

Case study: trade relations between Groningen and Africa, copyright Elise Kamphuis Science Shop for Economics, Groningen

On 1 October 2001 Elise Kamphuis, coordinator of the Science Shop for Economics & Business Administration, discussed the contract to chart economic relations between the province of Groningen, Netherlands, and sub-Saharan Africa with Frederik Ring, a colleague from COS Groningen [Groningen province Centre for International Cooperation]. In view of the local council elections in March 2002, the results needed to be finalised and ready for presentation by end 2001/early 2002.

Background

At the meeting on 1 October 2001 Fredrik Ring explained that, because of the election in 2002, the COS (Centre for International Cooperation) wanted to start a campaign to get “development cooperation” as high as possible on the political agenda. The campaign would distribute a number of topics across the regional COS offices for them to work on in their own region. COS Groningen selected the topic “(fair) trade” and “socially responsible business”. Erik: “We have chosen to focus on Africa: “right to development for Africa too.” As the project developed, we found that we did not have an overview of current trade relations between Groningen and Africa so we asked the University whether it could research it.”

The result

Elise Kamphuis discussed the question from COS Groningen with a number of researchers. The comments made by some of the researchers were:

“What does this question mean, what is its purpose?”

“Where does this come from, why between Africa and Groningen?”

“If you get data, what then?”

Furthermore, nobody knew where to find statistics on trade relations between Groningen and Africa.

Elise spoke to Erik again to define the question more sharply. Erik: “COS Groningen wonders whether trade and industry in the province of Groningen could make a (small) contribution to the economic development of Africa. Before we can answer this question we need to collect more information about these aspects. We must talk to companies about their social responsibility but we also need facts.” He continues: “Using the motto “Trade not Aid” developing countries and NGOs have been saying for years that development aid is needed but that economic development of developing countries benefits more from fair trade relations. Trade creates a more equal relationship between two countries than that of donor and receiver of aid. It is alarming that Africa’s position in world trade is becoming more marginal all the time. Cultural differences, the colonial past, disease and war are partly to blame. Then there are the trade barriers created by trading blocks such as the European Union. And meanwhile the problems in Africa are enormous.”

Elise replied that she could understand this, but: “Trade is not by definition good; think for example of trade that uses child labour or cutting down trees to export wood, causing the disappearance of forests. We must therefore restrict the study to trade that contributes to sustainable development. ”

The problem

Erik: “Our question is therefore how trade and industry in the province of Groningen can make a (small) contribution to sustainable trade with Africa.” Elise: “Systems have been developed to test and certify whether products are sustainable. For example, systems that certify sustainability with regard to the environment such sustainable timber (e.g. Keurhout foundation, FSC) or organic wine (Skal), or systems which certify whether products are fairly traded such as Fair Trade or Max Havelaar. In view of the deadline, we should analyse one product initially, for example, wood.” Elise informs Prof. C.J. Jepma, economist at the University of Groningen. He thinks that sustainably produced timber has a real future. “But we have to overcome the necessary hurdles.” He points out that wood is covered by different certification systems and that the consumer or contractor can literally not see the sustainably produced wood for the trees. The construction sector is responsible for buying eighty per cent of all wood. The Barsema joinery works at Warfhuizen supplies window frames and other items to contractors. Director Middelkoop stresses that often he cannot obtain enough sustainably produced

wood. Then he says that when buying wood, contractors are mainly influenced by price. And uncertified wood is cheaper.

Finally

Elise and Erik agree that Elise will prepare a research plan by 25 October 2001 so that it can be discussed on 30 October. On the basis of the plan, they will find students who want to base their research on the plan.

Annexes

COS Groningen note: research into economic and trade relations between Groningen and Africa

Explanatory note

Context Elections were held in 2002. At the initiative of COS Netherlands, a campaign started in September with the aim of putting "development cooperation" as high as possible on the political agenda.

The campaign would distribute a number of topics across the regional COS offices for them to work on in their own region.

COS Groningen's topic would be "(fair) trade" and "socially responsible business".

We have chosen to focus on Africa: "right to development for Africa too."

Motive

As the project developed, we found that we did not have an overview of current economic relations between Groningen and Africa.

This is why we asked the University to whether it could research this.

Timescale

The campaign starts nationally in September.

From October to March there will be activities in all provinces/regions (during the last few months the focus will be on the local council elections of March 2002).

From then until May there will be a national stage during which the results from the regions will be collected.

For COS Groningen it would be useful if the results were known and ready for presentation in late 2001/early 2002.

Depending on the result, this would be linked to a discussion involving companies affected by the opportunity (or not) to make a contribution to development in Africa as a socially responsible company.

Note 081001:

The start of the national campaign was planned for 13 September. The attack on 11 September meant that it was postponed and will probably start at the end of October.

On closer inspection, it seemed preferable to restrict the study to trade relations.

Preliminary study for preparation of the research plan

Forest is one of the most important types of land cover with nearly 25% of the land area. In total, the earth is covered by 3.2 billion ha of forest. However, the area covered by forest is shrinking rapidly.

Between 1990 and 1995 the global area of forest declined by around 11 million hectares per year (around three times the area of the Netherlands). During this period, the area covered by forest in developing countries fell by nearly 14 million ha, whilst the area of forest in the developed countries increased by nearly 2 million ha. The deforestation problem in developing countries is caused by the increasing spread of agriculture for own or local food supply and the degradation of forests by commercial wood harvesting and collection of firewood.

The Netherlands is an important importer of wood and wood products. By value, the Netherlands imported \$5.15 billion in 1995 making it the world's biggest wood importer after the US, Japan, Germany, Italy, France and the UK. By using and selling, the Netherlands is therefore responsible for deforestation. Furthermore, the Dutch wood sector can influence wood producers in the countries of origin.

Globally, the view is growing that deforestation must be stopped because to continue would jeopardise future exploitation opportunities and because there is greater understanding of the function of the

forest on a socio-cultural level. Some of the local population is already aware of matters such as conservation, environmental protection, groundwater conservation and recreation. These developments mean that increasing areas of forest are receiving protected status or are being conserved in other ways. This method of forest management aims for sustainable exploitation of the forest. The sustainable forest management approach regards forests as ecological systems which are valuable to the environment and welfare of future generations.

In general, exploitation of the forest can be improved in two ways: by replacing deforested areas with new planting and by maintaining existing areas of forest. An important instrument in the second method is to test forest management against rules for sustainable forest management. A certificate of sustainable forest management can be issued if the forest management processes are acceptable. The authority for establishing rules for sustainable forest management is the International Tropical Timber Organisation (ITTO) which brings together countries which produce and buy tropical wood. Its aim is to exchange information and to develop policy relating to all aspects of tropical wood. In 1994 the ITTO Objective 2000 was agreed against this background. All important wood producing and purchasing countries agreed that by 2000 they would only trade in tropical wood from sustainably managed forests. The Netherlands was one of the signatories to this Objective 2000 and also decided that in addition to tropical hardwood, all the softwood sold would have to meet Dutch minimum requirements.

International certification of forest management developed more slowly than had been hoped. In 2000 only 4% of the wood sold in the Netherlands was sustainably produced and this has risen to just 7% during preparation of this report (Robles, 2002). The increase in the market share for certified wood is hindered because:

- There is a difference of opinion between and within countries and organisations over the precise definition of "sustainably produced" wood. There are different standards, rules and management methods for each type of forest. Internationally, it is therefore difficult to develop a certification system which is clear and generally applicable. But even nationally, there is a lack of agreement between the parties affected by sustainable forest management and the trade in certified wood on the method and basis for certification and the assessment structure. This discussion is slowing decision-making and causing uncertainty in the wood market and will not be resolved until all parties in the sector can be persuaded to cooperate in bringing certificated wood onto the market.
- The World Trade Organisation prohibits governments from hindering international trade on the basis of production methods. Therefore the Dutch government cannot force a company to only use wood which meets the minimum requirements of the Dutch government. The availability of certified wood can therefore only develop on a voluntary basis.

In 2001 the Dutch government adjusted its objective 2000 targets downwards. The aim now is that by 2005, 25% of wood used must meet the Dutch government's minimum requirements. In 2002, in an effort to translate these intentions into reality as quickly as possible, the ministries of Spatial Planning, Housing and the Environment (VROM) and Agriculture, Nature and Fisheries (LNV) came up with some new policies which proposed the development of new national assessment guidelines for sustainably produced wood, to be applied within a new structure.

VROM further developed these points in collaboration with the wood sector and non-governmental organisations (NGOs). However, in 2002 the decision-making process reached an impasse.

FIRST CHAMBER MUST ACCEPT LAW FOR SUSTAINABLE WOOD

23 April 2002

Het Financieel Dagblad [The Financial Daily]

This afternoon the First Chamber discussed the private member's bill on sustainably produced wood which would make it compulsory to label wood as "sustainable" or "non-sustainable". The CDA [Christian Democratic Appeal] and D66 [Democraten 66] parties have their doubts. This is strange. In an increasingly liberal world market, labelling of products is one of the few forces maintaining standards in the areas of safety, conservation, child labour and animal welfare, amongst others. It gives non-material values a place on the market. This should appeal to parties like CDA and D66. Compulsory labelling is intended to stimulate the wood sector into acting responsibly. This is absolutely necessary, but voluntary initiatives do not seem to work. Currently, only 6-8% of the wood used in the Netherlands can be demonstrated to be sustainably produced, i.e. originating in sustainably managed forests or plantations. This wood is currently recognised by the voluntary logo of the Forest Stewardship Council (FSC). By contrast, over 80% of the wood sector in the Netherlands

cannot prove where the wood it buys comes from or how it is produced. It is very likely that virgin forests suffer for it.

In order to counteract the destruction of virgin forests, in 1990 the government set the target that by 1996 all the wood imported and used in the Netherlands would be sustainably produced. The third National Environmental Policy Plan contained an implementation plan for this target but the year for achieving the target was postponed to 2000. The programme did not include instruments to enable the government to steer social development in this direction. The government was aiming for self-regulation by the market partners. This target disappeared without trace.

In 1994 Marijke Vos from Groen Links [Green Left, a Dutch green political party] took the initiative for a law on compulsory labelling of wood and wood products. Wood which could be certified as sustainably produced would be labelled "(made from) sustainably produced wood". Wood which was not sustainably produced or wood whose origin could not be proven by the importer would be labelled "(made from) wood which is not demonstrably from a sustainable source".

The label creates a transparent market and informs consumers at the time when they are making the choice. Enforcing labelling by law has great advantages over the voluntary system advocated by the wood sector. The first advantage is that all importers and producers must provide full information. Under a system of this kind, companies which do nothing about supply chain management would be sidelined. Another advantage is that the criteria for sustainably produced wood would be defined. This would put an end to the proliferation of certificates and approval logos for wood. Finally, the market for sustainably produced wood would become clearer and the trade could answer the (as yet latent) question.

Anyone who thought that the political world would embrace this proposal enthusiastically would have been disappointed. It was 1998 before the Second Chamber accepted the private member's bill. It has been with the First Chamber for a year and a half, and even there it is meeting with resistance. As in the Second Chamber, the VVD [People's Party for Freedom and Democracy] opposes it. Although CDA and D66 supported the private member's bill in the Second Chamber, their colleagues in the First Chamber started to have doubts after a fierce, unreasonable campaign from the wood industry. On the one hand, the sector went to a lot of trouble to show that labelling of wood has no effect and therefore does not promote sustainable management of forests. On the other hand, the great potential of the proposed legislation to disrupt the market was used as an argument with great certainty. Both of these cannot be true.

CDA and D66 also consider that the private member's bill might be incompatible with EU directives. Compulsory labelling of product characteristics which cannot be read on the product itself is new. This might contravene the EU rules on free trade. However, the only way of getting to the bottom of this would be a ruling from the European Court and it is essential for the law to be accepted now.

Acceptance of the law in the Netherlands will contribute to clarity over the importance of environmental protection and consumer rights with regard to free trade in the EU. There are therefore no legal objections to acceptance of the law. Add to that the unanimous support of all parties in the First and Second Chambers for the objectives of the law on sustainably produced wood, and it stands to reason that the First Chamber will follow the political line of the Second Chamber and vote in favour of the law.

Marc Koene (Marc Koene works for Stichting Natuur en Milieu [Nature and Environment Foundation])

References in the reader:

Nathans, H. (1992) 'Doelstellingen ontwikkelen', *Advieseren als tweede beroep: resultaat bereiken als adviseur* [Developing objectives, *Advice as a second career: achieving results as an advisor*], *Kluwer Bedrijfswetenschappen*, Deventer, p. 115-126.

The research process according to Adriani

The theory of action model of Heinz Moser

Formulating the problem.

Optional references:

Heinze Oost, Angela Markenhof, Een onderzoek voorbereiden [Preparing a study], Hbuitgevers, Baarn, 2003.

Het onderzoeksplan [The research plan] (1998), in: H. 'Hart, et al, Onderzoeksmethoden [Research methods], Boom, Meppel, pages 68 - 96.

Tasks

Read the case study in the reader with the annexes and associated references. Complete the tasks described below and submit task 4 by Monday 16 February at the latest by email to wewi@eco.rug.nl. When answering the questions you may use the set literature and annexes from the case study.

Questions 1-3 will help you to answer question 4. All four tasks will be discussed on Wednesday 18 February.

Read the case study and associated references in the reader and complete the tasks below.

1. What happens in the first instance with formulating Erik Ring's question in phases 1-4 of the Adriani research process?
2. How does Elise solve the problem in question 1? Think about the Moser model.
3. Conduct a problem analysis of the final decision to focus the problem on sustainable wood.
4. Prepare a research plan on sustainable wood on one side of A4. The plan should include the objective (the why) of the research, a statement of the problem (the what), the discipline (subject area), and should formulate subsidiary questions and consider which research method you could use. You can refer to the preliminary study in the annex.

Lecture Wednesday 18 February

After a short introduction you will discuss the solutions to questions 1-4 in groups during the lecture. We do not have a great deal of time. It is therefore important to put your answers on paper in advance. The solutions will then be discussed in a plenary session. Note that there may be more than one solution and that there isn't one correct solution to the problem.

Answers:

1. Erik wants to chart the economic relations between Groningen and Africa. Science indicates that this question cannot be used. It is not a well formulated question. The whole of Africa? Do they want to consider all businesses in Groningen and Africa or do they want to concentrate on imports and exports of goods and services between Groningen and Africa? (in money? by volume?). Can the study be restricted to statistical data? Does this data exist? Do they need to interview companies? ?). Do they need to conduct research in Africa itself? It turns out that Erik Ring represents different groups (COS Groningen) and people in Africa.
2. Elise holds a "discourse" with Erik Ring. She tries to get a better formulated question from the client and will use this to formulate a research plan. She therefore takes responsibility for two things.
 - 3
 - a. What does the client see as the problem?
The client is COS Groningen. The problem that COS Groningen sees is that Africa is not involved in international trade. Businesses must be approached so that more products from Africa can be sold in Groningen. After consideration, the problem is restricted to stimulating sustainable trade in wood.
 - b. Why is it a problem?

The problem is that a number of parties with different interests are involved in the problem.

The national CoS wants to put development cooperation high on the agenda. There is evidently too little emphasis on development problems.

CoS Groningen, see point a.

Wood trade: supply of sustainable wood is too small. The price is too high.

Exporting (developing) countries: Requirements are too strict, too many different systems

Environmental organisations: forests are disappearing because trade is conducted on a voluntary basis

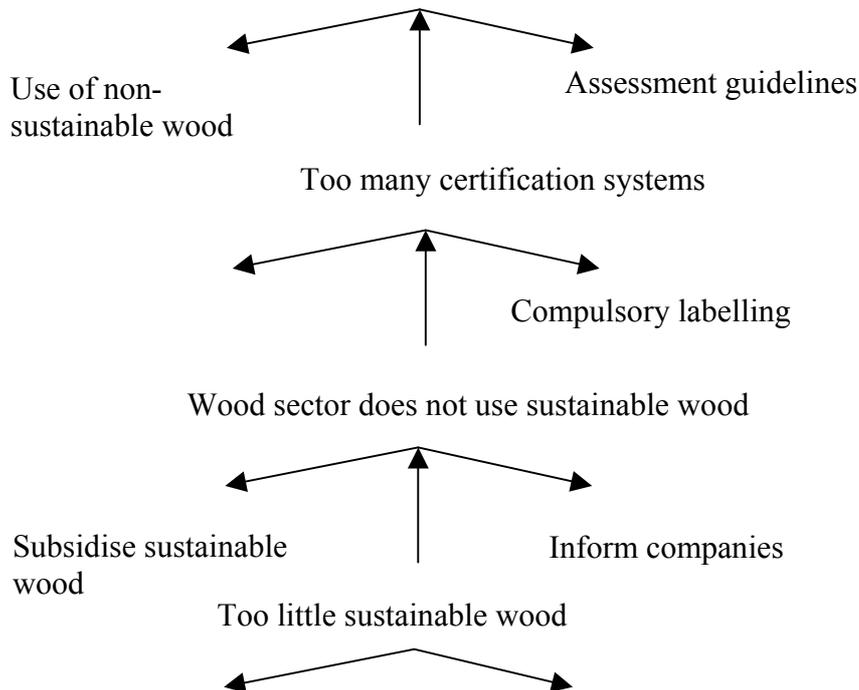
Ministries: government targets are not met. Decision-making to formulate clear assessment guidelines has reached an impasse.

c. For whom is it a problem?

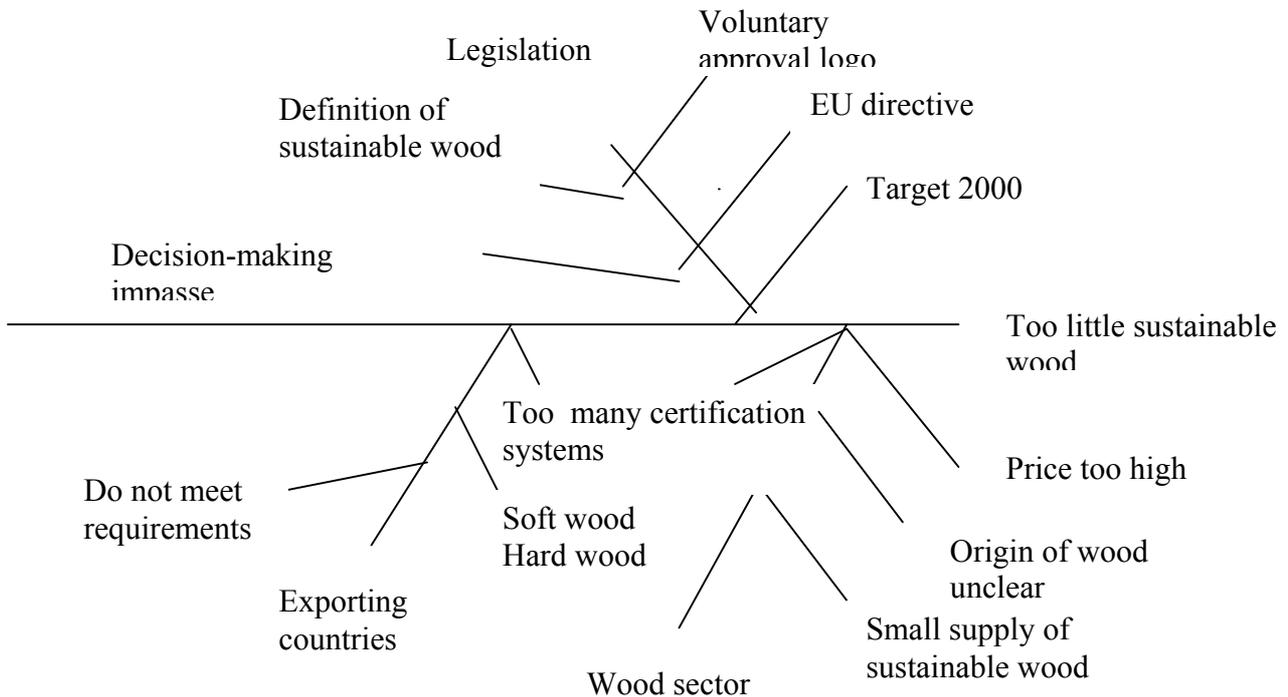
See point 2

d. How big is the problem?

Only 6-8% of wood sold in the Netherlands is demonstrably from sustainable sources; over 80% of the wood sector in the Netherlands cannot prove where the wood it buys comes from or how it is produced. This is despite the fact that in 1990 the government set itself the target that by 1996 all the wood imported and used in the Netherlands would be sustainably produced. 3. Analysis of the problem



Relax the criteria



4.

Objective:

Deforestation must be stopped because otherwise the opportunities for future exploitation will be jeopardised and because there is growing understanding of the function of the forest on a socio-cultural level. At the same time, developing countries must be able to develop sustainably themselves. This means that Africa's sustainable wood trade must be stimulated.

Question

How can the amount of certified wood used in the construction industry be increased?

Prescriptive: marketing, management

This is subdivided into:

1. What is the wood sector like?
2. Where in the sector are the decisions about moving to certified wood taken?
3. What are the motives for the switch?
4. What is the influence of parties outside the sector on that process?
5. How can the decision-making process overcome impediments to moving to certified wood or incorporate incentives to make the change?

Method:

Conduct in-depth interviews with contractors, wholesalers and joinery works in Groningen in order to study the opportunities for and readiness of the wood sector to supply more certified wood.

Question

How did the impasse in decision-making relating to certification of sustainably produced wood arise and how can decision-making be encouraged?

Explanatory, prescriptive: sociology, management science

using the following subsidiary questions:

1. What are the central issues in the decision-making process?
2. Which issues are worthy of further analysis?
3. How is the political-social force field distributed?
4. What are the reasons for the impasse?
5. What recommendations can be made to help decision-making?

Method:

Conduct a force field analysis in order to gain insight into the relationships between the political and social forces around the controversial issue. Multi criteria decision analysis (MCDA analysis) may be used to understand the reasons for the issue, by analysing the expected "benefits" of alternative policy options relative to one another.

For movie see: <mms://wmvideo.service.rug.nl/adamsappel/030607.wmv>