



European Union Framework¹

1. The European Union is very committed to the debate on Small States and in the international dialogue established on the Vulnerability Factor¹. In this context the European Community and its Member States are involved in the on-going activities connected with the Barbados Program of Action for the Small Island Developing States (SIDS) and the work carried out by the UN and some of its specialized agencies in helping SIDS to better adapt to the challenge of their sustainable development. During 1999 the European Commission produced the Report "*The EU's co-operation with SIDS in the Framework of the Barbados Program of Action*" and financed studies of UNEP, Universities, NGOs and some Regional Organizations in topics affecting the vulnerabilities of small states. These studies are showing that the Community Aid is contributing both to the Small States' trade concerns and the financing of programs and projects in the fourteen priority areas of intervention established by the Barbados Program of Action for the Sustainable Development of the Small Island Developing States: climate change and sea-level rise, natural and environmental disasters, management of wastes, coastal and marine resources, freshwater resources, land resources, energy resources, tourism resources, biodiversity resources, national institutions and administrative capacity, regional institutions and technical cooperation, transport and communications, science and technology, and human resource development.
2. The European Union has a comprehensive development policy that for historical reasons differentiates between the actions in favor of the ACP (Africa, Caribbean and Pacific) countries covered by the Lomé Partnership Convention; the Overseas British, French, Dutch, and Danish Territories; and the rest of Developing Countries in Asia, Latin America and the Mediterranean. In all cases the assistance to each individual country is flexible and adapted to the specific country circumstances and vulnerabilities. The EU can contribute its experience from the Lomé Convention in providing differential treatment to certain groups of countries including small island states and small landlocked states. Differentiated treatment includes aid allocation and preferential trade arrangements, e.g., quota systems for specific commodities. For most Small Developing States EU's Aid inflow is well above that of the developing countries average.
3. The European Union grants market access to products originating from developing countries including special treatment for ACP (under the Lomé Convention) and for other developing countries (under the Generalized System of Preferences Scheme (GSP)). The EU's present Trade regime with developing countries will change in the

¹ This text is extracted from *Small States: Meeting Challenges in the Global Economy*, Report of the Commonwealth Secretariat/World Bank Joint Task Force on Small States, Washington DC and London, April 2000.

future in order to better adapt to the World Trade Organization rules. Vulnerable Islands and Landlocked States will continue to benefit from maximum level of tariff preferences and trade promotion support.

4. The ACP-EU Partnership Agreement recognizes the specific difficulties confronted by island developing states and (during the negotiations for a Post-Lomé Agreement) the EU and the ACP group reaffirmed their attachment to maintaining special treatment for LDCs and to duly take into account the vulnerabilities of Small, Landlocked and Island ACP countries when discussing the role and importance of trade and services development as a means of enhancing developing countries competitiveness in the global economy.
5. Taking into consideration that small Caribbean banana-dependent countries are under threat (following the WTO's ruling against the EU banana regime) the EU is supporting the transition of the most banana-dependent economies to meet the challenge of globalization by improving competitiveness of the banana sector, by creating new activities to diversify from the traditional banana production, by financing new infrastructure and by retraining much of the labor force.
6. The EU is financing the establishment of the ACP office in Geneva to secure a more effective involvement of these small and disadvantaged economies in the WTO machinery and negotiations at the multilateral level.
7. The EU is paying considerable attention to foster the harmonious and gradual integration of the developing countries into a globalized and liberalized world economy. In this line EU support is provided for addressing supply and demand constraints, macroeconomic stability and structural adjustment at national and regional level and regional integration issues, especially important for small economies.
8. The European Union is the single major provider of grant aid to assist developing countries. In organizing financial and technical co-operation, the EU is ready to take into account the different needs of developing countries and regions in order to tailor the assistance to the specific circumstances of vulnerable, landlocked and Island ACP countries. In the joint effort to support the small states in implementing sound macroeconomic reforms and in establishing the grant resources available to them, the EU is ready to ensure flexibility and tailor assistance to evolving or changing country circumstances and needs. One of the results of the application of this principle is that the aid granted per capita to small states economies through National and Regional Indicative Programs financed by the European Development Fund is higher than that provided to bigger economies.
9. The EU agrees that regional co-operation is important for small states in many areas through which economies of scale can be attained. The European Commission therefore supports specific requests from the different regions in the Caribbean, Indian Ocean and Pacific in order to enhance regional co-operation in areas like capacity building at the regional level, information gathering and dissemination,

capacity building, training, environment, transport, research, technology, tourism, promotion of intra-regional trade, etc. This regional action will be reinforced in line with the Regional Economic Partnership Agreements (REPAs) foreseen for the future ACP-EU relations in order to arrive to a kind of relation WTO compatible.

10. Recognizing that instability of export earnings, particularly in the agricultural and mining sectors may adversely affect the development of the ACP States, the 2000 new ACP-EU Partnership Agreement establishes a system of additional grant support within the European Development Fund financial envelope for support to long term development. This support substitutes the traditional STABEX and SYSMIN previously operated to compensate the instability of export earnings in agriculture and mining sectors. Both systems foresee a more favorable treatment for LDC, landlocked and Island ACP states.
11. In the specific area of the management of environment and natural resources covered by the Barbados Program of Action for Small Island Developing States, the EU financially supported the preparation of three separate reports within the framework of the United Nations Environment Program Global Environment Outlook for the Caribbean, Indian Ocean and Pacific Region. These reports have been prepared by regional organizations in the three regions and have been officially launched during the 22nd Special Session of the UN General Assembly for the review and appraisal of the implementation of the Barbados Program of Action for the Sustainable Development of Small Island Developing States held in New York in September 1999. The reports describe environmental trends, policy responses and emerging issues for the small states and provide basis for national governments action.
12. In the specific area of natural disaster prevention, the European Community Humanitarian Office (ECHO) has created a Disaster Prevention, Mitigation and Preparedness Program for Caribbean states vulnerable to natural catastrophes. Taking a diagnostic approach to identifying hazards and assessing the vulnerability of the people, and the existing capacity to respond to disasters. Risk maps are being drawn up and proactive strategies developed to reduce the impact of future hurricanes, volcanoes, earthquakes and floods. In the Indian Ocean support to regional meteorological co-operation is on-going. In the Pacific Region support for a cyclone warning system has been decided.
13. Recognizing the importance which both the EU and the ACP Countries attach to the private sector as a primer mover of economic development, the New 2000 Partnership ACP-EU Agreement creates a new investment facility for the support of private and business sector development in the ACPs. The Facility will be managed by the European Investment Bank (EIB) as a revolving fund, enabling net income earned by the Facility to be reinvested in the ACPs. The Facility will be able to offer a range of financial instruments including equity, quasi-equity instruments and risk sharing or subordinated loans. In general the Facility will be invested on market related terms, taking into account the risk element in a particular transaction. For small states the risks covered in these operations, could, subject to a more detailed study, be broadened out from purely commercial risks to include some of the weather and

environmental risks to which these countries are vulnerable. Moreover, in appropriate cases, the new EU-ACP Partnership Agreement allows more concessional terms to be made available. It is envisaged that a significant proportion of the Facility resources will be made available through financial intermediaries in the ACP concerned, but, for small island states, there will be an increasing emphasis on regional financial institutions where these exist and effectively serve the interests of the countries concerned.