

A new agenda for Aid, Trade, and Investment

April 2013

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Summary

The Netherlands wants to move forward in the world, and move forward with the world. We are involved in global problems. Ours is one of the most open countries in the world. We depend on other nations' development for our own wellbeing and prosperity. Sustainable, inclusive growth is in our own interests and in the interests of others.

In 1981, 1.9 billion people were living in extreme poverty. By 2010, this figure had dropped to 900 million, and it will probably drop even further – to 600 million – by 2015. This means that the Millennium Development Goal of halving extreme poverty by 2015 will have been achieved. And achievement of other MDGs – for example on access to water, sanitation and primary education – is within reach. But this is not true of every MDG. We are still lagging far behind in reducing infant, child and maternal mortality rates, and in increasing access to reproductive health care.

Nearly three-quarters of the people living in extreme poverty are to be found in middle-income countries. They are not yet reaping the benefits of their countries' economic growth. The people in question are mainly women and members of other vulnerable groups. Here the emergence of a middle class is important to put pressure on the government in these countries, thereby promoting democracy, the rule of law and women's empowerment. Income inequality has however increased in many middle-income countries. The situation in fragile states and countries in conflict is extremely alarming. These countries are in danger of falling far behind the rest of the world – politically, socially and economically. They also pose a threat in terms of regional stability, radicalisation and terrorism, cross-border crime, illegal migration, illicit trade flows and supplies of raw materials.

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Asia, Africa and Latin America are the engines driving the world economy. They are expected to account for nearly 60% of the global economy by 2030. Asia and South America's economic power is also reflected in global political relations. China and India have claimed their seats at international negotiation tables. And countries like Indonesia and South Africa are represented in the G20, while the Netherlands is no longer invited. Conversely, many European countries have seen their economies contract and rates of unemployment rise sharply in the wake of the financial crisis.

Nowhere is globalisation more readily apparent than in world trade. Between 1950 and 2007, world trade grew by an average of 6.2% a year, and global GNP by 3.8%. More and more countries have joined global production networks. The advantages of further integration in these networks are the greatest for low- and middle-income countries. But international interconnectedness also has a downside. The credit crisis and the European debt crisis have shown how problems in one country can spill over to the rest of the world. What is more, global population growth and the worldwide increase in Gross Domestic Product have led to sharply rising demand for energy, food, water and raw materials. This in turn is leading to scarcity, and rising and wildly fluctuating prices.

The influence of the Netherlands as a country is decreasing due to the emergence of new actors on the world stage. Increasingly, we are exerting our influence through the European Union. Our relations with low- and middle-income countries are on a more equal footing now that an increasing number are not only recipients of aid but also trading partners. It is becoming increasingly difficult to use aid to exert influence on poverty and equity issues. Recipient countries are taking a much more assertive attitude towards the aid they receive; and new actors like China, India and Brazil are providing aid under different conditions. What is more, the aid budget is shrinking, while income from private sources is growing in poor countries. Companies are increasingly active in developing countries. Both companies and research institutions are actively involved in seeking solutions to global problems relating to food security and water. Members of the public too are increasingly taking action against world poverty by, for example, adopting more sustainable patterns of consumption or setting up their own development projects.

The Netherlands will continue to stand by the poorest people. World poverty might be decreasing, but by no means everyone is benefiting. Nine hundred million people worldwide still live below the poverty line. Each year, 300,000 women die in childbirth. Women's and workers' rights are still under severe pressure. Low- and middle-income countries have few opportunities to choose their own path to growth. That is why we will continue to fight for an equitable world. That is why we will continue to strive for sustainable, inclusive growth. And that is why we are working on issues such as food security, water, security, migration, climate and trade. Poor countries have much to gain from a global approach.

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The market is not perfect. And yet it is indispensable in the fight against poverty. That is why this government encourages investment and trade activities that benefit both people and the environment, create employment opportunities, and, preferably, are accompanied by the transfer of knowledge and skills. The Netherlands is failing to connect with economic growth in Asia, Africa and South America. Trade still focuses on our neighbouring countries. Yet, thanks in part to our longstanding aid relationships, we often have close contacts with growing Asian, African and South American economies. These contacts present opportunities, because these countries are increasingly seeking a relationship with us based on equality.

These developments call for a new aid, trade and investment agenda. At international level, we are pursuing three important aims. First, to eradicate extreme poverty ('getting to zero') in a single generation; second, sustainable, inclusive growth all over the world; and third, success for Dutch enterprises abroad.

In the field of aid and trade, we can identify three types of bilateral relationship, within which we will continue to focus mainly on our current partner countries (aid) and focus countries (trade). Of course, we are engaged in a dialogue with these countries on what the relationship should entail.

1. Aid relationships

Here, the focus is on countries that are unable to solve their poverty problems singlehandedly. This category includes conflict-affected and post-conflict countries, fragile states and countries with insufficient capacity to reduce poverty effectively without assistance. The countries in this category are Afghanistan, Burundi, Mali, the Palestinian Territories, Rwanda, South Sudan and Yemen. Where possible, a regional approach will be taken in the Great Lakes Region and the Horn of Africa.

2. Transitional relationships

Here, the focus is mainly on low- and middle-income countries with burgeoning economies. In a transitional relationship, a combination of aid and trade can benefit both the developing country and the Netherlands. Apart from poverty reduction programmes relating to the four priorities (see below), we will also support these countries in increasing their market access and improving their business climate. We will adopt this strategy in Bangladesh, Benin, Ethiopia, Ghana, Indonesia, Kenya, Mozambique and Uganda. Apart from this specific group, we will of course remain active in other low- and middle-income countries by means, for instance, of private sector programmes, economic diplomacy, or aid through the European Union and multilateral institutions such as the World Bank.

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3. Trade relationships

Here, our main aim is to promote trade and investment, with activities that contribute to economic growth and employment in the Netherlands. The focus is on Australia, Belgium, Brazil, Canada, China, Colombia, France, Germany, the Gulf States, India, Iraq, Japan, Malaysia, Mexico, Nigeria, Poland, Romania, Russia, Singapore, South Africa, South Korea, Turkey, the UK, Ukraine, the US and Vietnam.

We fight extreme poverty out of solidarity with people. We encourage trade and investment mainly in our own interests. Where aid and trade meet, we will act out of both solidarity and enlightened self-interest. Where such diverse motives play a role, conflicts of interest may arise. We will carefully weigh the different interests at stake, taking sustainable, inclusive growth as our guiding principle. After all, growth and equitable distribution do not automatically go hand in hand. Our aim in the longer term is to build a trade relationship with as many countries as possible.

In the interests of those countries with which we maintain an aid relationship, we will invest in a global development agenda to follow up the Millennium Development Goals. Apart from the four priorities of Dutch policy – women's rights and sexual and reproductive health and rights (SRHR), water, food security, and security and the rule of law – the

Netherlands wants sustainability and a minimum level of social rights to be included in this new agenda. The four priorities are still current and will be given more attention in Dutch policy. They are relevant to global poverty reduction efforts and to the Netherlands' economic and other interests. In devising and implementing policy, we will make use of the knowledge and expertise gained through development cooperation, the technological and other knowledge of the leading Dutch sectors, research institutions and the expertise of civil society organisations. The purpose of the new international security budget is to protect civilian populations, prevent and manage humanitarian crises and promote sustainable security and stability in poor countries. The Netherlands will continue to be one of the main donors in the field of humanitarian aid.

We plan to increase access to international and regional markets for low- and middle-income countries with which we maintain a transitional relationship. We will do so by, for example, concluding partial agreements within the Doha Development Round. We will also improve support to entrepreneurs through, for instance, the Dutch Good Growth Fund. This instrument provides funds for entrepreneurs in low- and middle-income countries and for Dutch companies wanting to set up ventures with them. Dutch entrepreneurs seeking funding for exports to low- and middle-income countries may also apply to the fund. We will work towards equal opportunities and sustainable value chains, by for example promoting international corporate social responsibility.

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In countries with which we maintain a trade relationship, we will work towards the conclusion of free trade agreements – with the US, for instance. We will also work to create a level playing field for international finance, attract foreign investors and protect Dutch investors abroad. We will also encourage the Dutch private sector, small and medium-sized enterprises in particular, to internationalise. We will simplify our regulations and procedures so that entrepreneurs can navigate them more easily. And we are going to help Dutch companies win contracts put out to tender by international institutions.

International public goods play a major role in every part of our policy. Because they are transnational in nature, countries can only pursue them by working together. We will focus on trade, security, food security, water, climate and migration, areas where the Netherlands can make a real difference. What is more, these IPGs largely dovetail with the four priorities of our policy. In international organisations we will not only represent our own interests, but also call for low- and middle-income countries to be given a place at the negotiating table as fully-fledged partners.

In our new policy, the European Union, the private sector and research institutions will continue to be major partners. We will form new coalitions and partnerships with various actors. Civil society organisations continue to be indispensable. We will focus on strategic partnerships that provide scope for these organisations to launch adventurous, innovative initiatives, and we plan to substantially reduce the administrative burden on them. We will also provide financial support to those organisations that are important to our policy priorities. It is essential to give greater emphasis to the non-governmental nature of civil society organisations.

This new policy is being launched within a context of shrinking budgetary frameworks. As a result of the Coalition Agreement, the ODA budget will be cut by €1 billion over the next four years. At the same time, the government has decided to free up extra funds for the international security budget and the revolving Dutch Good Growth Fund. The government will promote the interests of developing countries in other fields, including taxation and climate. But clear choices need to be made. We will focus our aid, trade and investment efforts on the priorities of food security, water, women's rights and SRHR, and security and the rule of law. With the exception of women's rights and SRHR, these priorities will unavoidably be hit by spending cuts, given that the Netherlands wishes to respect current commitments wherever possible, and needs to set aside funds for international expenditure on climate. The trend up to 2017 in the budgets for the priorities will partly depend on trends in our national income. The same applies to spending on improving the business climate in low- and middle-income countries (private sector development). The budgets for the crosscutting themes of good governance, the environment and education in low- and middle-income countries will be phased out more quickly; contributions to multilateral organisations will be reduced and earmarked expenditure to civil society organisations will be lowered when the cofinancing programme MFS II ends in January 2016. Where relevant, these three themes will be reflected in the implementation of the priorities.

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