



**COUNCIL OF
THE EUROPEAN UNION**



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Council agrees EU strategy on aid for trade

The Council today¹ agreed a strategy on "*aid for trade*" that includes clear figures on the amount of aid potentially available, as well as clear dates for when the funds will be available. The strategy is aimed at enabling all developing countries, particularly the least developed ones, to better integrate into the world trade system and to use trade more effectively and in a sustainable way in the eradication of poverty. The strategy enables the EU to make a substantial input to the upcoming WTO global review on aid for trade in Geneva on 20 and 21 November 2007.

¹ The decision was taken without discussion at a meeting of the General Affairs and External Relations Council.

P R E S S

In total, EUR 2 billion will be potentially available every year from 2010: 50% of this comes from the budget of the European Community managed by the Commission, while 50% comes from the aid budgets of the member states. The Council's decision comes at a crucial moment in negotiations on economic partnership agreements between the EU and the African, Caribbean and Pacific (ACP) group of states and regions. The Council agreed that the share of the aid for trade funds to be reserved to support the ACPs should be in the range of 50%: potentially, this could mean an annual increase in the range of EUR 300-400 million. The Council agreed that these funds are available for needs prioritised by the ACP states, reflecting policy and programming decisions at country and regional levels.

Background

At the WTO ministerial conference in Hong Kong in December 2005, the EU pledged financial support for developing countries so that they could better implement and benefit from trade agreements.

The Council has discussed and refined its approach to aid for trade on several occasions since then. It agrees that this support is essential in any event and does not depend on the successful outcome of the WTO Doha round of trade negotiations, nor on the economic partnership agreements under negotiation between the EU and six ACP regions.

From 2010, EUR 2 billion will be potentially available annually as a support response to developing countries' own trade-related priorities and trade-related reforms. The funds will be directed at the categories of aid for trade identified by a WTO task force (2006) as "trade policy and regulations" and "trade development". Under the wider aid for trade agenda, the EU is already a major donor in trade-related infrastructure and productive capacity.

Trade preferences enjoyed by the ACP states for several decades under the ACP-EC Cotonou partnership agreement will come to an end on 31 December 2007 when a WTO waiver permitting them expires. These preferences are incompatible with WTO rules because they are granted by the EU without any need for reciprocity from ACP partners. Negotiations are at a crucial phase to replace the Cotonou preferences with economic partnership agreements (EPAs). These agreements will be aimed at using trade as an instrument to achieve development objectives in a way that meets WTO rules. In the negotiations, the EU has offered the ACP states full duty- and quota-free access to its markets. WTO rules require that ACP markets be opened to the EU but this can be done asymmetrically with derogations and long transitional periods. The Council has agreed that an amount in the range of 50% of the aid for trade package would be available for needs prioritised by the ACP countries without, however, depending on the outcome of the EPA negotiations.

The Council's decision embodies two important principles. The first is improved strategic coherence between the EU's aid, trade and development policies. Secondly, it puts into practice the EU code of conduct on "*complementarity and division of labour*" in development policy (agreed in May 2007), whereby EU action will be taken by the Commission and the member states acting together on a voluntary and flexible basis.