



The iSPER Brexit Series

PAPER V:

The potential impact of Brexit on the UK's International Development policies

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Since the British public voted to leave the European Union, there has been widespread conjecture as governments across Europe and beyond try to assess the political and social ramifications of the result. There is no question that Brexit has the potential to impact on all aspects of our day-to-day lives, from education to the economy, health and housing, trade and travel, and much more besides.

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1. Summary

It is an imperative for the UK to maintain a strong international development policy. Apart from being the right thing to do, it will help maintain its reputation and international networks. Pressures to turn inward and to retreat from international commitments should be resisted. To that end the key recommendations of this paper include:

- The UK should agree to continue to take part in the non-legally binding forms of European cooperation on development policy. This should include continuing to contribute to the European Development Fund and ensuring that it continues to be involved in decisions on how the fund is run.
- Assuming that the UK leaves the EU's customs union, the UK should unilaterally grant the existing EU trade preferences for developing countries to its own market.

2. Purpose of Paper

This paper's purpose is to make policy recommendations on the relationship between the UK, developing countries and the European Union after Brexit. The European Union is the major global aid and trade partner of developing countries and all parties have a responsibility to ensure that poorer countries do not suffer from the UK's exit. From the UK's point of view, a commitment to maintaining a strong international development policy will help counteract the global impression that Brexit is a turn towards isolation/insularity. Also, although there is no 'silver bullet' to the problems of migration and insecurity facing the UK and the rest of Europe, it is clear that an effective global development policy is part of the solution.

3. Assumptions and Uncertainties

This paper is premised on the following assumptions:

- The economic outlook for the UK in the short to medium term is volatile and this may lead to pressure to either reduce the aid budget or use it more directly for British commercial interests.
- While there is much debate over whether 'aid works' (in fact there are many different forms of aid so the question can't be answered definitively), and aid delivery is fraught with problems, there is evidence that aid can deliver real social and economic benefits. Other levers of development policy, including trade, are even more important than aid.

It is also worth noting that the implications of Brexit and the applicability of the paper's recommendations will be influenced by the following uncertainties:

- The UK's future trade relationship with the EU is uncertain and this will affect its trade relationship with developing countries.
- It is not clear when the UK will definitively leave the EU (the target is 2019 but there will probably be transition periods).

4. The global context for development policy

- Apart from its EU commitments the UK is signed up to various international development 'regimes'. These include the Paris Principles on Aid Effectiveness that outlines principles for how development aid should work (for example donors agree to coordinate their aid to avoid overlapping and excessive bureaucracy).
- More recently the globally agreed Sustainable Development Goals/SDGs (approved in September 2015) call for unprecedented cooperation between donors and other stakeholders. These are 17 core global goals that all countries agree to support and work towards achieving by 2030 (including ending hunger and eradicating extreme poverty).
- The UK has been a major player within the international development community. [It is one of few countries to spend 0.7% of its GDP on international aid, and its annual overseas aid budget is approximately £12 billion.](#) Former Prime Minister David Cameron was a joint chair of the UN Secretary General's High Level Panel on the SDGs.
- The value of the UK's aid budget has already been effectively reduced since the Brexit vote due to the sharp decline in the value of the pound.

5. The EU context for development policy

- Within the European Union, policy areas such as development aid are of what is called 'mixed competence': the EU has a policy, an EU-managed set of aid policies from Brussels, but member states also retain their own independent aid policies.
- There are also EU-led efforts to coordinate the independent national aid policies and processes of European states (agreements to coordinate strategic planning, harmonise procedures, funding priorities etc.) but these are not legally binding.
- Within the EU the situation is further complicated by the fact that the [European Development Fund](#) is an 'EU-managed' aid fund which is separate from the EU budget. It goes to African, Caribbean and Pacific countries and has been allocated €30.5 billion for the period 2014-2020.
- It is vital to remember that development policy goes beyond aid and includes areas such as trade policy (in particular), energy, education/research, climate change and so forth.
- Trade is a particularly pressing policy area. The EU offers a series of 'trade preferences' to developing countries. The GSP/ Generalised System of Preferences provides tariff reductions to all developing countries. The 'Everything but Arms Initiative' offers greater market access (zero tariffs) for most products from Least Developed Countries (those classed as the poorest and most vulnerable).

6. Recommendations: Development Aid Policy

- **The UK should maintain its aid budget at the current rate.** Although large in everyday terms it is a small proportion of overall spending (the total devoted to foreign aid represents [less than 2% of total government expenditure](#)).
- At the same time **the UK should redouble efforts to ensure that its aid is well spent.** There can be a problem with having rigorous annual spending targets for specific departments. This can lead to poor decision-making when officials feel under pressure to disburse their money to achieve said targets. However, a broad political commitment on development aid does not have to require inflexible annual spending targets for particular sectors. Money unused in a given year could be donated to a worthy humanitarian fund or kept in reserve for future projects. The 0.7% commitment doesn't have to lead to a 'spend it or lose it' culture.
- **Generally, the UK should agree to continue to take part in the non-legally binding forms of European cooperation on development policy.** This would include monitoring and peer review of states' alignment with the Sustainable Development Goals. This form of cooperation has no implications for sovereignty but can help to promote good practice and reduce contradictions/incoherence between different policies.
- **The UK should continue to contribute to the European Development Fund,** which has been evaluated as one of the most effective EU development instruments. This would involve ensuring some form of representation for the UK in how the Fund is run. The fund collectively is much more than what the UK could provide on its own and can help maintain its influence in areas such as Africa.

In the case of each of these actions there are diplomatic/political benefits in showing that the UK is still willing to take part in and contribute to European cooperation. The European level can be a power multiplier for influence over global development policy.

7. Recommendations: Trade and Development Policy

- **The UK should resist any temptation to use its aid budget as leverage to force developing countries to sign trade agreements with it.** This kind of crude pressure is unlikely to work in any case. Most aid goes to very poor countries (such as Ethiopia and Bangladesh) which do not present lucrative trading opportunities for UK business. If the UK did divert more of its aid towards larger developing countries such as India and Brazil, its aid budget would not be enough to act as a lever of influence over such powerful countries.
- **Even if the UK leaves the EU's customs union, it should unilaterally grant the existing EU trade preferences for developing countries** (that is the General System of Preferences and the Everything but Arms initiative) to its own market. Many countries rely on these preferences and reduced market access to the UK could cause a lot of suffering. A political declaration of the intention to do

this could be made immediately to reduce any uncertainty for developing countries.

Apart from being ethically correct these actions could buttress the UK's case to maintain the lucrative free trade agreements the EU has with countries such as South Korea, South Africa and Mexico, as well as the rights it has accumulated in the WTO as an EU member.

8. Risks

- Public support for the UK's large development aid budget is volatile and the aid budget is frequently criticised in the more right-leaning press.
- If the Brexit negotiations go badly and the UK economy suffers dramatically, pressure will rise for a much more aggressive commercial policy (in the developing world and elsewhere) and the use of 'tied aid' to promote British companies.
- Remaining a part of European peer review and coordination processes may jar with leave supporters, although in fact there are no sovereignty implications from this.

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