was deemed necessary for the donors to formulate 'objectives' for their development policy. The aid régime was by no means insulated from these theoretical developments. Göran Hydén (1994) has provided a concise and sequential discourse of the global aid régime since 1955 and found that the global development régime is intimately linked with the predominant development theory of the time, the discipline from which the theory emerged, the strategy pursued, the institution assigned to implement this strategy, and the main instruments involved in the delivery of aid.

According to Hydén, in the period 1955-65, the hegemonic paradigm was the *modernisation approach*, with economists as the pioneers of development, stages of growth as the main theory, the Big Push as the strategy, central government as the major actor, and bilateral *project aid* as the main aid instrument. Between 1965 and 1975, development practice were dominated by the *dependency school*[7], with sociology as the main discipline and the theory of underdevelopment influencing even the World Bank towards the Basic Needs Approach, emphasis on decentralised institutions and *programme aid* as the preferred aid mechanism. The 1975-85 period was dominated by the *popular participation approach* derived from the theory of rational choice; development anthropology was the leading discipline, *appropriate and indigenous technology* the main strategy, grassroots nongovernmental organisations emerging as the preferred development institution in stead of state agencies, and policy prescription as the main aid mechanism. Hydén considered that since 1985, the dominant approach has been to create an *enabling environment* for development, emphasising the role of (state) institutions and bringing various schools of Political Science to the fore, promoting (good) *governance* has become the main strategy, with civic associations the main development institutions and *politics* the main development instrument.

However, the aid régime in the 1980s was largely influenced by the ascendance of the conservatives in the USA (Ronald Reagan) and UK (Margaret Thatcher). These two countries initiated heavy aid cuts in both bi- and multilateral aid contributions, severely questioned the effectiveness of the aid activity into more scrutiny and fully supported the Structural Adjustment Programme brought in by the World Bank. This bi and multilateral nexus caused now what is termed as the 'Washington Consensus' as it constituted a standard reform package promoted for the aid recipient countries by Washington-based institutions such as the IMF, World Bank and U.S. Treasury Department. The term Washington Consensus is now used almost synonymously to 'neo liberalism' (Stokke 1996, Martinussen 1997, Chang 2003b, Reinert 2003) even though it was equally championed in the political arena by the neo conservatives (Fukuyama 2006). A 'less state more market' strategy was prescribed and often forced to the developing countries in exchange of aid. The deterrence of a state failure was considered to be more important than a market failure. The developing countries have been 'persuaded, cajoled, even coerced under threat of no assistance' to embark upon such reforms (Ahmad 2003:2). The framework was essentially neo-liberal and *aid* is used as a tool to bring in such reforms.

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[7] The dependency school confronted the growth theory arguing that development could not understood within the framework of nation states. Developments in the Third World depended on relations with the industrial North.

The aftermath of the Structural Adjustment Programme in the wake of the 'Debt Crisis' of the 1980s, its dismal performance in particular in the Sub-Saharan Africa[8] forced the World Bank to reconsider its position. In the 1990s, the fall of Berlin Wall and hence the end of Cold war also inspired the Western donors to consolidate Western-style democracy in the former socialist countries. Under the auspices of the World Bank, the donors have moved into reaching a consensus, at least in terms of the fundamental objectives of their aid distribution. In the new Millennium, the difference between donors in terms of their development goal is diminishing with an unprecedented convergence towards the so called 'post Washington Consensus' a term coined by Joseph Stiglitz, a Nobel Laureate and former Senior Vice President and Chief Economist of the World Bank, to describe the consequence of an 'identity crisis' of the World Bank and IMF in the mid 1990s.

5. The EU Aid in the Global Aid Régime

In an interesting work, Brown (2004) discussed the evolution of the EU development policy since 1975 to the post-Washington Consensus era and compares the changes in the light of wider donor policies towards developing countries, in particular the World Bank. Brown (2004) observes the rapid orientation of the EU policy along the international consensuses that emerged since the 1990s. His claim that the multilateralism that the EU initiated towards the developing countries of the world through the Lomé Convention in 1975 had set a unique form of cooperation outside the global aid trend, however, needs careful consideration.

In addition to Brown (2004), a number of observers (Arts and Dickson 2004, Orbie 2003, Martenczuk 2000, Dickson 2000) put forward the idea that the EU formed, at least with the ACP countries, a kind of cooperation that was far ahead of its time and embedded within EU development policy many features that portrayed the EU to be 'prepared to buck the trend in international development and take on board some of the arguments put forward by the Third World' (Arts and Dickson 2004:1-2). These assumptions are made on the basis that EU has a multilateral dimension when the aid is channelled through the European Commission. Multilateral aid agencies are generally considered less hegemonic than bilateral donors (White 1974, Lister 1997). That EU provides most of its aid in grant-form also adds to the perceived benevolence. An *altruistic* notion, similar to Stokke's (1996: 27) paradigm of 'human internationalism', is thus attributed to the past EU development aid programme. The demise of the Lomé Protocols and the adoption of the new European Development Policy have been seen as the start of the end of such *altruistic* assistances.

Throughout the *Aid Age*, development aid, especially those of the major superpowers, was primarily driven by self-interest: strategic, commercial, foreign policy, or normative. Stokke (1996: 27), however, argues that the nature of development assistance had possessed a dual character, representing 'both self-interest and altruism'. He argued that 'Western small and middle powers' had no hegemonic ambition and a different foreign policy tradition. As an example, he cited the aid from

[8] In Sub Saharan Africa, per capita income decreased by 1.2 percent between 1980 and 1989 (Meier and Rausch 2002: 66)

Scandinavian countrries, the Netherlands and Germany, which were all important European aid donors.

It is important to recall that the origin of development cooperation within the EEC in 1957 was an *associationism* that France wanted to maintain with its former dependencies. A European Development Fund (EDF) was created to which Germany and France were to contribute one-third each even though the main beneficiaries were French territories, as Germany did not have any colonial dependencies (Hewitt and Whiteman 2004:134, Grilli 1993: 7, Holland 2002: 26). In the later period, Germany tried several times to break out this *contribution-imbalance*, but only without any major success, by advocating 'globalisation' of the EEC aid, a claim which received supports from the Netherlands and Sweden (Grilli 1993; Hewitt and Whiteman 2004).

It is therefore important to recognise that the EU development cooperation, similar to many bilateral donors but in contrast to the multilateral donor agencies of the time, has originated from a colonial dependency (Grilli 1993). This later expanded to a global role due to both internal dynamics and external influence. However, internally France advocated the need for a secure supply of raw materials, especially metals. Although on financial terms, Afro-European trade constituted only a minor part of the global trade of Europe, the strategic importance of Africa to Europe, as a secure supplier of industrial raw materials cannot be overlooked, especially when one considers the geographic proximity of Africa to Europe and the prevalence of a cold war in a decolonised world. The commodity shortages of the early 1973 heightened the importance of the security of raw materials supply in Europe and 'associationism' insured that for the EEC[9].

The Yaoundé Conventions (1963-1975), which preceded the Lomé Conventions, comprehended financial aid (through EDF), technical assistance, training, trade preferences, investments and capital movements under an integrated approach (Holland 2002). The EU also highlighted the importance of trade and aid, in accordance to the Uruguay Round of the GATT. Ravenhill (1985: 56) argued that the Yaoundé states were just 'suppliers of the residual market that the [European Economic] Community producers could not fill and at best provided them with a slight advantage over third countries'. In the later years of the Convention, trade preference to the Yaoundé states were increasingly marginalised *vis-à-vis* the generalised system of preference (GSP), a system the EU was first to enact according to an international consensus[10]. Although, theoretically an equitable relation was set up, in reality the recipients had little negotiating experience or bargaining power (Lister 1997:37) and the text of the final Yaoundé Convention was 'very much a reflection of what the Six wanted (and were prepared to give)' (Piening 1997: 172).

On the aid dimension, fund disbursement and sectoral support created problems. Between 1957 and 1975 only a third of EDF funds were disbursed during the lifetime of the respective agreements. Also, largest portion of EDF aid was allocated to

[9] This gave France the opportunity to claim the intellectual and political credit for incorporating the 'strategic' choice of 'associationism' within the EU development cooperation (Grilli 1993).
[10] In 1970 the United Nations Conference on Trade and Development (UNCTAD) devised an offer of tariff preferences to developing countries as encouragement to their fledging industries to export to the industrialised world. In 1971, the EEC became the first to apply this system to the G-77 group of developing countries

infrastructural projects reflecting not only the EEC Member States' bilateral practices (Holland 2002: 30) and interests but also an international donor trend. These types of infrastructural projects used to be heavily 'tied', another trend that was in practice among the contemporary bilateral donors.

The first Lomé Convention, known as Lomé I, brought in about 40 percent of the membership of the United Nations (UN). Historically, it has been glorified as 'important markers on the road to a new international economic order', 'tools of Western imperialism and neo colonialism' (Schumuck 1990, 45) and 'a generally positive if increasingly flawed model for North-South Relations' (Piening 1997). This was the time when the Global Aid régime started to highlight the UNDPs basic needs approach in the backdrop of the failure of the rapid industrialisation policy as backed by the international donors. Most importantly, the principle of reciprocity was dropped to the benefit of the ACP partners and an export stabilisation scheme — STABEX was introduced to insulate developing countries from the adverse effect of macroeconomic liberalisations.

In the preceding discussions it has been stressed that the European development policy has been controlled by the following factors: dependency, security of raw materials supply and political influence. But overall, it followed the trend of global aid régime. There may be some uniqueness in the operationalisation of development cooperation by the EU. After all, the EU's aid delivery machinery was neither bilateral nor multilateral due to its own internal administrative structure and was ill-reputed for its bureaucratic complexities. The *altruistic* nature in the EU development policy, as theorised by Stokke (1996) as 'humane internationalism', was not prominent at the EU's aid practice. There may be internal pressures for a change from the so called small and medium cold-war Western European normative powers such as Germany, Sweden or the Netherlands, but they were not visible in practice at least during the time of the cold war.

To the contrary, a realist point of view that considers cold war EU practice to be driven by self-interest provides a more flexible analytical framework to examine the nature of the EU's development cooperation and finds no apparent conflict between the EU aid practice and that of the global aid régime. Depending on the bargaining capacity and political patronage[11] the recipient side may claim some concessions with the addition of some extra concessional financial flow, but preference for self-interest predominates. In the final section of this article, this has been discussed within the context of more recent developments in the Aid Régime.

6. The *Nature* of EU Aid

While the historical context is important especially in understanding the dynamics of a given aid activity, the underlying assumption of a lack of donor motivation for giving aid is problematic. The conceptual framework that can be built on such assumption remains very fragile. Donors are indeed *motivated* to provide aid although the level of motivation can fluctuate. The proliferation of bilateral aid agencies in the 1950s and 1960s and their survival up to the present day also proves the sustainability of these motivations. International aid agencies are by no means equivalent to

[11] defined mainly by the Member States' dependency, colonial tie or market interest.

international charity organisations such as the International Red Cross. It is difficult to see how the EU is different from this norm and why they should be so. The economic benefit accrued to development aid is lucrative to the donors notwithstanding the political benefits that coexist. This can be seen from the example of the agreement in the year 2001 between OECD/DAC donors (including members of the EU) to untie some categories of aid to least developed countries (LDCs). It took DAC *30 years of negotiations* to reach such an agreement, which foresaw only a 2 percent untying covered by the agreement[12]. Most of the big official aid donors have fulfilled pledges to "untie" areas of official development assistance but have been slow to disclose in advance offers of untied aid for specific projects in the world's poorest countries[13]. It is claimed that donor money that comes with *strings attached* cuts the value of aid to recipient countries 25-40 percent, as it obliges them to purchase imports from the richer nations at uncompetitive prices[14].

The crux of the above discussions is to find a realist ground for the rationale behind aid activities between two extremes of aid being an *inescapably* 'moral case, the obligation of the rich to help the poor in such ways as are open to them' (White 1974: 21) and 'bridgeheads for Northern exploitation' (Stokke 1996: 35) so much so that the South should de-link from the North (Amin: 1993). The aid régime is not a monolith. A donor country providing aid in a variety of developing countries across the globe cannot be driven by a single motive of maximising its self-interest only unless there is some benevolence. This is perhaps what made many politicians, from both the North and the South, advocating for continuation, and even an increase of global aid (Pearson 1969; Brandt 1980).

Several observers (Griffin 1991; Lancaster 1993) identified strong altruistic motives even in the Cold War aid practice of the US, a country otherwise known to be largely motivated by security interests only. Stokke (1996) goes as far as to argue that small and mid level powers such as Germany and the Nordic countries pursued altruistic motives in their aid programmes during the Cold War. Aid policies, Stokke (1996) argues, can be primarily seen as a reflection of 'the basic *values* prevailing in the donor countries concerned' particularly those connected with the welfare state ideology although the mix varies 'between countries and within countries, between governments with different political governments'. Stokke however did not discuss whether these ethnocentric *values* were either desired or warmly accepted by the recipient country[15].

[12] For a detail analysis see Action Aid (2001), *Making a Case for Untying European Aid*.

[13] The US had failed to provide data on its tied aid and was accused of "a dogged intransigence on the issue of aid untying". See de Jonquiýres, G. (2003) Donors Praised for 'Untying' Aid Projects, *Financial Times,* April 23, 2003.

[14] Deen, T (2004) Development: Tied Aid Strangling Nations, Says UN, *Inter Press Service,* July 6, 2004.

[15] In fact, White (1974: 95) described an interesting scenario where the recipient, in exchange for adopting donor policy objective B receives aid, which the recipient was actually seeking to pursue policy objective A, which neither coincides nor is in conflict with objective B, because it 'lies outside the field of development policy altogether'! In the absence of a suitable penalty system in the aid régime this type of recipient governments can evade the most *value* driven objectives and still can continue to receive aid.

It has been pointed out in the preceeding section, many observers have recently argued that past EU development association[16] was a unique 'model' of pursuing these normative *values* in the North-South relationship, which has been eroded due to the EU's increasing alignment with the neo-liberal agenda of trade liberalisation and global governance, thus moving away from its relatively benevolent role towards developing countries (Arts and Dickson 2004; Orbie 2003; Martenczuk 2000; Dickson 2000). The discussion in the preceding section weakens such claims for a donor such as the EU, which pursues a substantial part of its development cooperation through a foreign policy structure with an inherent, but as of yet incoherent foreign policy interest.

This is why, there EU prompted to reorient in accordance with a number of global policy shift. For example:

1. In 1998, the World Bank (1998) has brought to the fore the importance of political considerations in the aid régime. The report presented an extensive investigation into the effectiveness of development aid and argued that development aid helped to stimulate growth and reduce poverty but only in countries with good economic management (or good governance), or in other words countries with good economic policies and strong institutions. The report was well received in the aid policy-making circles including the EU, as it provided clear guidelines for policy-makers for allocation/disbursement of *scarce* aid resources and justified a decade-long inclusion of explicit political conditionality in the aid régime.

2. In the 1990s, the EU made democracy, human rights and governance as important criteria in its development cooperation. This was later incorporated in the European Development Policy (CEC 2000).

3. Since the 1990s, the EU joined the global consensus that aid should be better targeted to the poorer section of the world.

The Maastricht Treaty can be considered as a milestone in this regard as it made development policy one of the pillars of the EU's external action. The aim here was to foster sustainable economic and social development of the developing countries, and particularly the most disadvantaged among these. The campaign against poverty in the developing countries was brought to the fore perhaps in response to the United Nation's Development Program (UNDP) Human Development Report, UNDP (1990). One important aspect of the Maastricht Treaty was that it also intended a *smooth* and *gradual* integration of the developing countries into the world economy. This explicit incorporation of fight against poverty in the Community's legal mandate reflected rising concerns for poverty as a global problem triggered by the 1990 World Bank report on poverty. A number of Member States namely Germany, the UK, Italy and Denmark, reoriented their bilateral aid policies to strengthen poverty orientation and thus advocated for a stronger incorporation of poverty reduction objective in the aid policy.

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[16] Development association and development cooperation are considered synonymous to aid activity. This view is generally based on the EU development cooperation with the ACP countries.

That the notion of self interest often overshadows the EU's perceived benevolence can be seen from its official statements that the EU is eager to uphold the image that it gives aid for the *benevolence* of developing countries[17] although the EU also wants to increase its *visibility* as an international political actor by doing so (CEC 2000). To achieve this, the European Union set an ambitious goal of a 'stronger voice for the Union, supported by more efficient tools' (CEC 2004: 2). The potential for this larger global role, however, has not been realised so far and there is still a gap between the EU's economic weight and political influence. It is therefore not surprising that EU-development assistance will to some extent work as an instrument for the EU's external relations and EU would like to see the spread of this perceived benevolence of its development cooperation.

There was one important feature in the EU aid policy during the period of the Washington Consensus: the EU's resilience to impose any conditionality for the Structural Adjustment Programme. Although, at least on principle, the EU took a positive stance towards the adjustment programmes by participating in the Special Programme for Africa in 1988 the EU demonstrated ambiguity towards the structural adjustment programmes. Hewitt and Killick (1996: 141) explains such resilience of the EU to be arising from a 'philosophic' difficulty due to the assertion in the Chapter 1, Article 3 of the Lomé IV: 'The ACP States shall determine the development principles, strategies and models for their economies and societies in all sovereignty' (quited in Hewitt and Killick 1996: 141). The EU's stance against this conditionality was not general in practice. In countries where the legal term did not restrict imposing conditionality, the EU always stressed economic liberalisation and even provided the Stabex aid (Siraj 2007), an instrument that was otherwise restricted to ACP countries only (Cox and Koning 1997) to shield them from the adversaries of the Structural Adjustment Programme.

To further illustrate the synergy between the EU and the global aid regime, Table 1 collates some publicly stated objectives of the EU's conditionality and compares them with those of the World Bank before and after the post-Washington Consensus. Clearly there is a convergence of the EU objectives with those of the World Bank in the post-Washington consensus period. It is important to note that such a convergence in donor agenda was set as a primary goal for the DAC/OECD members since the formation of DAC. There was a loosely defined understanding between the DAC members regarding what to be done in terms of global development, but at the operational level, different agencies differed significantly. With a peculiar aid administration structure characteristic of the complexity of European central administration, the EU aid was questioned by the aid practitioners (Stokke 1984, Brown 1986, DAC/OECD 1985).

The EU's own aid delivery mechanism came under severe criticism in the DAC/OECD peer review in 1996 and 1998 for its lack of clarity and effectiveness and for its unique geographical focus. A need for restructuring its own policy formulation and delivery structure was felt from inside the EU, which inspire the Prodi Commission of 2000 to initiate an overhaul of the EU aid structure. The creation of the World Trade Organisation (WTO) in 1995 also improved the EU's global role and

[17] That most of the EU aid comes in a grant form without any liability for the recipient to repay also adds to this claim.

there was a need for reorienting EU policies according to global consensus. The upshot is that the EU now follows the trend of global aid régime more than ever.

Table1 A comparison of rhetorics from the EU and the World Bank before and after post-Washington Consensus.

Objective	**Before post-Washington Consensus**		**After post-Washington Consensus**	
	EU	World Bank	EU	World Bank
Poverty Reduction	Not a major focus	Yes	Top priority	Top priority
Human Rights and Rule of Law	Yes		yes	Yes
Democratic Government	Yes		yes	Yes
Good Governance	Not explicitly stated	Yes	yes	Major focus
Environment	Yes	Yes	yes	Yes
Gender			yes	
Human Resource Development	Not a major focus		Major focus	Major focus
Economic Liberalisation	Not for ACP states	Major focus	ACP and other states	Major focus with no antagonism to state
Efficient Economic Management	Yes	Top priority	yes	Top priority
Security	Implicit	No	Explicit since 2003	Implicit

Source: Hewitt and Killick (1996: 143), CEC (2000, 2005 and 2006); World Bank (2004, 1998)

There are, however, differences in the way EU operationalise the overall trend in global aid. While there is no dispute between the EU and the global aid régime as regard to, for example, the importance of poverty reduction, the EU, like other donors, has to determine the level of importance relative to its other objectives. This does not constitute a major drift from the overall donor consensus and reiterate the fact that the EU development cooperation more or less followed the global aid regime in the last five decades.

7. Conclusions

The motivation and the nature of the global aid régime were discussed to find why the EU gives aid to developing countries and why and how it is different from other donors within the aid régime. Most observers consider that the donor motive behind aid can vary – commercial self interest, the desire for power, a belief in global interdependence, concern for poverty, social emancipation — they all can drive donor's motivation to give aid. The central argument that was put forward in this article is that, the EU is no exception.

The above discourse analysis of the evolution of the EU aid programme has found that, despite minor operational deviations, the EU aid practice almost always coincided with that prevalent in the contemporary aid paradigm and was driven by the EU's own interest. Until the signing of the Maastricht Treaty, the EU possessed a narrow view towards global development and was largely preoccupied with the African, Caribbean and Pacific (ACP) countries. This focus was largely directed by the EU's self-interest, which had its origin, at least, partly in neo-colonial dependencies. This was the trend of the contemporary aid practice and the EU was no exception. It is quite visible from the discourse that the EU has been a follower of the development agenda set by the international financial institutions, in which the EU's voice remains fragmented. There is no doubt that in the 1990s the World Bank has significantly shaped global development thinking but through a coordinated effort between the EU and the Member States, the EU could arguably make a case for e.g. a dissent from the so-called Washington Consensus. The EU in its own rights is a significant contributor to the global concessional financial flow, but its political role in setting the global agenda has been largely dwarfed by its fragmented approach. Whether this scenario could be changed with the emergence of the EU as a normative power and the increasing challenges from the more global role of regional powers such as China, India and Brazil, is remained to be seen.

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