

Event Report, Netherlands TDP National Dialogue, February 23, 2006

"Netherlands trade policy: In search of a development perspective"

This report summarizes the discussions that took place at each session of the first Netherlands national dialogue under the auspices of the Linkages between Trade, Development and Poverty (TDP) project, and lists the advocacy activities that will follow in response to the discussions.

Introduction

- Gideon Rabinowitz of CUTS London Resource Centre (CUTS-LRC) outlined the objectives of the TDP project stating that the project was about better integrating development concerns into Netherlands/EU trade policies. The outputs from the developing country partners in the project will highlight the grassroots problems that developing country inhabitants face in relation to taking greater advantage of trading opportunities. The UK and Netherlands partners will take forward these issues to policy-makers in the EU. He made the point that we still have a lot to learn about TDP linkages and that we need to be open to learning more about them from projects such as this. The experiences of developing countries in this regard hold the key and these experiences need to be shared amongst developing countries and with policy-makers in the developed world, an objective that the TDP project aims to meet.

Session 1 – NETHERLANDS TRADE POLICY AND DEVELOPMENT: DIVERGENCE OR CONVERGENCE?

- Gijsbert van Liemt, an Economic Consultant, opened the session by presenting and summarizing the results from his paper about the Netherlands perspective on trade and poverty. He noted that people in the Netherlands are well aware of the benefits of international trade even if they are less passionate about the debate on trade policy after the government gave up its autonomy to the EU several years ago. The Netherlands have been instrumental in ensuring preferential access for poor countries. But giving preferential access hasn't been an as effective instrument as intended due to a number of factors including preference erosion, complex access structures, complex rules of origin, quantitative import restrictions and high costs to qualify for preferences. The Netherlands also carries out a wide range of activities to provide support to developing world producers including technical cooperation to facilitate South countries engagement in world trade, support to comply with standards, capacity building to negotiate better and market information. Discussions on the place of the Netherlands in the world economy and the implications for development of its policies are of course more complex in a 25-member European Union. Government representatives negotiate with representatives from other member states to achieve a

common position. Both the Netherlands government and NGOs, even more, may find it very complex to steer EU trade policy its way. After the WTO Ministerial Conference in Seattle in 1999 both the Dutch government and the European Commission organised regular consultations with NGO representatives. However, the impact of this on EU trade policy is rather unclear.

- Otto Genee, Director of the Coherent Unit, Ministry of Foreign Affairs, noted that the Coherence Unit is working proactively focusing on a few key issues, including Sanitary and Phyto-Sanitary standards, fisheries issues, TRIPS and access to medicines. The Coherence Unit consults with developing countries and other stakeholders to support the development of a Dutch position and then tries to reach out to other member states and the EU. Mr. Otto Genee notes that there IS an active dialogue going on in the Netherlands about trade and development coherence.
- Comments from attendees included: The growth of supermarket-led SPS standards influences the standards process at the WTO and EU. WTO should regulate this process as it is not participatory. Due to the EU process it is not clear where decisions are taken within the Dutch government.

Session 2 – AID FOR TRADE – WHAT CONTRIBUTION CAN THIS MAKE TO POVERTY REDUCTION?

- Margriet Kuster from the Ministry of Foreign Affairs in the Netherlands said that aid to build trade capacity has been identified as a key need for developing countries to benefit from the opportunities available in the expanding global economy. In the last year the debate has been especially intense as the issue has become a major part of the Doha round of negotiations and was a major issue in Hong Kong. The Hong Kong ministerial declaration called for the establishment of an aid for trade task force to investigate the operationalisation of this programme. It is vital that aid for trade doesn't just result in money being thrown at projects but that there is genuine country ownership in the proposals that are developed. CUTS' TDP project can support this process by encouraging debate in developing countries on the types of supply capacity support that is required. Aid is a compliment to the trade reform process.
- Francesco Rampa from ECDPM said that there is agreement that trade liberalisation is not the full answer to increasing trade as there needs to be supply capacity in place in order for developing countries to be able to respond to trading opportunities. The linkage between trade reforms and aid provision is hotly debated and many developing countries and NGOs are worried about that aid being used to pressure countries to liberalise. The negotiation of Economic Partnership Agreements (EPAs) between the EU and ACP is an opportunity to further develop the aid for trade concept and to better integrate trade and development policy. All the issues of adjustment, loss of customs revenue, increased competition and capacity constraints are relevant to EPAs as well as to the WTO, and both processes need to learn lessons from each other. The 10th round of EDF is currently being negotiated and could be crucial to the way trade and development coherence develops between the EU and ACP.
- Comments from attendees included: It seems to NGOs that the aid for trade concept was put on the table by the developed countries, but according to Ms Kuster aid for trade was promoted by developing countries with countries such as Kenya playing a leading role. Aid for trade is driven by the World

Bank to some degree – as being one of the major funders – but LDC's are also pushing for aid for trade. Will the aid for trade pledges be new money and how much it will be? – Question important but distracting us from thinking about what projects require funding and specific measures to be supported and therefore holding back the process of operationalising aid for trade. All also agreed that adjustment costs are important and need to be factored in to the aid for trade debate. There were also a number comments about who will manage and monitor the aid for trade process, and speakers responded that many of these issues are presently being discussed by the task force.

SESSION 3 – WTO SERVICES NEGOTIATIONS: IN WHOSE SERVICE?

- Ms Myriam vander Stichele from SOMO said that the Netherlands supported the benchmarking proposal from the WTO in some respects, which was a bit puzzling as there were a number of reports suggesting that there would be serious negative impacts for the Southern countries. Impact assessments are yet to be carried out on services and this work needs to be done so it can feed into the negotiations. Ms vander Stichele mentioned some serious implications for developing countries in signing up key sectors to GATS. These were: “cherry picking”, where private suppliers pick off the most profitable making profitability hard for others; lack of credit in financial services (as private/foreign banks support most profitable clients); problem of supply by smaller companies as market concentration increases and prices charged by privatised utilities don't necessarily improve. The Netherlands is quite supportive of the GATS agenda and hasn't really taken a development perspective as they want something in services and NAMA in return for agriculture concessions. But Netherlands did go further in Mode 4 than most developed countries. Ms vander Stichele said that the benchmarking approach will not work, instead there needs to be a gradual, sequenced, regulatory approach. The developing countries need resources in order to put this process in place and this is where aid for trade is important. The Netherlands says it supports aid for trade for services but its position in services negotiations is potentially very harmful to the development of services sectors in developing countries.
- Mr Arjan Lejour from CPB mentioned the research CPB has done on the impact of GATS offers for the Netherlands and for the EU. These GATS offers will make marginal effect on the Dutch economy. Most of the Netherlands' services trade is with other OECD countries and the real issue is for the access to OECD not LDCs'. But larger developing countries do interest the Netherlands. CPB found that if differences in regulation across the EU were removed then EU services trade could triple. The services directive could also increase EU services trade by 30-60%. If developing countries are going to design regulations that are effective in stimulating development they need to build up regulatory capacity and find support to do so. There is a real challenge here as government failures are often larger than market failures.
- Comments from attendees included: The problem many developing countries face is that economic sectors are often controlled by concentrated interest groups who are not interested in regulation. This means that when these sectors are opened up to trade there is insufficient regulation in place to make sure consumers/citizens benefit. Committing sectors already liberalised to GATS involves additional commitments so countries need to be careful. It is

vital that regulation is in place before liberalisation and this needs to be factored into the negotiations more effectively.

SESSION 4 – WTO NON AGRICULTURAL MARKET ACCESS NEGOTIATIONS – WHAT IS AT STAKE FOR DEVELOPING COUNTRIES?

- Dr van Dijck from CEDLA said that the Netherlands is not really a NAMA country so it is not really a big issue. In those sectors in which the Netherlands has interests there are low tariffs. The Dutch ministry of Economic Affairs and Foreign Affairs do support the aggressive approach followed by Peter Mandelson. This is however softened by their support for trade facilitation and aid for trade. Many middle income Latin American and Asian countries have already bound 90-100% of their tariffs and their tariffs are already 12-21%. What Dr van Dijck has investigated is that the benefits to developing countries are much greater (almost double) if they liberalise as well as developed countries. China is obviously one of the major players and without it there are less gains for South-South trade. But the gains are not just related to China. RTAs are also making a contribution to South-South trade and in regions such as Asia trade is expanding very rapidly.
- According to Marita Hutjes from NOVIB preference erosion, revenue loss and adjustment costs have not received the attention they deserve. Developing countries are also potentially facing significant losses in policy space through an agreement in the NAMA negotiations. The Dutch government defends its position by emphasising that there are enough flexibilities for developing countries. But these are not always sufficient. Countries like South Africa will fall under the Swiss formula and will also have to make major tariff cuts through NAMA.
- Comments from attendees included: Differentiation amongst developing countries in NAMA may retain significant benefits whilst protecting their diverse development interests. Allowing protectionism to remain gives a signal to the protectionist lobby which promotes distortions. Many of the faster growing developing countries used tariffs to develop their industries and developing countries need to retain that option as a tool for development.

Advocacy Points

- **Aid for trade** – Monitor WTO process, produce Briefing Paper, identify useful outputs from developing country TDP research/dialogues and involve Netherlands stakeholders in dialogue on key issues.
- **SPS standards** – Feed relevant outputs from developing country partners into discussions taking place in the Netherlands. Disseminate Policy Brief on SPS standards to Netherlands stakeholders.
- **Networking** – Identify key institutions, events and policy discussions in the Netherlands to feed TDP outputs into. Stay in close contact with Coherence Unit of Ministry of Foreign Affairs.

Participant List

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