

EU to cut aid to Malaysia, other emerging economies
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By Debra Chong

KUALA LUMPUR, Dec 8 — Malaysia is among several fast-growing economies that are about to lose funds from the European Union (EU) from 2014, the Financial Times (FT) reported today.

The international business daily cited the European Commission, the bloc's executive arm, as saying it plans to halt paying aid worth hundreds of millions in euros a year spent in 17 countries following a review into its developmental programmes as they graduate to "new partnerships" that are not based on bilateral aid.

A picture illustration shows euro banknotes outside the European Commission headquarters in Brussels. Malaysia will no longer get aid from 2014 when the new EU policy is enforced. — Reuters pic

Malaysia, along with Indonesia, Thailand, Argentina, Colombia and Peru, will no longer get aid from 2014 when the new EU policy is enforced, the paper said.

FT reported that under the current funding plan, the EU pumps €423 million (RM1,776 million) directly into Indonesia's treasury to plug the shortfall into its national budget. It was silent on how much it spends on Malaysia.

In contrast, the EU — which set up a delegation here in 2003 — appears to not have a fixed country budget for Malaysia but takes a multi-policy dialogue approach based on an EU-Malaysia Strategy Paper (2007-2013).

In the first four years of the agreement, it budgeted €8 million to support a range of programmes in six areas including trade and investment; human capital; human rights; governance and migration, according to that report.

The EU had previously allocated €5.6 million for projects on trade and investment facilitation and higher education, from 2002 to 2006.

Between 2005 and 2007, over 100 students were offered scholarships under the Erasmus Mundus programme to further their studies in Europe under a broad range of subjects, such as aeronautics and space to agricultural studies and rural development.

The EU has also provided nearly €1 million under a small-grants programme for operations focused on indigenous communities living in and from the forests, which it noted were among the poorest in the country. It noted too 20 ongoing small-grants projects managed directly by these communities in the peninsula and Sabah and Sarawak.

According to FT, the new policy is ostensibly to help spur economic growth in the world's poor countries where the EU funds will see more concrete growth.

"[The budget] has been prepared taking into account the new realities of the world," the EU's development commissioner Andris Piebalgs was cited as saying, adding "our focus will be on where the EU really adds value."

The paper highlighted that the shift underscores the fact that the “fragile” European economy is more likely to need rescue from the world’s rising economic superpowers, such as China and India.

In recent months, Europe has been seeking to tap sovereign investors from emerging economies to help finance instruments for the eurozone bail-out.

“It’s a sign of the times,” FT reported Thomas Klau, a European Council fellow on foreign relations, saying.

“Both in that Europe is looking for ways to reduce spending, but also of the growing strength of some [emerging] economies. It is bringing European policies up to date,” he added.

The business paper reported the commission saying its overall spending on bilateral aid will not drop.

Brussels, where the commission is headquartered, will continue to have an annual budget of €10 billion from 2014, up by nearly a fifth on current amounts, it said, but added that it excluded overseas aid administered directly by member states of the EU.

FT reported that the European commission is likely to spend on initiatives that deal with global warming, environmental issues that are already taking up a quarter of its funds, with education and health biting into another 20 per cent.

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