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Evaluation of the European Union's International
Development Policy: Opportunities of the Trade Policy
Instruments

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1. INTRODUCTION

Nowadays, there are several, so-called global challenges that cross borders and need international cooperation to resolve them (Simai 2008, UN 2011). Out of these challenges more are related to the economic (and social, political, institutional) underdevelopment of the developing countries. As a result, it is an essential question to improve the economic situation of the developing countries and to reach economic (and social) development. It cannot be accepted morally that the majority of the population in the developing countries is affected by – extreme – poverty (those who live on less than 1 dollar) and starvation, and the social differences are large. Nevertheless, this problem has impact on the international community as well: because of the globalization, accelerated liberalization, abolishment of the national borders, migration, threatening international terrorism, danger of epidemics, environmental pollution and the ineffective use of scarce resources, the research of the potential of the developing countries has become a security question. Consequently, *development* and *development cooperation* are emphasized in the international relations.

Since 1950-60, several international organisations have been established to handle and solve the unfavourable situation of the developing countries, though their development activities were influenced by the theories of the development economics. In spite of the growing financial resources, the effectiveness of the external interventions can be questioned: the World Bank itself provided 2.3 trillion dollar development assistance to the developing countries in 60 years, but the poverty remained an important problem in these countries (Weller and Yi-Chong 2009).

Nowadays, beside the development aid, concessional loans and other financial resources, there is a growing place for the (neo)classical approach saying that participation in the international trade may contribute to the economic development and poverty eradication (Dollar and Kraay 2003, Hallaert and Munro 2009). It is signed by “Trade not aid” (UNCTAD 2008). There are several signs that the international organizations and the international community accept this thesis – this let me assume that improving the participation in international trade appears as a development instrument beside the traditional financial resources. Furthermore, it is still a relevant question how much the developing countries need to open up their economy to reach development (Hout 1996). Therefore, the dissertation focuses on the relationship between the participation in international trade and economic development. It analyses whether strengthening the participation in international trade can be accepted as a development instrument.

Several factors prove the relevancy of this research subject. The globalization fosters liberalization (and vice versa), and it urges the liberalization to come true. The liberalization process in the framework of the World Trade Organization (WTO) forces the countries to take part in the international division of labour. Furthermore, the WTO has 153 members, therefore there is no chance to avoid the liberalization. Since the beginning of the 1990s, the number of the regional agreements has been growing (reaching more than 300, recently), and their focus is on providing trade preferences for the contracting parties or build up a free trade area (WTO 2011). Moreover, a number of official documents issued by international organizations contains the concept of international trade as a development instrument (see, for instance, UN 2000, UN 2003, UNCTAD 2005). As a result of it, and to ensure a more effective participation and sustainability the concentrated aid activity has been started since the middle of 2000, based on the Aid for Trade (AfT). The Aid for Trade initiative is not tied aid (principally) but concentrates on the development trade related infrastructure and institutions. So instead of Trade, not aid the concept of Aid for Trade is in the centre (*Huchet-Bourdon et al 2009*). However, these concepts cannot be separated from each other, because both of them aim to improve the participation in international trade.

Earlier, the relationship between export promotion and import substitution, and trade and economic growth were analysed from many points of view, but these investigations did not deal with the potential impacts of external interventions. Therefore, this dissertation evaluates the international development policy of the European Union through the effectiveness of the trade policy instruments. Several factors prove this selection. First, analysing the effectiveness of the EU's development cooperation with statistical methods is in the background (Arts and Dickson 2004). Second, the EU has been providing trade preferences for most developing countries for a long time, and many of them can enjoy non-reciprocity preferences. The basis for this is the four Lomé Conventions which were in effect between 1975 and 2000. The EU concluded them with the African, Caribbean and Pacific (ACP) countries. These conventions ensured the ACP countries free market access to the European markets in a contractual form. Furthermore, the conventions covered the following areas, as well: industrial cooperation, modernization, technological cooperation, financial assistance to compensate the decreasing export income and free movement of capital. Consequently, the Lomé Conventions and their preferences can be accepted as parts of the EU's development cooperation. The preferences provided in long term and contractual form enables the long term investigation. The actuality (and the necessity of the analysis is signed

by the fact that after the Lomé Conventions expired, the Cotonou Agreement is in force and the Economic Partnership Agreements are under negotiations. Furthermore, the official EU documents contain the role of international trade in the development policy directly. And the Community follows the international initiative: it accepted its own Aid for Trade strategy.

2. OBJECTIVES OF THE RESEARCH

According to the facts mentioned above, the research objective of this dissertation is to analyse how much effective the European Union's development cooperation is focusing on the trade policy instruments: if there is relationship between the participation in international trade and economic growth and development, what kind of results this EU activity has. The effectiveness is analysed from the point of view of the developing countries, and I investigate how the countries having the closes relations with the EU perform compared to the countries obtained less preferences from the EU.

In order to give a comprehensive picture of the European development policy, the evaluation of the past and present (future) activity is prepared. The analysis of the earlier (past) activity is based on effects of the Lomé Conventions, while the results of the current activity are ensured by the analysis of the Aid for Trade. The Aid for Trade may explain further development potentials compared to the Lomé Conventions. These questions are investigated by two empirical analyses, and I test the following hypotheses based on the lessons of the theoretical review:

Hypothesis 1: The economic performance of the ACP countries related to the Lomé Conventions is more favourable after the Lomé-system compared to the economic performance of the non-ACP countries.

Hypothesis 2: According to the economic indicators based on the interventional areas of the Lomé Conventions, the ACP countries can be divided into more, homogeneous groups.

Hypothesis 3: The Aid for Trade initiative according to its objectives and interventional areas fits to the EU's development cooperation, and it contributes to the improvement of the effectiveness of other development instruments.

Hypothesis 4: The ACP countries obtain more Aid for Trade assistance than the non-ACP countries, and the trade expansion effects of the assistance are larger in the ACP countries than the other countries.

Hypothesis 5: The EU's trade policy instruments aiming at development contribute to the economic development of the ACP countries.

3. STRUCTURE OF THE DISSERTATION

The structure of the dissertation can be divided into two larger parts, containing two chapters. The first larger part gives a theoretical framework for the research, while the second block investigates all of these through the practice of the European Union. The logic is the following. The second chapter details the concepts used in the dissertation. Because the analysis of the economy of the developing countries is the main point, it is necessary to determine unambiguously these countries and to describe the factors that hinder their development.

The third chapter details the role of international aid activity and international trade in economic development. Since the Aid for Trade is a financial assistance to improve the supply-side capacity of the developing countries, and I empirically test its effectiveness, there is no opportunity to avoid the questions of international development cooperation. Therefore, I detail the most dilemmas of the development cooperation, the main reasons of its low effectiveness, and I analyse in which circumstances it may be effective. Then, I introduce the development role of international trade. The first part details the export promotion and import substitution: both have the aim to launch economic development. The review of the international literature on the relationship between the international trade and economic growth and development aims to determine in which circumstances the international trade may have significant role. In the last part of the chapter, I introduce the contents and international opinions of the Aid for Trade initiative. The international literature is optimistic about the trade expansion and trade costs reduction impacts of the AfT.

The lessons of these theoretical approaches are analysed through the activity of the European Union. I divide the EU's activity for two parts based on whether the reciprocal or non-reciprocal trade preferences were dominant in a certain period. So, the fourth chapter evaluates the EU's development policy till the Millennium: the non-reciprocal trade preferences were dominant at that time. I introduce the financial and trade policy instruments of the European development policy and the preference pyramid: the deepest relationship

appears with the ACP countries. The basis is the Lomé Conventions, and I detail its mechanism and results. I find the weakness of the wide literature used during the research that analysing the (mainly trade) impacts of the conventions is not based on empirical research. I assume that these conventions are beyond a simple trade agreement, therefore I prepared my own empirical analysis on their wider economic effects. This chapter contains the methodological issues and the final results, as well. Finally, I present the factors which could influence the effects of the conventions and which may be the weakness of the EU's development policy offering further development potentials.

The last chapter introduces the features of the EU's development policy after the Millennium: the reciprocal preferences became dominant. I detail the newest agreements (Cotonou Partnership Agreement, Economic Partnership Agreements), and I present what kind of role the Aid for Trade may have in the EU's development policy. I test empirically the trade expansion effects of the Aid for Trade. I analyse how much the total AfT and the assistance on its different sub-areas (economic infrastructure, improvement of productive capacity and trade policy and regulations) contribute to the trade expansion between the partners, reflecting the differences between the ACP and non-ACP countries. Since the Aid for Trade supports the implementation of the Economic Partnership Agreements and these are the instruments of the development policy, the opportunities of the common development cooperation may be determined.

4. METHODOLOGY

To reach the research objective, I prepared two empirical analyses according to the lessons of the theoretical review. One of them investigates the relative position of the ACP and non-ACP countries and its changes related to the Lomé Conventions by cluster analysis. This analysis gives answer on the effectiveness of the EU's development policy before the Millennium. The second empirical analysis investigates the trade expansion effects of the Aid for Trade based on gravity model.

4.1. Analysis of the impacts of the Lomé Conventions

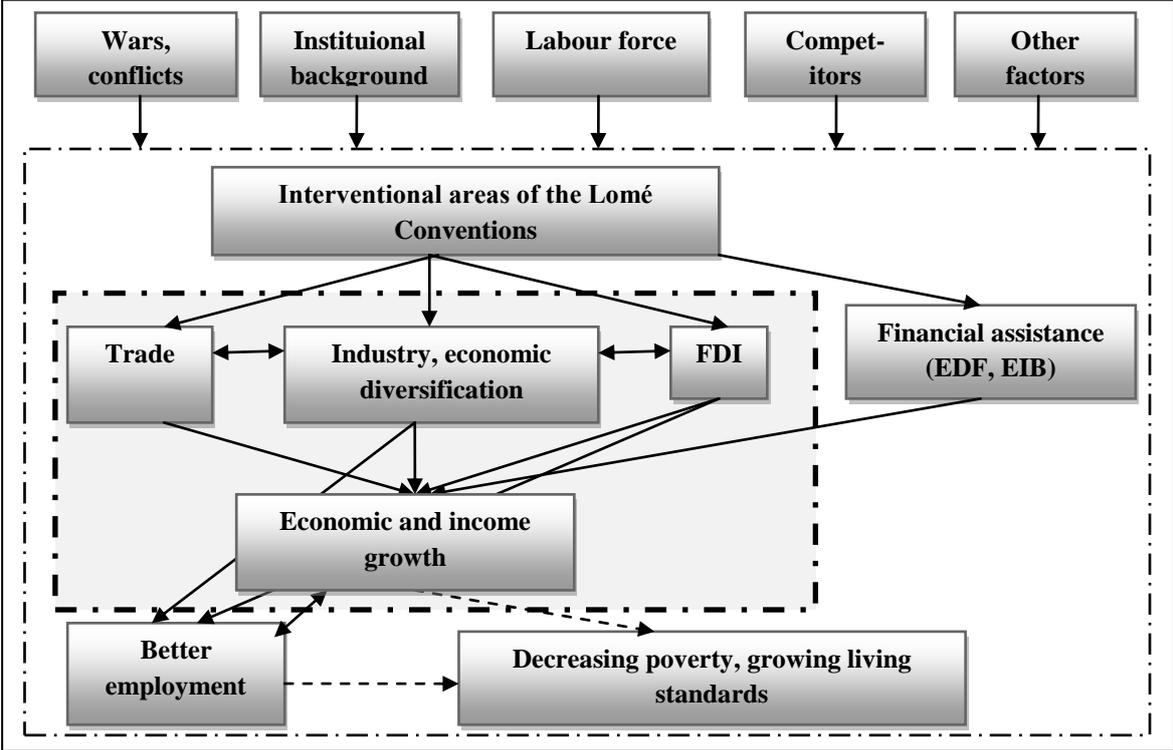
The results of the Lomé Conventions are analysed from two points of view: I analyse the contracting and non-contracting countries' relative position to each other and I compare the results of the previous and following periods of the Conventions.

Indicators and countries

Selecting the appropriate countries and indicators was a result of a long process and consideration of several factors. I took two things into consideration: I mainly focused on the interventional areas of the Conventions and the objectives of the EU’s development policy, then I considered the indicators appeared in the related literature. The literature review contained studies on the empirical analysis of the Conventions, and those which investigated the relationship between trade and economic growth and development, the measurement of economic diversification and the competitiveness of countries.

The effectiveness of the Lomé Conventions was influenced by several factors (Figure 1). These could be measured by proxy indicators, but my main objective was to present the changes appeared in certain circumstances, therefore I dealt with only the “core” area. Some influential factors (armed conflicts and institutional background) were used to feature the groups but I did not involve them into the grouping process.

Figure 1 Mechanism of the Lomé Conventions and the influential factors



Source: own construction

Since my aim is to analyse the direct impacts of the Conventions, I did not involve into the analysis social indicators (poverty), and I left out some macroeconomic indicators (for instance, exchange rate, inflation, debt). I tried to determine proxy indicators for those

variables where the data were missed in the 1970s but they were important from the point of view of the analysis. After the selection I determined 14 – exclusively economic – indicators: they include variables of the trade features between the EU and the partner developing countries, openness, FDI, economic diversification and industrial cooperation, and the development level.

I collected the data for the periods of 1970-75 and 2000-05, and to avoid the outlier or extreme values I calculated with averages. Evaluating the clusters, I took two complex indicator of institutional quality into consideration. One of them is the political and civil rights published by Freedom House, the other is the index of economic freedom published by the Heritage Foundation and Wall Street Journal. This latter one includes the business, fiscal, trade, monetary, investment freedoms, and the corruption. Furthermore, I calculated a variable of number of years in armed conflicts for further featuring the clusters.

Selecting the countries for the analysis, the developing countries were the basis. Supposing that the ACP countries should perform better as a result of the preferences granted by the Lomé Conventions than the non-ACP countries, I involved non-ACP countries into the analysis, as well. Consequently, I analyse the relative position of the ACP countries compared to the other developing countries. Since in some cases there were no data available, the sample contains 79 countries out of which 48 belong to the ACP block, while the other 31 are outside of the ACP-block.

Logic of the cluster analysis

Because of the long term preferences of the Lomé Conventions there should be economic development in the ACP countries compared to the performance before the Lomé-era. As a result of it, the two investigated periods are the previous (1970-75) and following (2000-05) periods of the Conventions. The analysis is based on cluster analysis. To handle the multicollinearity between the variables, I used principal component analysis. I calculated with four factors (economic structure, EU-dependency, role in the EU, and external performance), and three other variables (balance of trade, manufacture value added, agricultural productivity). Because of the lack information on the ideal number of clusters, at first I ran hierarchical (Ward's method) cluster analysis and I controlled the results with non-hierarchical (K-means) cluster analysis.

The “before-clusters” presents the relative position of the ACP and non-ACP countries without enjoying any significant assistance from the EU. Comparing this situation with the

results of the following period, we gain information on the results and impacts of the Lomé Conventions on the economy of the involved countries based on the selected indicators. The results of after-period contains the effects of the conventions, and I assume that they had positive effect on the economic performance of the contracting developing countries, therefore some changes should have happened between the two periods. In order to get the most reliable results, I compared the two periods from two aspects: I compared the performance of the ACP countries to that of the non-ACP countries, and I observed the changes between the periods. Altogether, I paid attention on the changing meaning of the clusters and I analysed the changes in the cluster membership.

4.2. Analysis of the Aid for Trade initiative

The Aid for Trade initiative aims to expand the trade of the developing countries by improving the supply-side capacity (infrastructure and institutions). Launched in 2005, the Aid for Trade is an appropriate instrument to analyse the EU's development activity after the Millennium. Since there was no attempt earlier to analyse the EU's Aid for Trade activity, I had to consider several factors concerning the measurement of the Aft, the donor and recipient countries.

Measuring the amount of Aid for Trade. Recipients and donors

To determine the amounts of the Aid for Trade assistance, I accepted the OECD recommendations. According to it, the Aid for Trade can be measured by the sum of three categories: economic infrastructure, building productive capacity and trade policy and regulations. There was no data on trade-related adjustment, so I left this area out of the analysis like other researchers did.

During the selection of the recipient countries, my aim was to involve as many countries as possible from the countries of the cluster analysis related to the Lomé Conventions. Out of the 123 developing countries, 85 countries were involved, which ensures a 75 percent overlap between the two empirical analyses. 43 countries belong to the ACP-group, there are 34 least developed countries in the sample, out of which 27 belong to the ACP-block. The donor countries are the former EU Member States (EU-15), as the database contains data only on them, and the new Member States do not have large aid activity, especially not towards developing countries in further regions. As a result, analysing the European Aid for Trade activity is based on the aggregated activity of the EU-15.

Methodology: gravity model

The effects of the Aid for Trade is analysed by gravity model. The model is suitable to estimate a country's potential trade (Gács 2007), and it ensures to determine whether two countries/regions overtrade or undertrade (Carey et al 2007). The estimated trade is the sum of the potential trade (trade without trade barriers) and the factors decreasing trade (barriers to trade) (Wagner 2003). Therefore, the model enables to take such factors into considerations as free trade area, common colonial past, common language, market size, or the trade costs (Anderson 2001, Gács 2007).

I involved more factors into my own gravity model than the basic factors determining bilateral trade and I analysed the processes from more aspects. The basic model was complemented by the total AfT amount and other dummy variables, and the independent variables are lagged one year (the basic period is 2005 and 2010):

$$\ln TT_{i,eu} = \beta_0 + \beta_1 \ln(Y_i \times Y_{eu}) + \beta_2 \ln(Yc_i \times Yc_{eu}) + \beta_3 \ln Dist_{i,eu} + \beta_4 \ln AfT + \beta_4 T_{2006} + \beta_5 T_{2007} + \beta_6 T_{2008} + \beta_7 T_{2009} + \beta_8 T_{2010} + \beta_9 ACP + \beta_{10} Oil + \beta_{11} LDC + \varepsilon, \quad (1)$$

where the dependent variable ($TT_{i,eu}$) is the total trade between the EU and the developing countries. $Y_i Y_{eu}$ is the product of the GDP of the certain developing country (i) and the EU, Yc is the product of the GDP per capita in a similar way. $Dist_{i,eu}$ devotes the distance between the developing country and the EU, while AfT is total AfT granted by the EU to the certain developing country. T_{2006} , T_{2007} , T_{2008} , T_{2009} , T_{2010} dummy variables devote the years between 2006 and 2010 (1 if it is the certain year, 0 otherwise). In order to avoid the functional relationship between the variables, 2006 was the base year having 0 value for all cases. ACP , Oil , LDC are dummy variables: ACP countries, oil exporting countries and least developed countries, respectively (1 if the country belongs to that group, 0 otherwise). β_i is the coefficients of the independent variables, while ε devotes the error term.

To state effects of the AfT on the ACP countries, I calculated with an $AfT*ACP$ interaction in the next equation (2), adding the same interaction to the least developed ($AfT*LDC$) and oil exporting countries ($AfT*Oil$). This shows if a certain country belongs to one of these groups (ACP, oil exporting or LDC), what kind of trade expansion effect the AfT has.

$$\begin{aligned} \ln TT_{i,eu} = & \beta_0 + \beta_1 \ln(Y_i \times Y_{eu}) + \beta_2 \ln(Yc_i \times Yc_{eu}) + \beta_3 \ln Dist_{i,eu} + \beta_4 \ln AfT + \beta_4 T_{2006} + \\ & + \beta_5 T_{2007} + \beta_6 T_{2008} + \beta_7 T_{2009} + \beta_8 T_{2010} + \beta_9 AfT * ACP + \beta_{10} AfT * Oil + \beta_{11} AfT * LDC + \varepsilon, \end{aligned} \quad (2)$$

Then, I analysed the effects of the different AfT-subareas. The basis was equation (1), but instead of the total AfT I involved the three subcategories as variables into the model (economic infrastructure – *Ecl*, productive capacity – *BPC*, trade policy – *TPR*):

$$\begin{aligned} \ln TT_{i,eu} = & \beta_0 + \beta_1 \ln(Y_i \times Y_{eu}) + \beta_2 \ln(Yc_i \times Yc_{eu}) + \beta_3 \ln Dist_{i,eu} + \beta_4 \ln Ecl + \beta_5 \ln BPC + \\ & + \beta_6 \ln TPR + \beta_7 T_{2006} + \beta_8 T_{2007} + \beta_9 T_{2008} + \beta_{10} T_{2009} + \beta_{11} T_{2010} + \beta_{12} ACP + \beta_{13} Oil + \beta_{14} LDC + \varepsilon. \end{aligned} \quad (3)$$

Altogether, the prepared models are appropriate to analyse the effects of the total AfT-assistance and its subcategories as well. Because of the difference between the ACP and non-ACP countries the calculations were performed for the total sample and both the ACP-group and non-ACP block.

5. SUMMARY OF THE RESULTS

In the following, I present the results of my own research and I define the theses.

Thesis 1: The relative position of the ACP countries, especially that of the African countries, based on the economic performance related to the Lomé Conventions is not more favourable compared to the other sample countries in the period following the Lomé-era.

The comparison of the means of the pre- and after period of the Lomé Conventions was calculated by Wilcoxon test: the results show that the ACP countries do have significantly better performance in the after period than the pre-period. Their relative position was analysed by multivariable statistical techniques.

According to the results of the cluster analysis based on principal components, the sample countries can be divided into 5 clusters. They are the following in the pre-period: underdeveloped and closed countries; EU-dependent but underdeveloped countries; relatively developed but closed countries; relatively developed, EU-interested countries; independent, developed and open countries. Majority of the countries (81 percent) that became later ACP-country belong to the two most underdeveloped clusters

(this rate is 87 percent among the African countries). The only difference between these groups is one of them had closer relations with the EU.

The results of the after period contain the potentials of the Lomé Conventions. The five clusters in this period are the following: EU-dependent but underdeveloped countries with underdeveloped external activity; EU-dependent, underdeveloped countries; independent, relatively developed countries; EU-interested, relatively developed, open countries; developed and open countries with EU-interest. 62 percent of the ACP countries (out of which 85 percent are African) belong to the two most underdeveloped clusters as in the previous period. 79 percent of these countries signed the first Lomé Convention.

Comparing the two periods, 54 countries could change their position: 36 countries performed better, while 18 experienced worse position – 89 percent of these latter countries belong to the ACP-group. Altogether, one-fourth of the ACP-countries could appear in a better performing cluster, while three-fourths did not experience favourable change (stagnant or worsening) between the two periods. There are 8 ACP countries which could change at least “two-cluster”-level. Countries outside the ACP group could perform better. The reason for this is maybe that the institutional quality in this group is more favourable than in the ACP countries (but I did not analyse whether it is the cause or the result).

Thesis 2: The ACP countries can be divided into more groups: the African countries are the worst-performing countries, while countries being further from the EU have more favourable economic performance related to the Lomé Conventions.

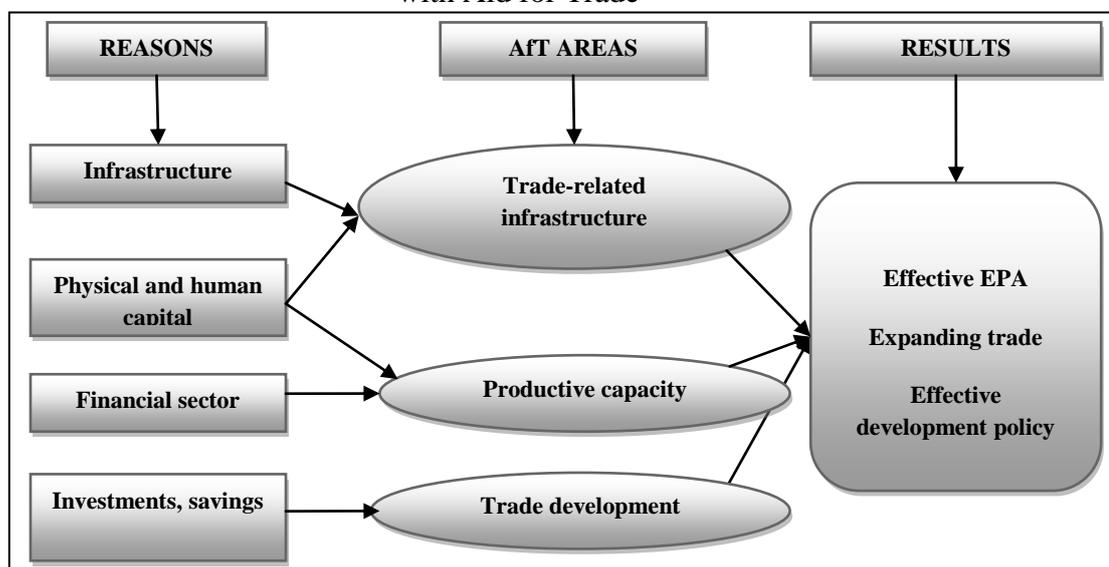
Before the Lomé Conventions, the ACP countries can be divided into two groups: they became members of the two worst performing clusters. There is no significant change in the after period: 81 percent of the ACP countries appear in the underdeveloped clusters. The quality of the institutional background is at a low level. In the after period, the 48 ACP countries belong to 4 clusters, and they are dominant in 3 groups (at least 60 percent of the members is ACP). However, half of the ACP countries (24) is in one cluster (all of them are African). The other 50 percent appears in 3 clusters with one-third rates. Altogether, the African countries are the worst performing countries: out of the 39 African countries (74 percent) belong to the two least developed clusters. The other regions performed better but there is no opportunity to divide them according to

their region. Consequently, there are better and worse performing countries, and they can be divided into more homogeneous groups.

Thesis 3: The Aid for Trade as a financial assistance aiming at the improvement of participation in international trade connects the financial and trade policy instruments of the EU’s development policy. The AfT-assistance covers the areas which earlier resulted the low effectiveness of the Lomé Conventions, so the Aid for Trade fits to the EU’s development policy.

Since the Millennium, the EU grant reciprocal trade preferences to the developing countries, but because of the failure of the Lomé Conventions it is not unambiguous what kind of results they have. However, several factors – that caused the low effectiveness – can be improved through the AfT-assistance: development of the infrastructure, physical and human capital, financial sector, and the increase in investments and savings can be covered by the AfT-areas (trade-related infrastructure, productive capacity and trade development) (Figure 2).

Figure 2 Reasons for the low effectiveness of the Lomé Conventions and their compliance with Aid for Trade



Source: own construction

This compliance is important, because the Aid for Trade are instruments for implementing (and negotiating) the Economic Partnership Agreements. Altogether the Aid for Trade complies with the objectives and instruments of the EU’s development

policy. The EU adopted its own AfT-strategy emphasizing the importance of the ACP countries.

The effects of the AfT provided by the EU are positive: the assistance is to expand the trade between the partners, as the results of the gravity model show. However, the different AfT-areas have different impacts: assistance on the trade-related infrastructure has significant impact. Consequently, the effects of the AfT come true through the development of economic infrastructure. Furthermore, this process is not advantageous for the recipient countries only but the donor countries, as well.

Thesis 4: The non-ACP countries averagely receive more Aid for Trade-assistance from the EU. The assistance on economic infrastructure has trade expansion effect in both the ACP and non-ACP countries, but the effect is larger in the non-ACP countries.

The European Union provide more Aid for Trade assistance to the non-ACP countries, on average – but the ACP countries are said to be the main beneficiaries according to the AfT-strategy. In the non-ACP countries the total AfT and the assistance on economic infrastructure has larger impact on the trade expansion than in the ACP countries. 1 percent increase in the assistance results 0.079 percent or 0.043 percent trade expansion in the non-ACP and ACP countries, respectively. Therefore, the non-ACP countries are in a more favourable situation than the ACP countries themselves. The reason for this is that the ACP countries have unsuitable institutions to use the aid, and several least developed countries are in this block.

The analysis based on the total sample shows that the productive capacity assistance has significant impact, as well. 1 percent increase results 0.141 percent trade expansion between the partners. However, the robustness – by excluding the outlier values – shows that it is insignificant. Therefore one should be cautious while evaluating the productive capacity developments.

Furthermore, the situation of the least developed countries is unfavourable: if a country belongs to them, the EU has smaller trade with it, but it is even smaller if the least developed country does not belong to the ACP group.

Thesis 5: The trade policy instruments of the EU's development policy cannot be accepted as effective tools in the economic development of the ACP countries, but the Aid for Trade may contribute to the improvement of the effectiveness.

Based on the methodology of this dissertation, the EU's development policy with the trade policy instruments does not play significant role in the economic development of the ACP countries, especially the African countries lag behind. The Lomé Conventions were not effective despite its assumed mechanism: the ACP – mainly the African – countries have much worse economic performance compared to countries which received fewer preferences from the EU. The AfT is more favourable for countries with higher income. Therefore, the final conclusion this dissertation is that the free market access together with other interventional areas (industrial cooperation, technological development, free movement of capital) cannot be a solution for supporting economic development in the ACP countries. Altogether, countries with higher quality institutions have better economic performance.

Since the EU uses the trade policy as an instrument of its development policy, it cannot be avoid concerning the future processes. Experiences from the last 30 years are unfavourable, but the Aid for Trade may influence the EU's attempts and the ACP's development in a better way.

The novelty of the dissertation is the evaluation of the EU's development policy with multivariable statistical methods – concentrating on the trade policy instruments. The novelty can be found on more areas. First, the EU's development policy is analysed less at national and international level, its statistical analysis is even less. Second, the analyses of the potential effects of the Lomé Conventions mainly cover only the trade side, and the comparison of the pre and after periods does not appear anywhere. Third, there is no research about the Aid for Trade's role in the EU's development policy, and how many effect it may have on the trade between the developing countries and the EU. Nevertheless, the AfT is to improve the effectiveness of the Economic Partnership Agreements. Consequently, the dissertation has given a more comprehensive picture of the EU's development cooperation and its effectiveness. These are essential for Hungary, as well: the country has obligations in the EU's development activity, and it provides financial resources – among others – to the European Development Fund (EDF): between 2008 and 2013 (10th EDF), this contribution reaches the 124.8 million Euros.

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