

Brussels' blind spot

The lack of coherence
between
poverty eradication and the
European Union's other
policies

APRODEV

Association of World Council of Churches-related Development
Organisations in Europe

Edited by John Madeley with assistance from Clive Robinson

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Foreword

This study considers three products - chocolate, fisheries and beef - in the light of the European Union's commitment to policy coherence, and the procedures that are needed to ensure coherence.

Of particular concern is the way that incoherence in EU policy has damaged the livelihoods of some of the world's poorest people.

The study ends with firm recommendations.

INTRODUCTION

John Madeley

Coherence is a complex sounding term for a straightforward issue. It became a catchword in discussions of EU policies towards developing countries in the mid-1990s following the signing of the Treaty on European Union, the Maastricht Treaty, in 1992. This was amended by the Amsterdam Treaty of 1997.

Coherence is about ensuring that the aims and objectives of European Union development cooperation policy are not undermined by the EU's other policies which have an external impact.

Article 130v of the Maastricht Treaty states that "the Community shall take account of the objectives referred to in Article 130u in the policies that it implements which are likely to affect developing countries". (Article 130u states that the EC's development objectives include sustainable economic and social development and the campaign against poverty). Article 130 also points out that "the Community and Member States shall comply with the commitments and take into account the objectives they have approved in the context of the United Nations and other competent international organisations".

Therefore in all its policies, in every economic and political sphere, the European Union community of nations is obliged to ask - "will this policy have an impact on developing countries?" Further, as Article 130 stresses that the community has a responsibility to "foster sustainable economic and social development.....", it follows that any EC policy that does not foster such development is not consistent with its obligations.

Coherence is common sense. There is no point in the EU pursuing policies that have a particular goal if it also pursues policies that contradict that goal. Yet

there are today too many cases where EU policy lacks coherence, where it is not consistent with the Community's commitments to developing countries. Coherence in EU policies is admittedly not easy; it requires cooperation between the different directorates of the European Commission. But what may seem difficult obstacles are not insurmountable.

EU policy incoherence has been attributed to four causes (Koulamah-Gabriel. A. and A. Oomen, 1997):

- * conflicts of interest;
- * imbalance of influence between development cooperation and other public policies;
- * lack of knowledge of the impact of EU policies;
- * the EU's complex decision-making systems - three institutions, (Council, Commission and Parliament), and two levels, European and national.

The principle of coherence is supported by Article C of the European Union Treaty:

"The Union shall in particular ensure the consistency of its external activities as a whole in the context of its external relations, security, economic and development policies. The Council and the Commission shall be responsible for ensuring such consistency and shall cooperate to this end".

This study considers chocolate, fisheries and beef. These very different commodities have been affected by incoherence in different ways. But all are vivid illustrations of incoherence in EU policy. Producers in developing countries, of cocoa, beef and fish, are having their livelihoods threatened by the lack of coherence.

The study shows that it is not only the Common Agricultural Policy (CAP) which reveals incoherences with the EU's development policy. The Common

Fisheries Policy, the Common Commercial Policy, internal market regulations like those for chocolate and the Common Foreign and Security Policy (CFSP) can all enhance or damage the impact of development programmes. Small steps in the slowly evolving CFSP, such as the European Code of Conduct on Arms Exports agreed in June 1998, have the potential to bring greater stability to the developing world.

The EU is missing the opportunity to protect the value of its development investments when it fails to carry out impact assessments of its other policies towards developing countries.

It has usually been left to developing countries themselves, or to non-governmental organisations (NGOs), to highlight the damage caused to development by other EU policies.

Assessment of benefits is complex and, as the chocolate example shows, European and multinational processing interests may lie behind both positions in the debate.

CHOCOLATE

In April 1996 the European Commission proposed that each EU Member State be allowed to decide whether or not to permit the use of up to 5 per cent vegetable fat in the production of chocolate.

This posed a real threat to cocoa growers. Around 1.2 million people make a living as cocoa producers, while 11 million are directly dependent on the crop. In most of the producing countries, cocoa is a smallholder crop grown by materially resource-poor farmers.

But what is of concern is that the policy seems to have been introduced with little attention or regard to the EU's commitments under the Maastricht and other international treaties. The

Commission's proposal could lower the demand for cocoa by chocolate manufacturers in EU countries, damage the economies of cocoa-producing countries and threaten the livelihoods of cocoa farmers. It is not consistent with promoting sustainable economic development.

Estimates suggest that if vegetable fats were used in chocolate manufacture in all EU countries, between 88,000 and 125,000 tonnes less cocoa would be imported each year, and revenue to producing countries and growers could fall by over 15 per cent.

Some observers believe that the producers of vegetable fats would fare well from the new policy, especially countries like Burkina Faso and Mali, which produce shea nut oil. But the confectionery industry has never guaranteed that it would use shea nut oil if the EU measure is passed, and it seems more likely that palm oil would be used instead.

In July 1999, the Internal Market Council of EU Ministers approved a stance which allows certain vegetable fats to be added to chocolate "up to 5 per cent of the finished product" and for chocolate with vegetable fats to be marketed in all member states once the wrappers carry the words "contains vegetable fats in addition to cocoa butter". Consumers will have the information that will enable them not to buy what has been called a "clone" as it would be false chocolate. By October 1999, the proposed new directive had yet to be passed.

The EU does not appear to have fully analysed the development impact of the directive, despite considerable evidence that it would damage the livelihoods of some of the world's poorest people. Instead, it has pushed ahead in apparent disregard of its commitments under the Maastricht and other international treaties, missing the opportunity to make

a full assessment of the impact of its proposed change.

BEEF

Assisted by the generous support afforded by the Common Agricultural Policy, farmers in EU countries have produced more beef than could be eaten in the EU or exported on normal commercial terms. A beef mountain was the inevitable result. So the beef was "dumped" - sold below the cost of production - in developing countries, first in West Africa and then in South Africa.

The dumped EU beef competed on unfair terms with locally produced beef and severely damaged farmer output and incomes, and thus the economic development of an important sector for the recipient countries. It is therefore not consistent with the EU's obligations under the Maastricht Treaty.

In West Africa, dumped beef shipments from the EC to the region increased 7-fold in the 1980s and reached a peak in 1991, affecting over four million people who rely on cattle-raising. With the advent of dumped EU beef, the prices they received for their cattle plunged by over 50 per cent.

Following disclosures and protests by NGOs, the EU reduced export refunds to its farmers on beef destined for West Africa, and its exports into the region fell sharply.

But then the EU effectively transferred the problem of its beef mountain to another region of Africa - this time, to southern Africa - again, inconsistent with its obligations. Exports of EU beef to South Africa shot up seven-fold between 1993 and 1996 - from 6,600 tonnes to almost 46,000 tonnes in that period.

Namibia, which sells canned beef to South Africa, was severely affected by

this development. With the coming of EU dumped beef, Namibia could not compete - the playing field was simply not level. Namibia exported less beef to South Africa, and received a lower price for it. Prices to Namibia's cattle farmers fell sharply, causing hardship for the country's rural inhabitants, most of whom are dependent on livestock production.

The EU's beef mountain is currently a little smaller than it was, thanks to giving Russia 150,000 tonnes of beef in food aid in March 1999. Russia's beef producers can now be expected to take the strain of lower prices.

The EU needs to ensure that subsidised beef is not permitted to enter any country where it will undermine local producers. That is part of what coherence is all about.

FISHERIES

The EU's Common Fisheries Policy (CFP) has led to the serious depletion of fish stocks in ACP countries, and damaged the livelihoods of thousands of ACP small scale fishing communities who depend on fishing. The policy is fundamentally incoherent with the EU's international commitments.

At least 200 million fishworkers depend both directly and indirectly on fishing for their livelihoods, 95 per cent of them in developing countries. These people are highly vulnerable to external pressures.

Over-capacity is the bane of the fisheries sector; there are too many large trawlers chasing a scarce resource. To reduce capacity, the EU has subsidised contradictory measures, spending billions of euros to decrease the fishing over-capacity of EU fleets, while at the same time, providing subsidies to enable more sophisticated fishing techniques to be installed on trawlers that can "vacuum clean" the oceans of their fish.

Fishing communities in developing countries have suffered under the CFP - (the contradictory fishing policy?) - and often under fisheries agreements with the EU. These agreements commonly overlook questions of sustainability, says Beatrice Gorez, and their impact on dependent communities.

The current trend is towards agreements based on the establishment of joint ventures for large scale fisheries. This is likely to be the first step towards greater privatisation of fisheries agreements. Joint ventures - which have now been established in 18 ACP countries - enable EU vessels to increase their access to fish stocks in the waters of ACP countries. The ventures can significantly increase the fishing effort deployed, with serious consequences in terms of stock depletion. At the micro level, they may increase competition for resources and markets, to the detriment of local small-scale fisherfolk.

This section takes Africa's leading fish exporter, Senegal, as an example. Artisanal fishing activities make a major contribution to national food security in Senegal. A wide variety of fishing fleets operate in the country's waters, including vessels from China, Japan, Korea, Taiwan, the former Soviet Union and the EU - the latter under a fisheries agreement. In 1997, for the first time, the fisheries agreement with the EU allowed access to the small pelagic fish stocks, which form the principal species supplying the on-shore artisanal fish processing industry, and the principal source of fish protein throughout the country. This was a major source of concern to the local artisanal sector.

In May 1998, the Fisheries Commissioner Emma Bonino told a meeting of NGOs working in the fisheries sector that she wanted to involve them in a consultation process that would lead to an annual report on coherence. This was one of the demands of the Council of EU Develop-

ment Ministers in June 1997. But it seems that DGXIV (the fisheries directorate) and DGVIII (the development directorate) have had "difficulties to find common ground on which such a report should be drawn up". ⁽¹⁾

(1) Coalition for Fair Fisheries Agreements, Newsletter No 7, September 1998

PROCEDURES

The EU has shown a reluctance to follow up its admirable texts with effective implementation. Although the Council invited the Commission to present a report on policy coherence by November 1993, no such report was produced. Almost five years elapsed after the signing of the Maastricht Treaty before the issue was properly addressed by the Council - the Dutch presidency making it a feature of the Development Council meeting in June 1997.

Inter-service consultations intensified in 1998 about the development implications of the chocolate directive and of banana trade and the proposed OECD Multilateral Agreement on Investment. Yet no assessment was carried out of the development implications of the Agenda 2000 proposals for reforming the CAP.

The EU's procedures for ensuring coherence need to be systematic, transparent and unambiguous. An ad-hoc case by case approach is not enough. Procedures need to be both preventive and proactive, and include both a capacity for research and decision-making. They need to ensure that micro-level effects are taken into account and address the institutional weaknesses of development policy.

As Clive Robinson says: "coherence is not only about eliminating contradictions but also about releasing the full potential of the Union's wide range of policies and

instruments in support of its development objectives."

and the ACP countries is being renegotiated. These fora give the Commission and EU trade, agriculture and development ministers the opportunity to seize the challenge of making their policies consistent.

Four recommendations on coherence procedures emerge from this section:

1. A coherence working group needs to be established, comprising the main Directorates of the Commission whose policies are likely to impact on EU development policy. The group would intervene ahead of decision-making by anticipating and researching possible incoherence.
2. A complaints procedure should be set up, open to governments, civil society organisations and local communities affected by EU or member state policies.
3. The Commission should present an annual report to the Council, with a thorough examination of coherence.
4. Export subsidies to countries which are developing their own production capacity should be phased out, and support to processors limited to production levels that cover internal EU consumption.

Complete policy coherence may not always be possible. There will always be competing goals and interests; choices do have to be made. But, on poverty eradication, EU policies must attach more weight to coherence and ensure that policies do not work against the very goals the Union has proclaimed.

The appointment of a new Commission and the election of a new European Parliament offer an opportunity to end the EU's lack of initiative on coherence. There is a popular call for the forthcoming World Trade Organisation's "Millennium Round" to be a "Development Round". The Lomé Convention between the EU

CHOCOLATE: A MISSED OPPORTUNITY

John Madeley and Clive Robinson

Chocolate is a luxury product, eaten mainly in temperate zone countries. Its cost, and the fact that it melts rapidly in tropical zones, limit consumption in the countries where its basic ingredient, cocoa, is grown by some of the world's poorest farmers.

The world's leading cocoa producer, Cote d'Ivoire, exports just under 40 per cent of world cocoa bean production. Ghana, with 14 per cent of the export market, Indonesia, with 10 per cent, Nigeria and Malaysia, both with about 5 per cent, and Brazil, with around 3 per cent, are the other major producers and exporters. ACP cocoa producers include Belize, Cameroon, Dominican Republic, Haiti, Papua New Guinea, Jamaica, Madagascar, Mauritius, Sri Lanka, Trinidad and Vanuatu.

In Cote d'Ivoire, Indonesia and Malaysia, cocoa is mostly grown in plantations. Smallholder cultivation is however the norm in most African, Caribbean and Pacific (ACP) countries. Transnational corporations are active in the processing and marketing of chocolate but do not usually own cocoa plantations. The manufacture of chocolate is dominated by five companies who are thus the main buyers. Nestlé buys around 10 per cent of the world's cocoa.

Most cocoa is imported to the US and Europe in the form of raw beans and then processed into cocoa butter for chocolate manufacture. The dominant importers of cocoa are the US, the Netherlands and Germany. Western Europe is the largest single processing region, accounting for around 44 per cent of world cocoa processing. The EU imports about half the global cocoa output of around 2.6 million tonnes; 85-90 per cent of these imports come from ACP countries.

The citizens of many EU countries spend more on chocolate each year than their governments give to the poor in development aid. British people, for example, spent GBP3.66 billion (USD5.85 billion) a year on chocolate in 1998, nearly twice as much as the GBP2 billion (USD3.2 billion) the country gave in aid.

The directive

In 1973 the European Commission issued a directive which banned the use of vegetable fats in the production of chocolate, other than cocoa butter. Seven of the 15 EU countries had an exemption, however, which allowed their chocolate manufacturers to substitute five percent of cocoa butter with vegetable fats. But these seven countries did not include the major chocolate manufacturers, Belgium, France, Germany and the Netherlands, and also Greece, Italy, Luxembourg and Spain. These eight countries account for 71 per cent of chocolate production in the EU.

The situation changed in April 1996 when the European Commission proposed that each EU Member State be allowed to decide whether or not to permit the use of up to 5 per cent vegetable fat in the production of chocolate. This change in policy would allow the major chocolate manufacturers to use less cocoa butter. There were protests that such a policy would significantly lower the demand by the EU for cocoa, damage the economies of cocoa-producing countries and livelihoods of cocoa farmers, and be inconsistent with the EU's commitments under the Maastricht and other international treaties.

The threat to cocoa growers is real. Around 1.2 million people make a living as cocoa producers, while 11 million are "directly dependent on the crop", says Brid Bowen of the Brussels-based European Fair Trade Organisation, (EFTA) a consortium of NGOs. ⁽¹⁾

The London-based International Cocoa Organisation has estimated that if up to 5 per cent vegetable fats are allowed to replace cocoa butter in chocolate production in the EU and the US, it would lead to a fall in revenue for cocoa-producing countries and cocoa farmers of between 15.6 per cent and 20.8 per cent. "A fall in revenue of this level would make it impossible for developing countries to continue to honour their international obligations", says Bowen; "only powerful multinational chocolate producers will gain from the change in EU policies".⁽²⁾

Following suggestions made in the European Parliament, the Commission made cosmetic changes (in March 1998) to its original proposals. On labelling, the modified EC proposal stated that labelling should be in the form of a "conspicuous and clearly legible" statement which says: "contains vegetable fats other than cocoa butter". The intention is that consumers will have the information to allow them the choice of buying chocolate made with cocoa butter alone.

"Inconsistent"

EFTA alleges that the European Commission's proposed policy is inconsistent with its Maastricht Treaty obligations, and that the EC is "failing to honour its commitment to the International Cocoa Agreement".⁽³⁾ Members of this agreement commit themselves to "take all practical measures necessary to encourage the growth of consumption of cocoa in their countries". All the EU countries and major cocoa producers are members of the agreement, which has operated since the 1970s.

According to the International Cocoa Organisation, if vegetable fats were used in chocolate manufacture in all EU countries, then between 88,000 and 125,000 tonnes less cocoa would be imported each year. EFTA believes this is a conservative estimate.

Cocoa is a price sensitive commodity and a slight decline in demand could result in a much larger fall in the world price. For some countries this could be devastating. Ghana, for example, relies on cocoa for about half its export earnings and would be seriously affected by the EC's proposed change.

"For several African countries....cocoa is one of the few agricultural products in which these countries have a natural competitive advantage. The drop in cocoa bean demand would make the economy of these producing countries even more vulnerable and dependent on economic aid," says a report by Rabobank Nederland.⁽⁴⁾

It was pressure from the European chocolate industry that led the EC to introduce its proposals. But as such a change in policy would not help "to foster sustainable economic and social development" in African cocoa-producing countries, it seems clearly inconsistent with the EU obligations under the Maastricht Treaty.

The European Commission says that the vegetable fats "would all be from plants originating in developing countries, e.g. shea, which grows only in the Sahel, and represents one of the many sources of employment there, illipe, palm oil and sal, an Indian plant". The Commission therefore envisages that tropical vegetable fats will make up for the loss in cocoa sales.

Shea nuts

Some West African countries might gain from increased exports of shea nuts, especially Burkina Faso and Mali, because "they produce exclusively shea nuts whereas the other shea nut producers in the region also produce cocoa", says Brid Bowen.

The reality is more complex. "Assuming that as a result of a change in EU

legislation, there is a fall in demand for cocoa beans of even 124,610 tonnes", says Bowen, "this is equivalent to 49,844t. of cocoa butter".

Given that cocoa butter equivalents are usually made up of 50 per cent shea oil, 30 per cent palm oil and 20 per cent illipe, it implies the need for 24,922t. shea oil. With a yield rate of 8-15 kg butter per 100kg of nuts, it seems reasonable to assume a ratio of 4 to 1 nuts to butter ratio, says Bowen. This implies the need for 4 times the amount of nuts or 99,688t. ⁽⁵⁾

Current exports of shea oil from West Africa are about 72,000t. a year. An increase of 138 per cent in exports would therefore be needed in the short term, says Bowen - "this is feasible in the long term (ie. 15-20 years when the new trees yield fruit), but not in the short term". ⁽⁶⁾

Bowen also points out that the confectionery industry group, CAOBISCO, has never guaranteed that it would use shea nut oil if the EU measure is passed. Synthetics could be developed which are cheaper and more attractive to the manufacturers. Shea nut oil producers in West Africa might then have used land to grow more trees only to be left without a market.

"Even if shea nut oil is used...there will still be a net loss for the region", believes Bowen, "the potential loss in revenue to cocoa producers would be \$167 million, while the gain to shea nut oil producers would be \$26 million. The net loss to the region could be as high as \$141 million". ⁽⁷⁾

The position of Burkina Faso and Mali "has been much exploited for the benefit of multinational chocolate and vegetable oil producers' campaign", says Bowen. The position of the two countries "is driven by the urgent economic need of their own populations, but resembles more closely the concerns of their

neighbouring cocoa and/or shea producing countries than those of the large multinational chocolate and vegetable oil producers". ⁽⁸⁾

Therefore, in Bowen's view, the proposed EC legislation would not benefit West Africa's economic and social development, which the EC is supposed to be promoting.

A front?

A different view comes from a member state government official, who attributes the campaign for zero non-cocoa fats to misinformation by Cote d'Ivoire, the main lobbying country. He believes that the country is being used as a front by multinational cocoa processors, for example Cargill, in Amsterdam and Rotterdam.

He takes the view that cocoa butter is in the interests of larger farmers and processing interests in better-off developing countries, like Cote d'Ivoire, and that the vegetable fat, shea nut oil, is of more significance to poor producers in Burkina Faso and Mali. "The shea nuts grow naturally, fall into the river and are gathered by women, heightening the social impact of this production", he says. He believes that the benefits for the two countries would vastly exceed the benefits of cocoa butter to people in Cote d'Ivoire.

In his view, vegetable fats are needed because there are limits to cocoa butter production and, "if the world price was forced up by these limits, without the vegetable fats alternative, it could kill off chocolate markets in developing countries". In his view, the cocoa processors in the Netherlands might lose from the EU directive, but the market could not do without vegetable fats. He thought that the directive was a win-win situation for the poor, and that cocoa butter players were involved in richer markets. ⁽⁹⁾

It is however most unlikely that the chocolate-industry will use shea nut oil. For one thing, production is uncertain and the industry like certainty. It is more likely that palm oil will be used - this is cheaper and widely available in large quantities in most cocoa producing countries.

In July 1999, the Internal Market Council of EU Ministers adopted a so-called "compromise" on the EC's 1998 legislation. It approved, by a qualified majority, a stance which allows certain vegetable fats to be added to chocolate "up to 5 per cent of the finished product" and for chocolate with vegetable fats to be marketed in all member states once the wrappers carry the words "contains vegetable fats in addition to cocoa butter". This statement would not have to go on the front of the wrapper, but in "the field of vision" on the ingredients list.

Belgium was the only country to oppose this position. For cocoa-producing countries and farmers, it is an unsatisfactory compromise, as the 5 per cent vegetable fat allowance remains. The legislation will now go to the European Parliament for a second reading. Parliament can oppose it, amend it or seek conciliation. For amendments to be binding, the Parliament must pass them by a majority of its members - not just of members who are present and voting at the time. If this should occur, the Council would consider the amendment for three months. If it agrees, by a qualified majority, then the position becomes law; if it does not, then a conciliation procedure between Council and the Parliament is set into place to resolve the matter. In this case, it would continue, possibly to May 2000.

The EFTA believes that zero vegetable fats in chocolate is still the optimal position, and that NGOs should continue to campaign for this. But "the Council position is better than we could have hoped for a year ago", says the June 1999 issue of EFTA's Cocoa

Newsletter.⁽¹⁰⁾ EFTA takes the view that an impact study should precede the entry into force of the proposed directive, and that genetically modified fats should be excluded.

The EU might have been expected to conduct a proper development analysis impact of the directive, especially as there are different views about the value of shea nuts compared with cocoa butter. It missed the opportunity to make a full assessment of its proposed change. The weight of evidence suggests that the directive would damage the livelihoods of some of the world's poorest people. But the EU has pushed on with its policies in disregard of its commitments under the Treaty on European Union.

Meanwhile Brazil and Indonesia have recently reduced cocoa production which makes West Africa more significant. But cocoa-producing countries and farmers have been badly hit by a steep fall in the world price of cocoa beans. In September 1999, the price fell to GBP650 a tonne (about USD1,070); in July 1998 the price had stood at GBP1,150 a tonne (about USD1,900). It would help the world price if the EC is persuaded to change its policy and opt for the zero position for vegetable fats in chocolate.

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WHERE'S THE BEEF?

by John Madeley

The Common Agricultural Policy has encouraged farmers in European Union countries to produce large surpluses of beef. A beef "mountain" has been the inevitable result. The EU's generous support for its beef farmers is good for farmers but bad for EU taxpayers who pick up the bill. And it is disastrous for some of the world's poorest farmers and countries.

The EU is the world's second largest exporter of beef, next to Australia. While some of the EU's beef mountain has been exported on commercial terms, much of it has been "dumped" (sold at cut prices below the cost of production) in developing countries. Here it has competed on unfair terms with locally produced beef and severely damaged farmer output and incomes, and thus the economic development of an important sector. It is therefore not consistent with the EU's legal obligations under the Maastricht Treaty; the EU is obliged to take into account policies that it implements which are likely to affect developing countries.

West Africa

West Africa was the first region of the developing world where the EC beef mountain erupted to cause economic chaos. Dumped beef shipments from the EC to West Africa increased 7-fold in the 1980s and reached a peak of more than 54,000 tonnes in 1991. Over four million people in Burkina Faso, Mali and Niger rely on cattle-raising for their livelihoods; with the advent of dumped EU beef, the prices they received for the cattle plunged by over 50 per cent.

Consumption patterns changed dramatically in the region, and even the EC's livestock projects were affected. EC beef not only replaced local beef in West Africa, it also hit trade between the

region's countries. In the early 1980s, two-thirds of the beef consumed in Cote d'Ivoire came from cattle raised in Mali and Burkina Faso. By the early 1990s less than one-third of beef consumed in Cote d'Ivoire came from Sahelian countries. Benin's consumption of beef from outside Africa rose from under 10 per cent in 1980 to over 70 per cent in 1991.

In May 1993, NGOs in six EC countries launched a campaign to stop the dumping, arguing that it was a clear case of inconsistency in EU policies. The European Commission admitted that in West Africa the dumping had led to "serious effects on local production, on regional trade and on livestock projects financed by the European Development Fund in the region".⁽¹⁾ It concluded that it was necessary to take immediate steps to end the lack of coherence between the EU's agricultural policy and its development policy.

The EU kept its word and reduced export refunds on beef destined for West Africa by 28 per cent. Beef imports into the region from the EU fell by 60 per cent in 1994 compared with 1993. The CFA franc was devalued by half in January 1994 and this made imports more expensive. West Africa's cattle-raisers began to recover some lost ground, although an overall drop in beef consumption was still apparent.

In May 1994, a report by the EU's Development Commissioner recognised that policies had been inconsistent and set up an internal group to monitor the impact of subsidised beef exports.

South Africa

Then, however, the EU bizarrely switched the problem to another region of Africa - this time to southern Africa. With a beef mountain still on its hands, the EU was anxious to find another market - again inconsistent with its obligations. Another

country was to become the victim of incoherence.

In September 1993 the South African government had lifted quantitative restrictions on beef imports. This was to comply with South Africa's obligations under the 1993 GATT Uruguay Round Agreement on Agriculture. EU beef traders switched their attention from western to southern Africa. Imports of EU beef into South Africa enjoyed a staggering seven-fold increase between 1993 and 1996 - rising from 6,600 tonnes to almost 46,000 tonnes in that period. Ireland was the major exporter of the beef, accounting for around 40 per cent of shipments. EU beef began to sell in South Africa for about 30 pence (42 cents) a kilo. (It cost EU farmers the equivalent of GBP1 a kilo (USD1.60) to produce it). In this case, it was farmers in neighbouring Namibia who bore the brunt of the EU's dumping policies.

South Africa was the major outlet for Namibian beef - Namibia's cattle farming was developed as an integral part of apartheid South Africa. Its exports to South Africa included low grade meat, suitable for canned, processed meat products. Most EU beef exports to the region were similar low grade meat and went into the processing industry.

With the coming of EU dumped beef, Namibia sold less beef to South Africa and received less for it. Prices to Namibia's cattle farmers fell by 4 per cent in 1994, a further 5 per cent in 1995 and another 6.5 per cent in 1996.

These were devastating falls, given that most of Namibia's rural inhabitants are dependent on livestock production. The livelihoods of some of the poorest sectors of the population were affected.

"Namibia's canning industry was severely affected. Namibia puts beef into cans and exports it to the Southern African region. The Namibian canning plants found that

cheap EU beef was being used by other canners in the region to such an extent that it could no longer afford to buy beef locally to put into cans. The whole economics of canning beef was transformed by the EU subsidised beef exports. And it's a coincidental, not an intended, consequence of the CAP".⁽²⁾

The problem was that the EU overlooked the damaging consequences of the CAP. If EU governments are sincere about policy coherence, procedures are needed that examine what those consequences might be.

"The EU and its member states have publicly stated their commitment to a functioning and non-racial democracy in South Africa, and to the reconstruction and economic development of the country. The practice of beef dumping does nothing to assist an already beleaguered agricultural sector and its related industries in South Africa and neighbouring countries in the region".⁽³⁾

After further NGO action, in 1997, the EU reduced export subsidies on beef to South Africa by 70 per cent. Again, like the devaluation of the CFA franc, the fall (in this instance, gradual) in the value of the Rand helped. EU beef exports fell back to 8,000 tonnes in 1998 - only slightly above the 1993 volume.

Russia - and where next?

Europe's beef mountain piled high again - at the end of 1998 it stood at a massive 429,885 tonnes. Time for another market, another victim of incoherence. This time it was Russia. In March 1999, the EU agreed a food aid package with Russia which included 150,000 tonnes of beef. The package might lop a third off the EU's beef mountain, but it could be a deadly blow to Russia's beef sector.

So the EU has continued to transfer the problem around the world - from West Africa to South Africa to Russia - and

where next? CAP subsidies mean more is produced than is needed and keep the EU under constant pressure to dump the resultant surpluses.

Support for EU beef farmers includes:

- * direct payments;
- * the maintenance of intervention (minimum) prices;
- * storage facilities for surplus production;
- * export refunds to EU beef traders exporting surplus beef.

In 1997, CAP expenditures in the beef sector amounted to 7,451 million ECU. Around 55 per cent of this was direct aid to farmers, 22 per cent was in export refunds, while 18 per cent was spent on storage.

The EU is now planning minor changes in the CAP; these are unlikely to reduce the policy's negative impact on developing countries. Under its Agenda 2000 proposals for reforming the CAP, the European Commission had proposed a cut in the intervention price for beef of 30 per cent. But in March 1999, heads of EU governments scaled down the proposals, deciding to cut beef prices by only 20 per cent. The cut will be in three stages, over 2000 to 2002.

It is hoped that the lower intervention price will lead to a better balance between supply and demand, and reduce the demand for export refunds. This is by no means certain. To compensate for the lower intervention price, the EU proposes to raise direct payments to its farmers by a significant amount, effectively providing them with the same income as before. This tinkering with the CAP may have little effect on the level of beef production in the EU.

Neither will the proposed changes in the CAP end the injustice of the policy for many of the EU's own farmers. Three quarters of CAP subsidies go to one quarter of farmers - the larger farmers. Tens of thousands of small farmers in the EU have gone out of business in recent

years. EU governments have still to find the balance that assists their most vulnerable farmers and is consistent with their commitment to small farmers in developing countries.

At the end of May 1999, the EU still had a sizeable if lower beef mountain which threatens to erupt. Stocks were down to 300,000 tonnes - a reduction from over 429,000 tonnes at the start of the year. Beef dumping and the problems it causes are to set to continue unless EU governments take firm action to bring their agricultural policies into line with their legal obligations to developing countries. As long as it has mountains of food to dispose of, the EU may be tempted to ignore these obligations. Pending more radical changes in the CAP, the EU needs to ensure that subsidised beef is not permitted to enter any country where it will undermine local producers.

EU governments need to establish clear mechanisms to stop incoherence in its policies. The beef debacle shows that a case by case approach, as so far followed by the European Commission, does not work. While action was taken in 1993 over dumping in West Africa, it did not prevent a reoccurrence of the problem in South Africa.

The Lomé protocol

The EU's proposals to bring the next ACP-EU trade and aid agreement into line with WTO philosophy will affect the products that now have protocol status under the Lomé Convention - bananas, beef and veal, rum and sugar. These protocols are unlikely to survive, and this could lead to hardship for producers. The Lomé Convention currently operates under a WTO waiver that was granted in October 1996 and expires in February 2000.

Under Protocol 7 of the Lomé Convention, "the Community and the

ACP states agree to take certain measures...to enable ACP states which are traditional exporters of beef and veal to maintain their position on the Community market, thus guaranteeing a certain level of income for their producers".

Under Article 2 of the protocol, a 92 per cent reduction in EU import duties applies to the following quantities of boneless meat a year:

Botswana	18,916 tonnes
Namibia	13,000 tonnes
Zimbabwe	9,100 tonnes
Madagascar	7,579 tonnes
Swaziland	3,363 tonnes
Kenya	142 tonnes

In the absence of any compensation, the demise of this preferential treatment for ACP beef producers would again seem to run counter to the EU's legal and international obligations. In the immediate future, the EU and ACP need to agree a roll-over of the protocol for a period of say five years. Otherwise, with the end of the WTO waiver, the beef and veal protocol may expire in February 2000, leaving ACP producers stranded.

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FISHERIES: THE INCOHERENCES

by Beatrice Gorez

Inconsistent and contradictory policies lie at the heart of the European Union's approach to the fisheries sector. High-tech fishing fleets from the EU have the capacity to catch more fish than is available in the world's oceans. Since 1996, cuts in EU fishing capacity of over 40 per cent have been proposed by EU scientists, to help end the overexploitation of fisheries resources. To achieve a reduction in capacity, contradictory measures have been chosen and equally subsidised, to the benefit of large industrial fishing companies who account for less than 5 per cent of the sector.

Subsidies have been given for both modernisation - which has led to an increase in fishing capacity through technological creep - and for reducing overcapacity in third country waters, like African, Caribbean and Pacific (ACP) countries, through fisheries agreements and subsidised joint ventures.

Fishing vessels from the EU have been enabled by subsidies to use more sophisticated fishing techniques and increase their capacity by 14 per cent a year in West African waters. At the same times the EU has spent billions of euros to decrease the fishing overcapacity of EU fleets.

EU policies on subsidies are in flagrant contradiction with the Treaty on European Union which commits the EU to achieve coherence between fisheries policies and the objectives of EU development policy, namely the eradication of poverty.

EU subsidies for fisheries also contradict its statements in international fora. For example, in a UN Food and Agriculture Organisation consultation on fisheries overcapacity in 1998, the EU endorsed the following statement of intent:

"States should reduce and progressively eliminate all factors, including subsidies, and economic incentives which contribute, directly or indirectly, to the build-up of excessive fishing capacity thereby undermining the sustainability of marine resources, giving due regard to the needs of artisanal fisheries".

Fish for the Poor

At least 200 million fishworkers depend both directly and indirectly on fishing for their livelihoods, 95 per cent of them in developing countries. The majority of these men, women and children earn their living from fishery-related activities in small-scale, traditional or artisanal fishing communities. The characteristics and relative importance of these communities may vary across countries, but at least two aspects are universal:

- *small-scale fishing communities tend to be critically dependent on fishery resources for their food and livelihood security, and are therefore highly vulnerable to external pressures.

- * small-scale fishing communities are highly dynamic, providing significant direct and indirect employment, and making important forward and backward linkages with the local economy.

Although renewable, fishery resources are highly vulnerable to unsustainable patterns of fishing. But fisheries are critical for small-scale fishing communities, in the fight against poverty, and most important in the achievement of sustainable development objectives.

Within small-scale fishing communities, there are wide variations in wealth, but even the relatively wealthy are vulnerable, being highly dependent on fishery resources.

Broader perspective on coherence

The coherence debate between fisheries and development concerns the question of how European policies impact on the two criteria of high vulnerability and high dynamism in small scale fisheries.

A central objective of the EU's Common Fisheries Policy (CFP) is to decrease the existing capacity of the European fishing fleet. In order to achieve that, a range of EU policy instruments finance the temporary or permanent transfer of EU vessels to the fishing fleet registers of developing countries.

The CFP impacts on both the ACP's fishing resources with stocks being seriously depleted in ACP countries - shrimp in Madagascar and Mozambique; cephalopods (octopus) in Mauritania; demersal species (like sea bream, snapper, grouper and capitaine) in Senegal, for example - and on thousands of ACP small scale fishing communities who depend on fishing for their livelihoods.

It is important to look at coherence, not just in the CFP, but also in ACP-EU fisheries agreements and other European policies which have an impact in southern country fisheries sectors, such as the Lomé Convention and the development aid policies of the EU and member states. Broadly, the changes taking place in these policies are:

Fisheries Agreements

EU-ACP Fisheries Agreements have traditionally taken the form of "cash for access" agreements, under which the EU pays third country governments cash in exchange for fishing rights for EU vessels. The level of fishing access sought is usually based on the needs and demands of the EU fishing industry, rather than the state of ACP fish stocks and the current levels of exploitation.

Against such a background, questions of sustainability and the impact of fisheries agreements on resource dependent communities are commonly overlooked. For example, in the case of the Mauritania-EU agreement, access was sought by EU vessels for octopus when the fish was already over-exploited and when the Mauritanian artisanal octopus fleet, using more selective fishing techniques, was growing.

Current trends seem to be towards agreements based on the establishment of joint ventures for large scale fisheries. The accompanying measures (using both the fisheries agreements financial compensation and the European Development Fund) are subsidising the creation of a favourable environment for joint ventures, such as the building of infrastructures. This is likely to be the first step towards greater privatisation of fisheries agreements.

Joint ventures - which have already been established in 18 ACP countries - enable EU vessels to increase their access to fish stocks in the waters of ACP countries. These can significantly increase the fishing effort deployed, with serious consequences for stock depletion. At the micro level, they may increase competition for resources and markets, to the detriment of local small-scale fisherfolk.

Proper management of vessel transfers (to the fishing fleet registers of developing countries) needs to be consistent with sustainable strategies for ACP fisheries development. An evaluation of the likely impact, prior to any transfer, is essential if EU policy is to meet ACP aspirations for the development of their fisheries sectors - rather than simply provide the EU with a safety valve for the over-exploited European fishery.

A further trend - and one to be welcomed - is the inclusion in the most recent agreements, like Madagascar or Gabon, of provisions which support local artisanal fisheries, and the management of the resources on which they depend - support for development of the artisanal sector, establishment of an exclusive zone within 12 miles, research, etc. A cost/benefit analysis of fisheries agreements is currently being undertaken by the European Commission. However, while this evaluation seems a positive step, the way in which it is being undertaken makes it difficult to take into account hidden factors, such as social and environmental costs.

An alternative approach would be for each existing fisheries agreement to be evaluated against coherence criteria within a Code of Conduct for Responsible Fisheries Agreements.

The Lomé Convention

The Lomé Convention provides a framework for linking the trade and development aid aspects of EU-ACP relationships. The Convention provides ACP countries with duty free access to the EU market for fisheries exports. With import duties of between 4 per cent and 12 per cent charged on fish imports from non-ACP developing countries, this represents an important trade preference.

These trade preferences have encouraged the rapid expansion of ACP fisheries exports to the EU, with growth rates faster than those of any other group of developing countries. However, the impact of these preferences on small-scale fishworkers in ACP countries, and on those who depend on cheap fish for the bulk of their protein, vitamins and minerals, is unclear. In some cases, like Senegal, where small scale fishermen are exporting fish to EU markets, it may have had a positive impact. In Madagascar, where largely EU-owned shrimp fishing companies are illegally fishing in the zone

reserved for traditional fishermen, the impact of shrimp exports has probably led to more damage than benefit.

The current Lomé Convention review is based around a discussion of general principles, and little research is being done to understand what the impact of these principles would be on the lives of ACP coastal communities. In particular, the current trends towards deregulation and liberalisation, the establishment of free trade zones and support to the private sector, mask the key issue for artisanal fisheries - that they could be disadvantaged by an application of principles that are designed to benefit the large scale fisheries sector.

Development aid

In certain instances both the EU and EU member states' aid programmes are used to promote European investment in ACP fisheries sectors (like the industrial shrimp fishing/shrimp aquaculture in Madagascar). As in the case of joint ventures and joint enterprises, this can bring macro-economic benefits. Likewise it can increase competition with the local small scale fisheries sector in terms of access to fishing zones and to resources. It can also divert scarce investment resources away from the difficult task of developing the small scale fisheries sector in ways which facilitate its integration into local, national, regional and, in some cases, global markets.

Senegal

Fish provides up to 75 per cent of the protein intake of the Senegalese population. With an average per capita fish consumption of 26 kg per annum, and with over 70 per cent of the Senegalese fish catch coming from the artisanal sector, artisanal fishing makes a major contribution to national food security. The Senegalese artisanal fisheries sector is also of regional significance, with dried, smoked or salted

small fish being traded extensively with the Sahelian region (Togo and Ghana, for example).

A wide variety of distant water fishing fleets operate in Senegalese waters, including vessels from China, Japan, Korea, Taiwan, the former Soviet Union and the EU.

EU vessels operate under the fisheries agreements (the last protocol signed in 1997) and also under subsidised joint ventures. In 1997, for the first time, the fisheries agreement included access to the small pelagic fish stocks. With these coastal pelagic stocks being the principal species supplying the on-shore artisanal fish processing industry, and the principal source of fish protein throughout Senegal, this was a major source of concern to the local artisanal sector.

The Directorate General for Fisheries of the European Commission has claimed that there is no conflict of interest between EU vessels and artisanal fishing vessels, and that stock depletion is primarily a consequence of over-expansion in the artisanal sector. Most recently, with regard to access to the pelagic fishery, the EU has sought to argue that the species targeted by the EU pelagic vessels in West Africa are different (horse mackerel) from the species targeted by the artisanal sector (sardines).

However a 1995 report by the Centre de Recherches Océanographiques de Dakar Thiaroye (CRODT) on the status of fish stocks pointed out: "The main (coastal pelagic) species include sardines, horse mackerel and mackerel... are regarded as a single stock because they occupy similar ecological niches and their relative abundance is directly linked to the productivity of this niche and to fishing effort".

The CRODT report went on to stress: "the indications are that coastal pelagic

stocks are in a state of exploitation close to the optimum levels ...(in 1995). In the interests of conserving these pelagic species (which are highly important in the diet of the rural population), we recommend a decrease in the fishing effort of pelagic trawlers."

This suggests that the activities of EU vessels fishing for horse mackerel are likely to have adverse effects on artisanal vessels fishing for sardines. There is already anecdotal evidence that the activities of EU pelagic vessels are reducing the supplies of fish to the artisanal fish processing industry. This could have significant implications for overall employment in the fisheries sector and gender relations.

It is women who dominate the artisanal fish processing industry and associated trading networks. If the volume of fish available to the artisanal fish processing industry were to decline, it would profoundly affect the economic power of women in fishing communities. It would also have profound implications for the food security of those who depend on artisanally processed fish as a source of cheap protein and essential vitamins and minerals. With women carrying the major responsibility for meeting household food security and health needs, the negative impact on gender relations could reverberate far beyond coastal fishing communities.

Another threat stems from the new hygiene standards being imposed on fish imports to the EU. The artisanal fisheries sector in Senegal has proved capable of modernising its operations and effectively serving EU markets. However, the investments required to meet the new EU hygiene standards are considerable. In order to reduce unit costs, it may well be necessary to concentrate investment on a limited number of facilities, developed specifically to meet EU standards. This imperative could result in the monopolisation of the export trade, to the

detriment of the market position of artisanal fishermen. Put simply, it could result in artisanal fishermen having to accept prices for their export quality fish which have been set by those companies which control the EU approved facilities. This is a very real danger, one which needs to be addressed if artisanal fishermen are not to see the basis of their integration into the world economy resulting in a weakening of their market position - rather than an opening up of new market opportunities.

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PROCEDURES: BORING OR BASIC? by Clive Robinson

Beyond the two Maastricht Treaty provisions (Articles C and 130v), a third text from 1992 also supports coherence. As soon as the Maastricht Treaty was signed, EU Development Ministers considered its implications for their work and declared:

"The Council recognises the linkage between development cooperation policy and other Community policies. It also recognises the need to take account of their impact on developing countries, which can be significant. The Council urges the Commission to consider how this impact assessment might be carried out more systematically especially with regard to new proposals".

The Council invited the Commission to present a report on policy coherence within 12 months (by November 1993), but the question was fully readdressed by the Council only when the Dutch presidency made it a feature of the Development Council meeting in June 1997.

When coherence questions were raised in the meantime, the Commission responded that existing inter-service consultations were adequate. Despite the Council's call for systematic assessment, the Commission's 1996 Green Paper on EU/ACP relations said:

"Consistency in the strict sense... can in any case never become an international commitment on the part of the Community... Consistency remains a matter of political judgement... This issue has been raised on several occasions by the Commission and the Council and a case-by-case approach has been adopted here".

The irony is that NGOs, which have strongly supported the systematic approach, have made little progress in

engaging the Commission in discussion of coherence as a principle and have also been forced to adopt the case-by-case approach by focusing attention on vivid illustrations of incoherence in EU policy.

The Council resolution of June 1997 addressed procedural arrangements and four specific themes: conflict prevention, food security, fisheries, and migration. One of the Council's key objectives was to ensure that agricultural exports and food aid in kind do not damage the production, capacity and marketing of developing countries. Five approaches were proposed:

- * that the Commission should highlight coherence aspects of new proposals and consider coherence impact assessments. Inter-service consultations intensified in the year following about the development implications of the proposed OECD Multilateral Agreement on Investment, banana trade and the chocolate directive. Impact is assessed in the sense that every Commission legislative proposal made to the Council has to be sent to all Commission Directorates: otherwise there is no formal system of coherence impact assessments. In particular, no assessment was carried out of the development implications of the Agenda 2000 proposals for reform of the CAP;

- * that the Council should discuss any negative effects identified;

- * that the Commission should present a regular (preferably annual) report on coherence to the Council, the first in the second half of 1998. When the Commission did not deliver this on time, complaints by some Development Ministers led to it producing a "non-paper" for the next Development Council meeting in May 1999, which signally failed to re-examine the procedures.

- * that the Commission should investigate pilot joint monitoring procedures with developing countries; and

* that joint Council meetings and expert consultations could be useful. The EU does not have a good experience with joint Council meetings but the current inter-service work on fisheries is intended to lead to a joint expert consultation.

The procedures agreed by the Council in 1997 were judged by observers to be modest compared with proposals made earlier by NGOs and academics. They proposed that any coherence system needs to be preventive and proactive, to include both a capacity for research and decision-making to act on it, to ensure that micro-level effects are taken into account and to address the institutional weaknesses of development policy.

One mix of mechanisms which would meet these criteria includes:

* an inter-service coherence working group (ICG, as proposed by Jadot and Rolland, 1996) comprising the main Directorates of the Commission whose policies are likely to impact on EU development policy. The ICG would intervene upstream of decision-making by anticipating and researching possible incoherence. The Commission tends to prefer ad hoc issue-based consultations to a general coherence group, which might be seen by technicians as an interference. This begs the question of whether coherence is a technical or a political concept.

* a complaints procedure open to governments, civil society organisations and local communities affected by EU or member state policies. Two possible models for this are the World Bank's Inspection Panel or the appointment of a Parliamentary Commissioner (ombudsman). One of these offices, if it were in place, could make strong recommendations to Commission Directorates to research and monitor suspected incoherence.

* a (preferably annual) report to the Council which could be seen as a microcosm of something more comprehensive lacking in EU development policy: a single annual report on EU cooperation with developing countries, structured according to the development objectives of the Treaty on European Union. This would require more objective-based consultation among Commission Directorates. In the 1996-99 Commission, 4 different Commissioners and two Directorates had responsibility for aid to different parts of the world, and a fifth Commissioner ran the Humanitarian Aid Service, ECHO.

Some streamlining is likely in the new Commission and it is important that Commissioners take early steps to put in place the monitoring capacity and inter-service communications which coherence requires. In fact, Development Ministers' discussion of evaluation at the May 1999 Council meeting led to a decision to introduce a single annual report on EU cooperation. It still needs to be established that this report will contain a regular and thorough examination of coherence.

The suggestion of Eurostep in April 1999 is sound - that export subsidies to countries which are developing their own production capacity should be phased out; processing support should be limited to production levels that cover internal EU consumption.

Conclusion

In its search for coherence, the EU has shown a reluctance to follow up its admirable texts with effective implementation. Partly this is due to the relative weight of Development Ministers and officials vis-à-vis the EU's stronger domestic policies. And partly it is because officials live in a culture of complexity and control with legal and financial watchdogs to satisfy as well as the tri-institutional hierarchy. It is easy to

understand their wish to avoid another oversight mechanism.

But, as the case of conflict prevention shows, coherence is not only about eliminating contradictions but also about releasing the full potential of the Union's wide range of policies and instruments in support of its development objectives. If development actors aim for constructive dialogue rather than policing and seek to convince rather than confront, the real value which coherent external relations can add to EU development programmes will become apparent.

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