

# Aid preferences and non-CFSP sanctions

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- Major aid patterns
- Types of aid
- Conditionality in humanitarian and development aid
- Use of conditionality
- Aid suspension
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# Departing debate

If you see this sign –  
it's your time to  
take over the  
conversation 😊



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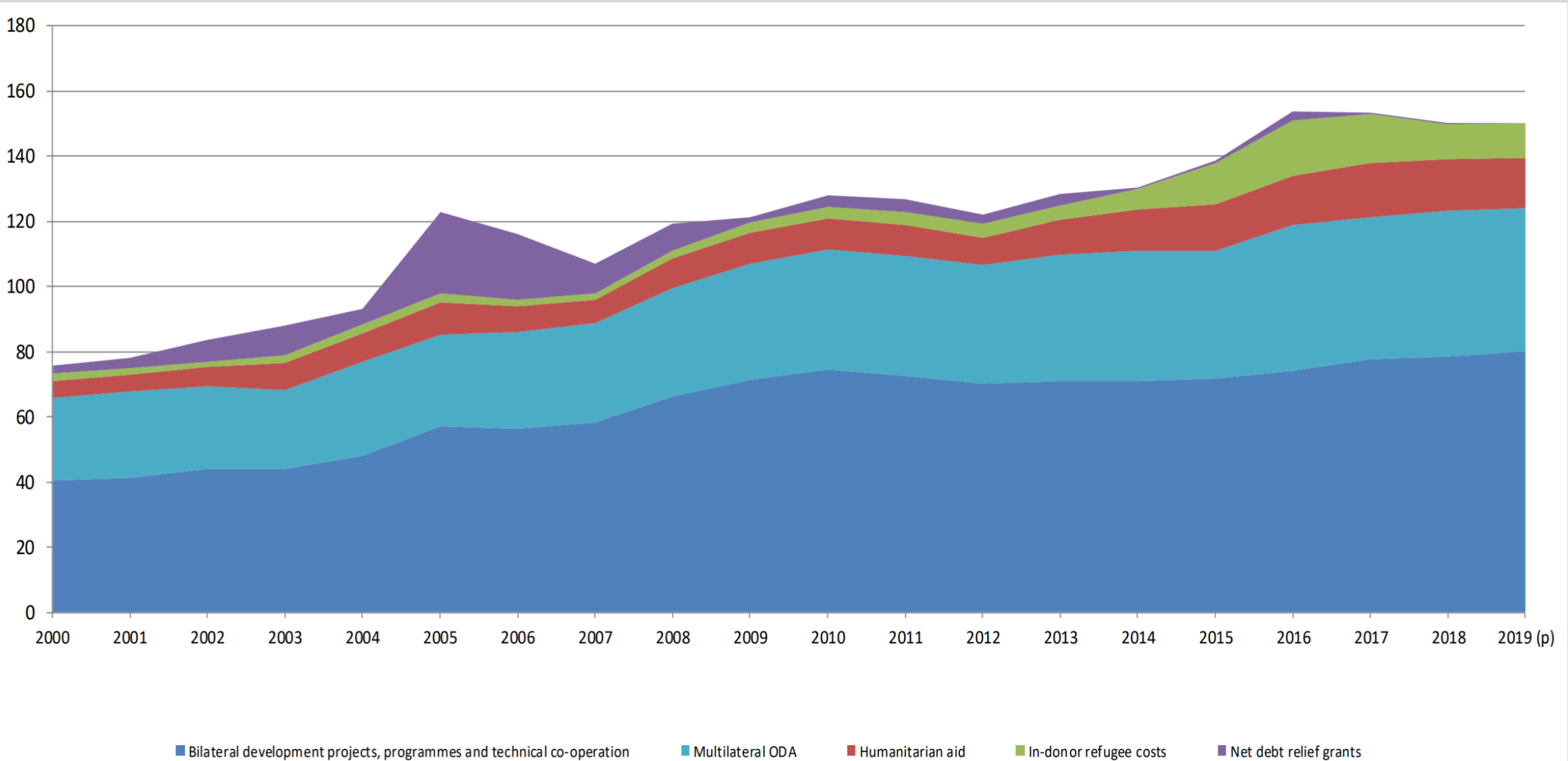
How are we doing on international development aid? Perceptions and issues.

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Are development aid and preferential tariffs a good leverage/negotiation instrument?

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Was the US Aid suspension to Myanmar in February automatic? Should it be?



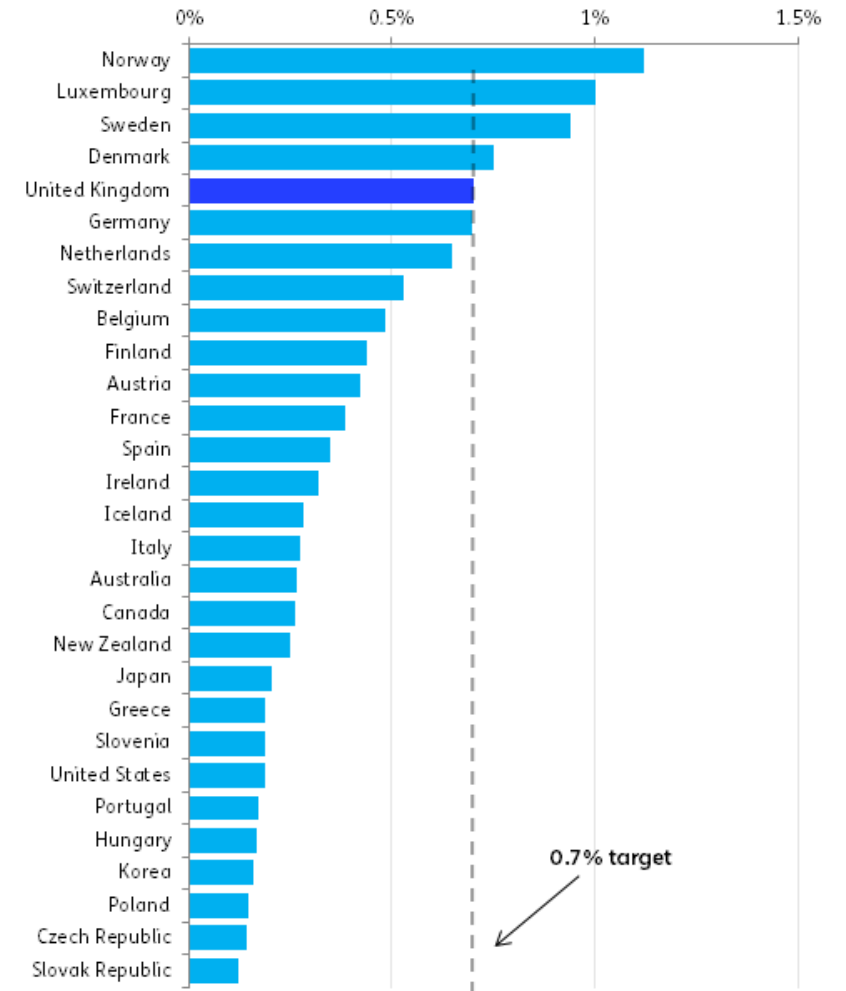
# Aid

- Bilateral, multilateral, tied, military, etc.
- Development, humanitarian, emergency, technical, medical, etc.
- Grants vs. loans vs. debt relief
- Bilateral aid does not mean it is uncoordinated
- Clearly represents the
- *What is the trend and why do the numbers jump around?*



## International aid rankings

Countries ranked by Overseas Development Assistance as a proportion of Gross National Income, 2016



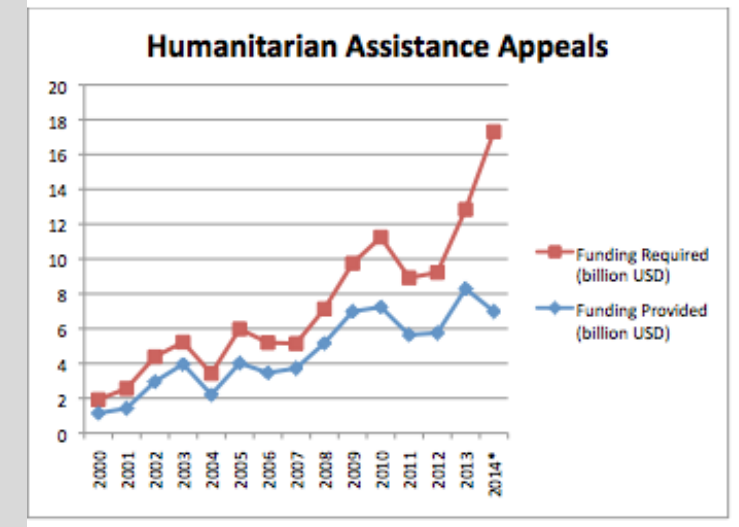
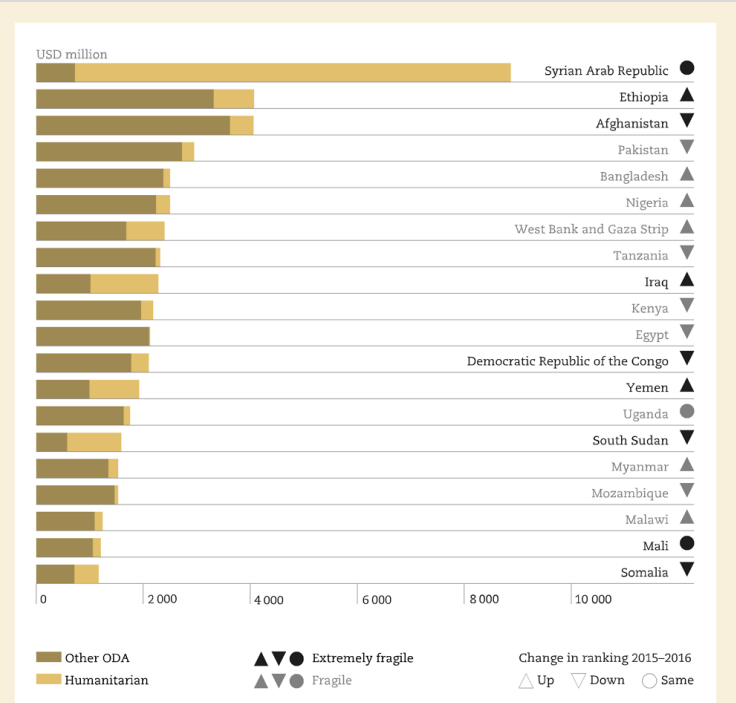
\* Countries listed are OECD countries on the Development Assistance Committee

# Humanitarian Aid

- **Humanitarian aid** is material or logistical **assistance** provided for **humanitarian** purposes, typically in response to **humanitarian** crises including natural disasters and man-made disaster. The primary objective of **humanitarian aid** is to
- **save lives, alleviate suffering, and maintain human dignity**
- **humanity - neutrality – impartiality**
- **Apolitical, non-conditional**
- aid is not just western/northern – local ties crucial
- **yet increasingly both politicized and weaponized**

# Humanitarian aid – conditionality

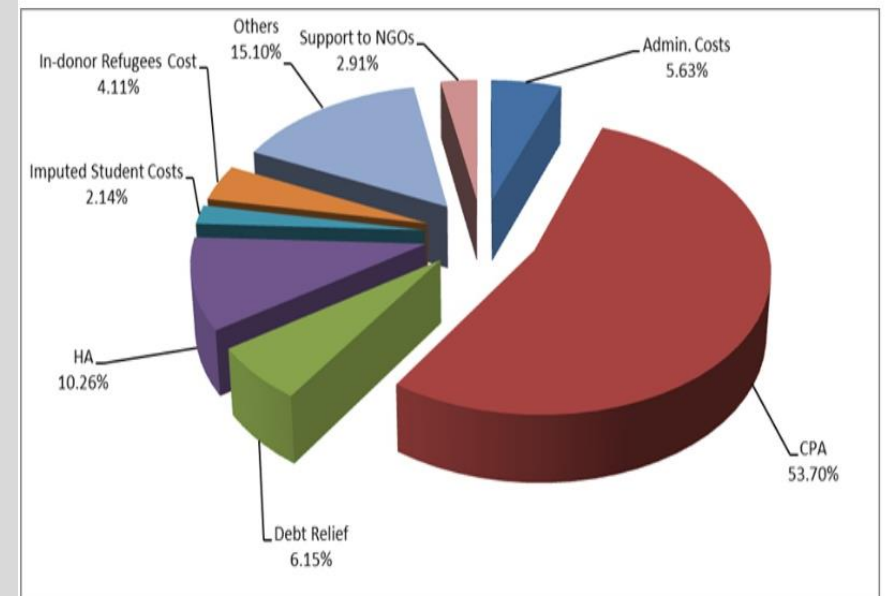
- **terrorism labeling** - leading to erroneous public perceptions of ideological fanatics with whom negotiations are impossible. Such labelling rarely helps humanitarian agencies seeking to deliver assistance to those in need.
- **targeted geographic distribution** – intentional distribution for relocation of popullace



# Development aid

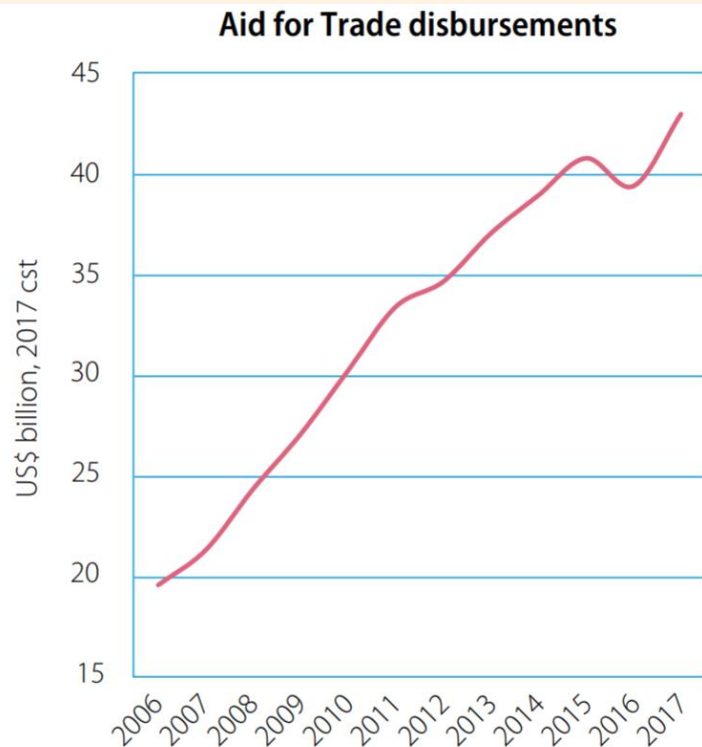
- **development aid** is financial aid given by governments and other agencies to support the economic, environmental, social, and political **development** of **developing** countries
- **development aid** (dubbed foreign aid) – the rest of the pie
  - aimed at prevention, stabilization, reconstruction, transition, democratization, nation building and all efforts supporting the peace process and peace durability
  - can be and often **is politicized**
  - impartiality and neutrality differs greatly between donor types (international financial institutions > IOs > NGOs > nation states)
  - Development aid displays clear “**preference patterns**”

**Bilateral ODA Composition: DAC Countries, total, 2011**





# Development aid conditionality



**US\$ 410 billion**

disbursed from 2006 to 2017

**US\$ 154.9 billion** to Asia

**US\$ 146.2 billion** to Africa

**US\$ 12.2 per capita** in least-developed countries (LDCs) in 2017

**US\$ 4.7 per capita** in non-LDCs in 2017

Source: OECD Creditor Reporting System Database

- bargaining chip due to **CONDITIONALITY**
- pledges and distributions are often wide apart
- **development aid** can be an attribute of “giving power” in third party involvement in negotiations
- development aid is further accompanied by establishing more durable links **or SUBSTITUTING aid by:**
  - **Aid for Trade, FDI, GSP**

*Evaluate this development*



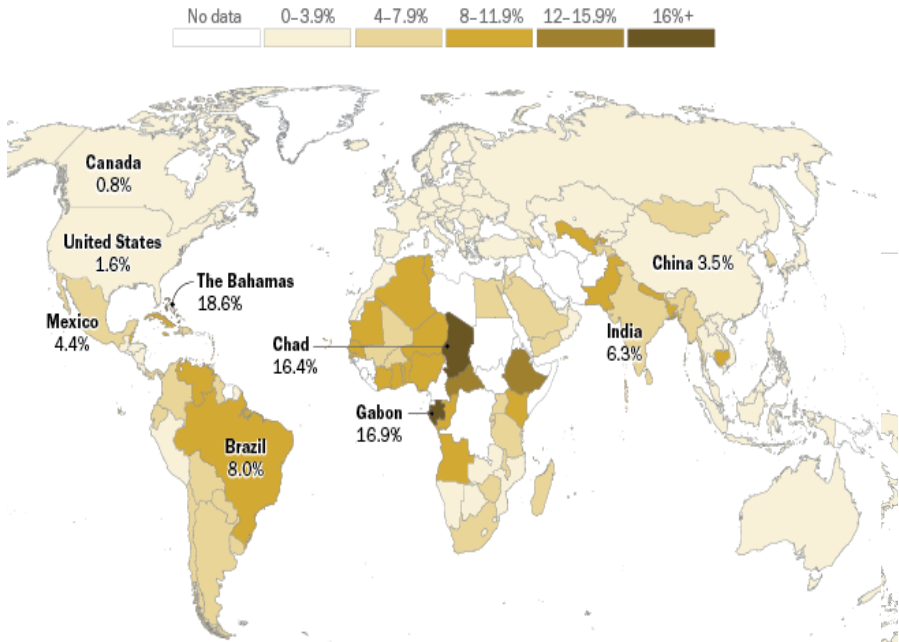
# EU GSP

As a tariff aid  
example

- [Generalised Scheme of Preferences](#)
- As you read in Portela (2014) – the system is tied by decisions of the EP, EC and conditions relate to the ILO, Climate, and Trade conventions
- offers more favorable market access to countries that qualify as economically “vulnerable” and that ratify and implement 27 international conventions relating to human and labor rights, the environment, and good governance (Bartels 2008)
- **significantly less flexible** in the EU procedures
- The EU has made use of GSP sanctions, or “downgrading,” in only three cases: Burma (1997, GSP), Belarus (2007, GSP), and Sri Lanka (2010, GSP+ removal). (Koch 2015)

## Globally, U.S. tariffs rank among the lowest

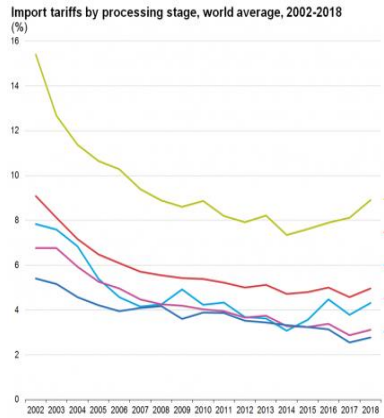
Tariff rate, applied, weighted mean, all products (2016)



Note: 2015 data for Azerbaijan, Bhutan, Cabo Verde, Comoros, Congo Republic, El Salvador, Ethiopia, Fiji, Guatemala, Honduras, Mauritania, Mongolia, Myanmar, Panama, Peru, Saudi Arabia, Sri Lanka, Thailand and Uzbekistan.  
Source: World Development Indicators, World Bank (data as of March 1, 2018).

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Source: World Development Indicators, World Bank (data as of March 1, 2018).



Once highly protective, U.S. tariffs are much lower today

Duties as a share (%) of the total value of \_\_\_\_, 1821-2017

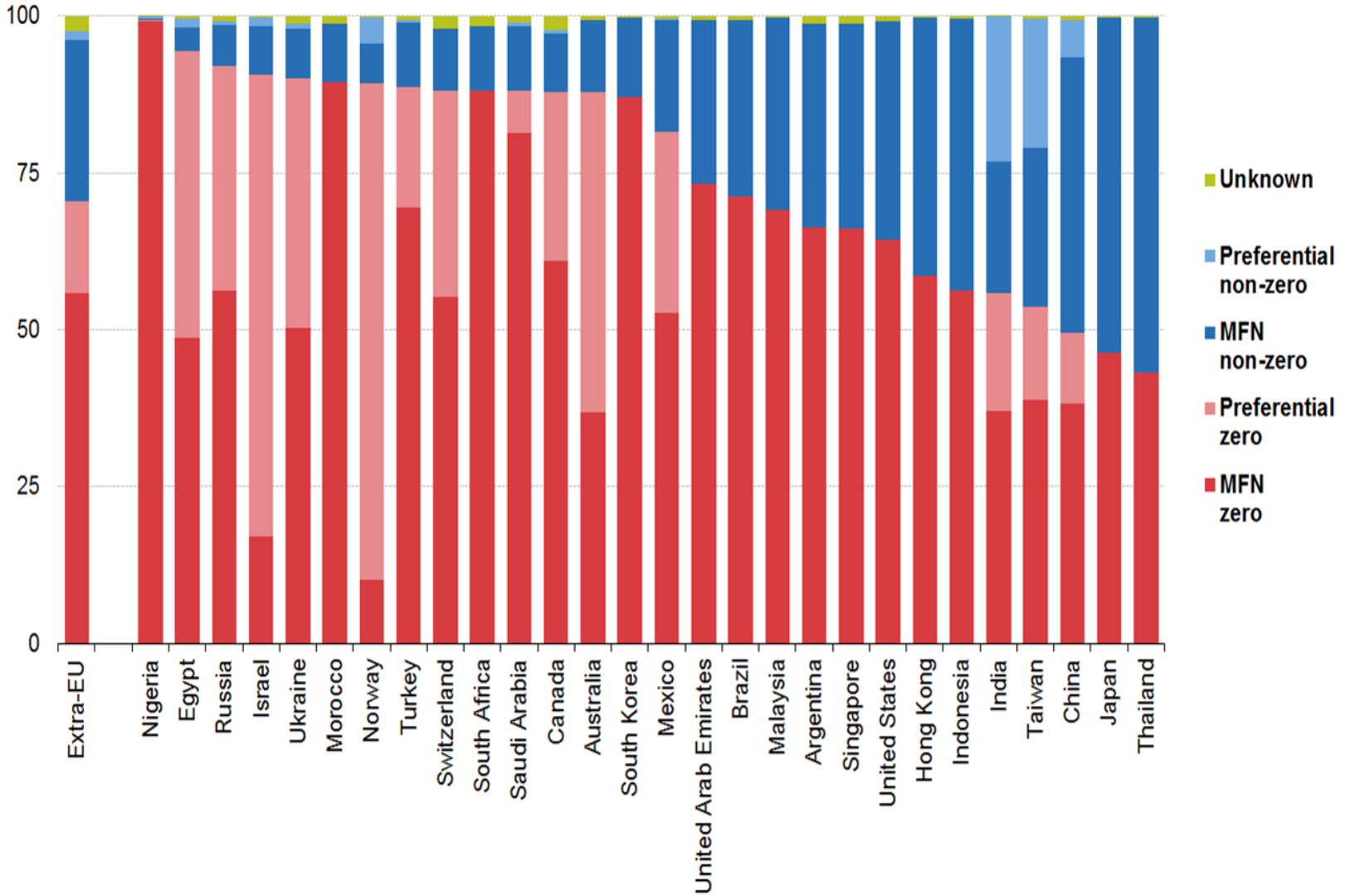


Note: "Dutiable Imports" refers to the value, as appraised by the U.S. Customs Service, of all Imported goods that are subject to import taxes or duties.  
Source: U.S. International Trade Commission; Federal Reserve Bank of St. Louis.

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## Imports of selected partners by tariff regime, EU-27, 2019

(%)

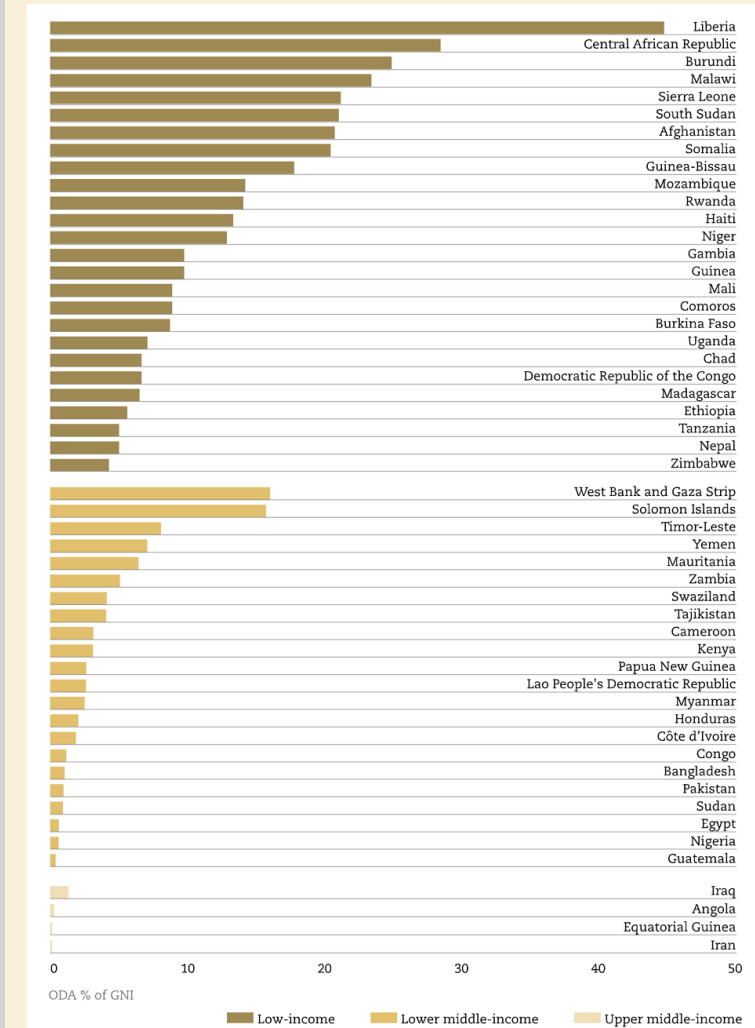


Note: ranked on the share of imports for which zero tariffs were applied. MFN tariffs: most-favoured nation regime. Preferential tariffs: generalised system of preferences (GSP) for developing countries, bilateral and multilateral regimes.

Source: Eurostat (online data code: DS-059044)

# Aid dependence makes conditionality impactful

- Aid dependence makes even this tool less utilizable for conditionality (OECD 2017)
- The use as leverage is dropping in precisely the countries of highest previous use
- If aid starts to come in the form of tariff aid, FDIs, GSP, it becomes even less flexible due to its indiscriminate factor



# Myanmar evolving regime

Myanmar is in GSP (Generalised Scheme of Preferences) under EBA

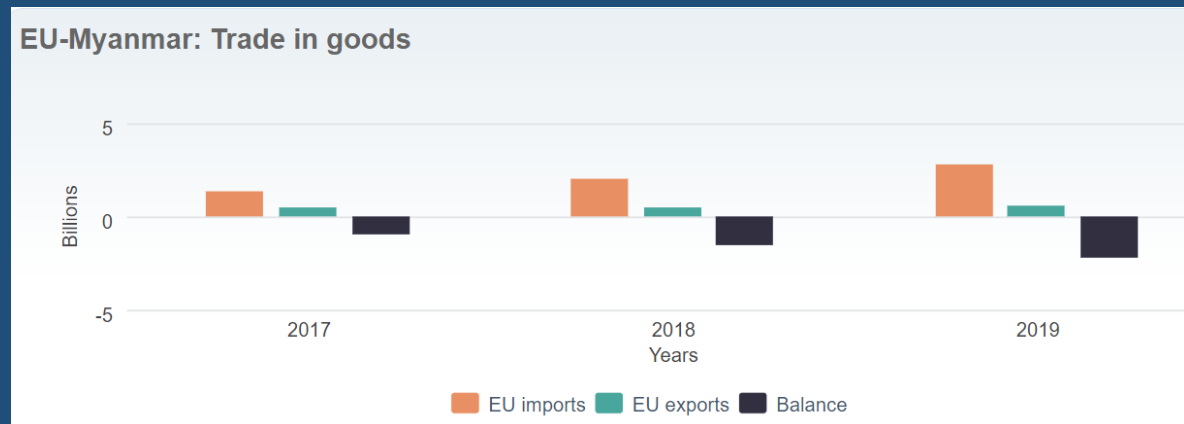
*EBA preferences can be removed if beneficiary countries fail to respect core human rights and labour rights.*

<https://ec.europa.eu/trade>

Can negotiation of the Tatmadaw and exile government be forced/encouraged by sanctions?

- Last week, the EU said it was **suspending development funds** to Myanmar, although it has so far **declined to freeze trade preferences** to one of Asia's poorest countries for fear of hitting mainly female workers in the textile sector.
- The EU's expected new sanctions, which are under preparation this week, **follow a U.S. decision** last month to **target the military and their business interests**.
- <https://www.reuters.com/article/us-myanmar-politics-eu-idUSKBN2B01D1>

- In 2019:
- Total trade between the two partners equalled €3.4 billion.
- The EU ranked as the third biggest trade partner of Myanmar (after China and Thailand), accounting for 11% of the country's total trade. Myanmar is the EU's 69th largest trading partner (accounting for 0.1% of the EU's total trade).
- The EU imported goods worth €2.8 billion from Myanmar. The key EU imports from Myanmar are dominated by textiles, footwear and agricultural products.
- The EU exported goods worth almost €609 million to Myanmar. The key EU exports to Myanmar are dominated by machinery, transport equipment and chemicals.



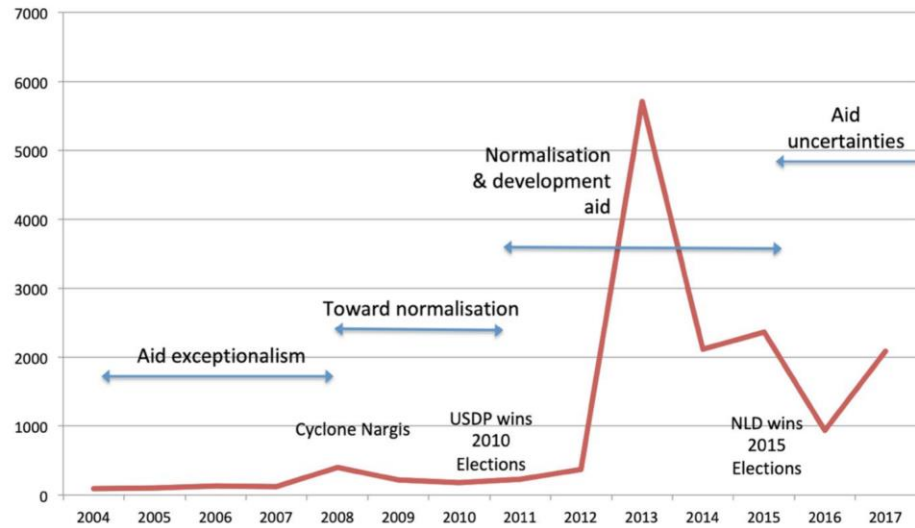
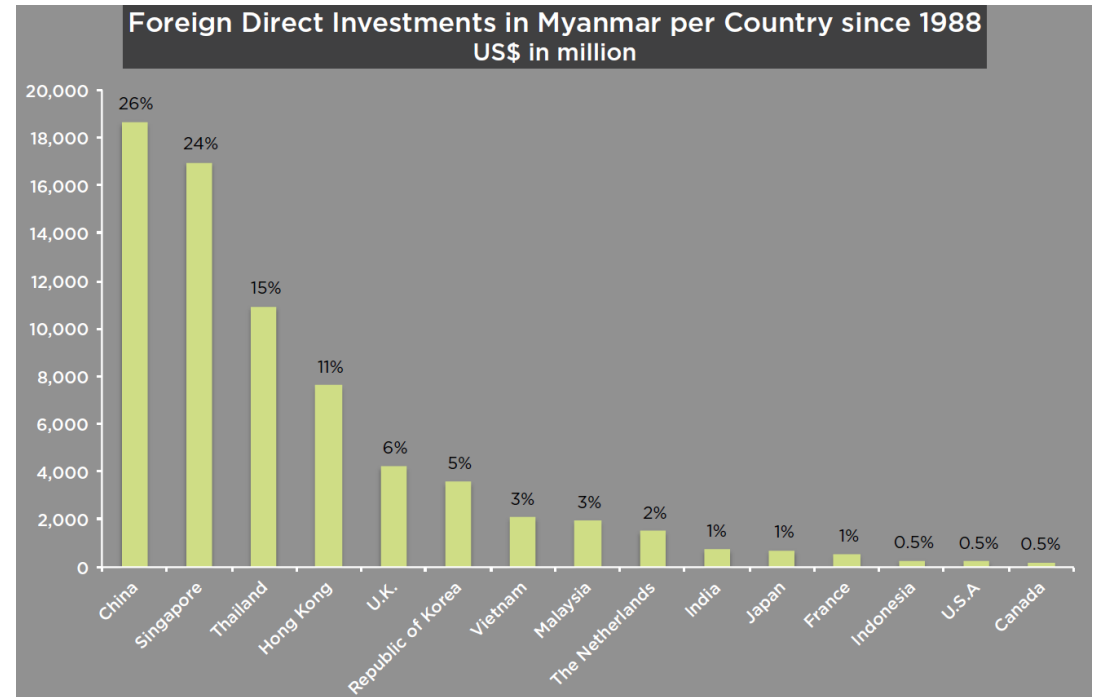
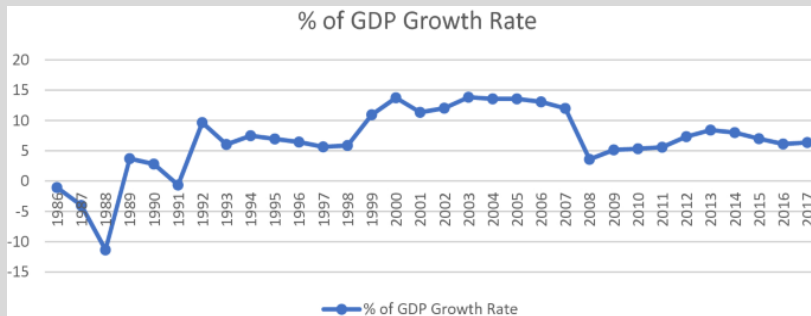


Fig.1 OECD Development Assistance Committee (DAC) country aid commitments to Myanmar 2004–2017, USD 2016 (millions). Original data: OECD creditor reporting system aid activity database (OECD 2019)



# Aid to Myanmar

- 2012 accompanied by mass sanction lifting
- Not only did the sums change, but the targets did
  - More government backed aid programmes meant devaluation of standing for prior ethnic minorities and further central encroachment
- The EU pulled GSP privileges in 1997, why did it do so?
- 2021, suspension of development aid (but that is now only 60million USD/annually)



# Conditionality of aid

- *Is it sufficient as leverage?*
  - *Think of only using this instrument in a case, why yes, or why not?*
- Traditional conditionality:
  - “the use of pressure, by the donor government, in terms of threatening to terminate aid, or actually terminating or reducing it, if conditions are not met by the recipient” (Stokke, 1995).



- For EU practice see assigned text
- Overwhelmingly in Sub-Saharan Africa

|                 | <b>Ex-ante</b>  | <b>Ex-post</b>   |
|-----------------|---|--|
| <b>Positive</b> | Conditions need to be fulfilled as a <i>prerequisite</i> to the granting of <i>benefits</i>             | Granting of <i>additional benefits</i> conditioned on performance <i>during the course of a relationship</i> |
| <b>Negative</b> | <i>Reducing or suspending</i> benefits <i>before</i> entering into beneficial cooperation or agreements | <i>Reducing, suspending or terminating</i> benefits <i>during the course of a relationship</i>               |

Figure 1. *Typology of political conditionality.*

# Books to look at for aid

