Asia-Europe Meeting

A new Asia-Europe partnership for development

By Shada Islam

It used to be fairly simple – but it did not get results. Aid from rich industrialized countries to poorer ones was seen as the key to growth and development. Ministers and officials spent hours haggling over aid packages and critics routinely referred "hand-outs" to poor countries.

Official aid from rich to poor countries remains a vital tool in the combat against poverty. However, for many middle-income countries in Asia, such assistance is dwarfed by private sector financial transfers.

In the 21st Century, working for growth and development is no longer merely about increasing development aid.

This is particularly true in Asia where many countries are progressing from low-income to middle-income status. True, while extreme poverty is still a reality in Asia, many countries in the region have developed through domestic effort, trade and access to private financial flows – with little aid.

Andris Piebalgs, European Commissioner responsible for development told an ASEM conference in Yogyakarta, Indonesia, on May 26, the changes prompted by Asia's rise demand a rethink of EU development aid to the region. "We can't treat China the same way as Cambodia," he said.

"In some countries it is about putting in place basic services, in others it is about accompanying growth, jobs and development…we will listen to countries needs and adapt our instruments and cooperation," the Commissioner told the 200 high-level Asian and European experts and officials as well as representatives of international organizations and civil-society groups, attending the meeting in Yogyakarta.

Certainly, poverty-alleviation is still an over-arching global challenge. An estimated 1.4 billion people continue to live in extreme poverty and, according to the World Bank, the current global economic crisis will take a serious toll, with as many as another 53 million people being thrust into living on less than $1.25 a day, the definition of "extreme poverty".

The meeting in Indonesia noted countries' commitment to pursue the goal of poverty eradication and achieve the anti-poverty Millennium Development Goals (MDGs), adopted by world leaders in 2000 - and which call on developed countries to set aside 0.7 per cent of their GNI (gross national income) for Official Development Assistance (ODA) by 2015.

The current economic crisis has shown that aid is still very important in poorer Asian countries such as Afghanistan where it represents about 45% of GDP. But in larger countries, aid accounts for much less in terms of GDP: in India, 0.18% and in Indonesia, 0.24%. In addition, progress in achieving the MDGs is patchy, a point likely to be made when world leaders meet in New York for a review conference in September this year.

Sustainable development hinges on more than aid. As Koos Richelle, Director General for Development at the European Commission pointed out in Manila, aid has "never got countries out of poverty." Growth and development comes from "the policy of the country and efforts of the people," he said.

Crucially, ensuring growth requires the mobilization of a range of "non-aid" policies to support development. It is conditional on good governance – including fair taxation and anti-corruption action - adopted by national governments. The focus is on political and economic reform and building market economies. Development cannot be imposed from outside, it has to be "owned" by countries. Developing countries have to implement the correct policies and strategies, involving both state and non-state actors.

"We wish to work in a spirit where countries take ownership of their own development…we don't have any longer a donor-recipient approach but work as equal partners in a challenging global village," said Piebalgs.

In other words, development cooperation is no longer about charity, it is about enlightened mutual self-interest. As China has illustrated, in an inter-connected globalised world, an increase in prosperity in one country or region translates into rising trade, investments and sales in other parts of the world.

ASEM provides a good framework for innovative and creative thinking on how to make aid more effective, ensure better coordination among donors, facilitate trade and encourage open markets. Encouraging private investments and financial flows, fostering public-private partnerships, bolstering the work of civil society actors and ensuring policy coherence so that all international policies work in the same direction – namely to reduce poverty, hunger and disease – are important.

"Smarter aid", ie assistance that is more selective, innovative and effective, has to be the name of the game.

These and other issues need to be explored further within the ASEM context.

First, because the EU is the largest provider of ODA in the world, giving almost 4 billion euros a year in assistance to the less well-off Asian countries which are members of ASEM.

Second, there are still many people living in extreme poverty in Asia.

Third, there is a compelling need for stronger cooperation and coordination between the EU and Asian countries which are also aid donors, including Japan and China and also India.

Fourth, the EU and Asian countries need to reassess whether aid development cooperation should continue to play a significant role in Asia's middle income countries and emerging economies – China, India, Indonesia, Malaysia and Thailand – or whether it is time to look at other ways of raising development resources.

At a time when overall aid resources are limited, there is an argument in favour of focusing development funds on poorer Asian countries. This does not mean ignoring the plight of poor people in Asia's middle-income countries; but it does require that more creative thinking is used to raise funds in such nations.

"EU aid should act as a catalyst for additional investment," Pielbags told the meeting in Yogyakarta, "…it should be used in a way that one euro generates two or more additional euros." Having given a 200 million euro grant to Indonesia's Ministry of Education and announced the setting up of an Asian Investment Facility, Piebalgs also said Europe would work to unlock the power of trade and investment, support infrastructure projects but also help countries in health and education.

The meeting in Yogyakarta underlined that "Europe and Asia are engaged in a multi-dimensional partnership that goes beyond aid." The ASEM 8 summit in Brussels on October 4-5 will provide another opportunity for Asian and European leaders to elaborate on forging a new partnership which goes further – much further – than aid.

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Note: ***Asia-Europe Meeting*** was launched in 1996 as an informal forum for discussion between Asian and European countries. The current ASEM partners are: Austria, Belgium, Brunei Darussalam, Bulgaria, Cambodia, China, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, India, Indonesia, Ireland, Italy, Japan, Laos, Latvia, Lithuania, Luxembourg, Malaysia, Malta, Mongolia, Myanmar, Pakistan, Poland, Portugal, Republic of Korea, Romania, Singapore, Slovakia, Slovenia, Spain, Sweden, Thailand, The Netherlands, The Philippines, United Kingdom, Vietnam, the ASEAN Secretariat and the European Commission. At the ASEM 8 Summit in Brussels (4-5.10.2010), Australia, Russia and New Zealand will officially join ASEM.

Shada Islam is a journalist in Brussels with a long experience of EU-Asia relations. This is a part of a series of articles being published by "Particip" an independent, internationally-recognised consultancy, which is under contract to the European Commission, to look at different aspects of the multi-faceted Asia-Europe relationship.