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Building the capacity of ACP Countries in Trade Policy Formulation, Negotiations and implementation ("Hub and Spokes") Project

World Trade Deal unlikely in three Months.

France's international trade minister said she holds little hope that moribund World Trade Organization talks can be revived and produce an agreement in the short term. Asked whether the talks could be wrapped up in three months, Christine Lagarde told reporters: 'I personally doubt it very much, given the amount of work that needs to be done.' 'That was the work that has been carried out for two years now I do not see how in a matter of three months it could be completed,' she said on the first day of a visit to Brazil.

WTO chief Pascal Lamy on Wednesday called for a quick and full resumption of multilateral talks aimed at reaching agreement on the stalled Doha Round. The Doha Round seeks to topple trade barriers to agriculture, industrial goods and services, but was undermined in Cancun, Mexico when Brazil led a Group of 21 developing countries to demand that developed cut agricultural barriers. The talks have been moribund since June, but this weekend on the sidelines of the World Economic Forum in Davos, Switzerland important negotiators gave commitments to breathe new life into the talks. One stumbling block is the United States, where President George W. Bush has lost his so-called fast-track authority to negotiate trade deals that Congress may approve or reject but not amend, and now faces opposition majorities in both houses of Congress.

Democrats are likely to insist on environmental and labour rights assurances in any fast-track authority they approve. 'If the majority of the (US) Congress is not prepared to renew the trade promotion authority before the end of June, that means we are on a longer course of negotiations,' Lagarde said. Bush said Wednesday: 'We're going to work hard to complete it. We are dedicated to making sure we have a successful Doha Round.'

However, European Commission spokesman Michael Mann said Thursday: 'The US will need to propose more ambitious cuts and disciplines in trade-distorting domestic farm subsidies.' Lagarde said: 'The good news is that these negotiators want to tackle the job again. The bad news is that nothing much is on the table so far.' Brazil's top trade negotiator, foreign minister Celso Amorim, said Saturday that he was upbeat after the meeting of ministers from 23 countries and the EU at Davos.

'My sense of the meeting was a positive one. I left with a higher feeling of optimism,' Amorim said.

Source: AFP International, Sao Paulo, 2 February 2007.

US BRINGS CASE AGAINST CHINA ON SUBSIDIES

The Bush administration, under pressure from a Democratic-controlled Congress to do something about America's soaring trade deficit, filed a trade case Friday against China in a dispute involving government subsidies. The complaint filed with the World Trade Organization in Geneva alleges that China is using government support and tax policies to bolster Chinese firms in competition against U.S. and other foreign firms. "We are seeking to level the playing field to allow U.S. manufacturers to compete fairly with Chinese firms," U.S. Trade Representative Susan Schwab said in announcing the case. The action will trigger a 60-day consultation during which trade negotiators will try to resolve the dispute. If that fails, a WTO hearing panel will be convened to handle the dispute.

A win by the administration would clear the way for the United States to impose economic sanctions against China if Beijing still refuses to change its subsidy program. Schwab's announcement that a case was being filed came just two days after Treasury Secretary Henry Paulson faced stiff questioning before a congressional panel, where both Democrats and Republicans accusing the administration of doing too little to deal with a swelling trade deficit with China. An official with China's delegation to the WTO in Geneva said the Chinese would have no immediate comment on the case. In Congress, Democrats praised the administration's action, saying they hoped it signalled a more aggressive policy toward unfair Chinese trade practices. "Forcing China to eliminate its illegal subsidies will keep world markets open to U.S. goods, keeping jobs at home," said Senate Finance Committee Chairman Max Baucus, D-Mont. "This case represents a step in the right direction, but it must be part of a much more aggressive program to take actions against violations of WTO obligations," said Rep. Sander Levin, D-Mich. and the head of a House Ways and Means trade panel. John Engler, the former Michigan governor who is now head of the National Association of Manufacturers, said he was disappointed that other major trading partners including Japan and the European Union refused administration requests to join in filing the case. "We hope that other countries will reconsider joining the case, recognizing it is not fair to have the United States do all the heavy lifting," Engler said. The case against China on subsidies is the second WTO case the administration has filed in the past year. Last March, it filed a case accusing China of using a WTO-illegal tax system to block imports of U.S. and other foreign-made auto parts into China.

Paulson told the Senate Banking Committee on Wednesday that he believed a high-level dialogue that was begun last December with top Chinese officials offered the best approach to dealing with America's trade problems with China. The administration has been trying to get China to allow its currency to rise in value against the dollar. U.S. manufacturers contend that the Chinese currency, the yuan, is undervalued by as much as 40 percent, giving Chinese products a huge competitive advantage against American goods.

Source: Associated Press, Washington, 3 February 2007.

China says U.S. decision to file WTO subsidy complaint regretful

China's commerce ministry on Sunday expressed regret over a complaint by Washington to the World Trade Organization that accused Beijing of providing companies with improper subsidies which hurt U.S. firms.

A brief statement posted on the ministry's Web site quoted a spokesman as saying China was considering a request from the United States for consultations on the issue. The commerce spokesman said China "expressed regret" over the complaint but did not elaborate. The decision to go to the WTO with a trade complaint will trigger a 60-day consultation during which trade negotiators will try to resolve the dispute. If that fails, a WTO hearing panel will be convened and if the United States wins the case, it will be allowed to impose economic sanctions on Chinese products.

On Friday, the U.S. filed a complaint alleging China uses WTO-barred tax breaks to encourage Chinese companies to export more to the United States while imposing tax and tariff penalties to limit purchases of U.S. products in China. The action comes as the Bush administration faces increased pressure from a Democrat-controlled Congress to do something about the nation's soaring trade deficits and lost manufacturing jobs, which critics blame in part on unfair trade practices by foreign nations.

Source: Associated Press, Beijing, 4 February 2007.

WTO rules against US in shrimp anti-dumping duty

In what is seen as a shot in the arm for shrimp exporters, the WTO has for the first time ruled against the US practice of zeroing for calculating anti-dumping duties on shrimp.

The WTO on Wednesday ruled that the US imposition of anti-dumping duties on shrimp imports from Ecuador using the zeroing methodology was in contravention of international trade practices. Ecuador along with India, China, Vietnam, Brazil and Thailand face dumping duties on their shrimp exports.

As per the WTO panel the duties imposed on exporters of shrimp from Ecuador was because of the zeroing practice used in calculation. The US refused to make calculations based on the average sale price. Prices above the fixed level were ignored or calculated at 'zero' and instead only prices below the fixed one were considered for calculating duties. This had led to inflated duties. While the WTO had earlier ruled against zeroing in softwood lumber and bearings, this was the first time that such a ruling had come in the case of shrimp whose exports from India have been affected seriously.

Seafood Exporters Association of India national president AJ Tharakan told FE that the ruling was significant since it came around the time the preliminary determination of duties was to be announced by the US after the first administrative review and also the process for the second review just beginning. He said the association will discuss the matter with the Centre so that India took up the case at the WTO and also the US department of commerce. Marine Products Export Development Authority (Mpeda) chairman Mohankumar said that India had taken up the issue of customs bond at WTO and had received a favourable ruling and a panel was to look into the issues. The new ruling would stand to favour India, he added.

Shivram Warrior of HLL which is one of the three mandatory respondents in the first administrative review underway and also one in the initial determination of duties, felt that India had a strong case and it was important that the Union commerce ministry took up the matter with the WTO and also the DoC. Based on the ruling, without the zeroing methodology, Indian duties would be at a very low level which would also bring down the customs bonds against which India had a case before the WTO

Source: India Press Trust, Kochi, 1 February 2007

US-China Business Council Statement on USTR Initiation of WTO Case on PRC Subsidies

John Frisbie, President of the US-China Business Council (USCBC), issued the following statement in response to the US Trade Representative's (USTR) filing of a dispute settlement case at the World Trade Organization (WTO) against China for policies that violate WTO rules on subsidies: "Subsidies that violate WTO rules and distort our trade balance with China should be addressed," said USCBC President Frisbie. "Discussions have failed to resolve the issue so far. Filing this case demonstrates that USTR will use all the tools at its disposal to deal with bilateral trade concerns." "Using the WTO to resolve disagreements is a normal part of the relationship between two trading partners," Frisbie continued. "That Washington and Beijing can engage each other frankly on such disputes shows a maturation of the commercial relationship."

The USCBC is the leading organization of US companies engaged in business with the People's Republic of China. Founded in 1973, the USCBC provides extensive China-focused information, advisory, and advocacy services, along with events, to more than 250 US corporations operating within the United States and throughout Asia

Source: USCBC, Press Release, Washington, 2 February 2007

Chinese President Hu Jintao is heading to Liberia, as he continues his eight nation African visit.

Still recovering from war, Liberia has been singled out for special attention by China. It stands to benefit from agreements in agriculture, education and health - but it also has resources on offer, such as iron ore, rubber and access to the sea.

Mr Hu has recently been in Cameroon, where he signed grants and loans worth around \$100m. He will only have a few hours on the ground in Liberia, but that is enough time for Mr Hu and his host Ellen Johnson-Sirleaf to sign several agreements opening the way for increased Chinese investment.

The deputy minister of international co-operation, Commany Wesseh, says the setting up a special economic zone near the port of Buchanan is being discussed, which could create desperately needed jobs. "We are hoping that about 1,000 industries will be set up in that special economic zone," he said. "We're talking that within 10 years we will be employing between 50,000 to a 100,000 Liberians."

Oil exploration is another possible area for agreement.

But negotiating with Liberia's leader is no pushover. She recently cancelled a deal the former government had made with the world's largest steel manufacturer, and then renegotiated it, ensuring that Liberians would gain more from its iron ore. With support from the United Nations, President Sirleaf is considered to have made a good start as she tries to help Liberia recover from 14 years of war on very meagre resources. Whilst he is in the country, President Hu is expected to formally sign away \$15m worth of debt which Liberia owes. But that does not make much of a dent in the country's overall debt of around \$3.5bn.

Source: All Africa News, 1 February 2007.

US insists Australia Scrap Wheat Monopoly as part of Doha Free Trade

The United States has insisted that Australia scrap the wheat export monopoly held by the disgraced AWB as part of a global free trade deal, the trade ministry here said. US Agriculture Secretary Mike Johanns made the demand after a meeting in Washington with his Australian counterpart Warren Truss, according to a transcript released of their comments released by the ministry to reporters here. 'Single desk monopolies are trade distorting in and of themselves and so we've always maintained the position that they just need to go away and so that's going to continue to be our position,' Johanns said.

Truss and Johanns had discussed an agreement reached at the World Economic Forum in Davos, Switzerland, on the need to restart the Doha round of World Trade Organisation talks on trade liberalisation. The talks stalled in July last year over the issue of farm subsidies. 'My view is that at some point, in order for the Doha round to be successful, everybody's going to have to figure out what they can give on what they can put on the table and I think single desk monopolies are part of that discussion,' Johanns said. An Australian commission of inquiry found late last year that AWB -- formerly the Australian Wheat Board -- paid massive bribes to the Iraqi regime of Saddam Hussein under the UN's scandal-tainted oil-for-food programme. Truss said however that AWB, which was temporarily stripped of its 70 year old monopoly in December while its future is discussed, was not the bogeyman the US made it out to be. 'The Australian government has always maintained that AWB does not provide trade distorting benefits to Australian wheat farmers -- that's a point of longstanding difference between Australia and the US,' he said. The US was in no position to criticise other countries for distorting world trade, given its 25 bln usd in annual farm subsidies, Truss said.

Source: AFX, Sydney, 31 January 2007.

WTO raps US over online gambling law

The World Trade Organisation (WTO) has ruled against the US in an online gambling dispute with the Caribbean island of Antigua and Barbuda. The US is breaking international trade rules, it is expected to say.

Though the ruling is still private, Reuters has reported that the WTO has found the US guilty of not complying with a 2005 order in the case. Antigua and Barbuda has built up a significant internet gambling industry to replace falling tourist revenue and took the US to the WTO over entry to the US gaming market.

Laws passed previously banned non-US companies from operating in the US gaming market. Antigua argued that this was an illegal trade restriction and broke a free trade pact that the US had signed. A WTO dispute resolution panel found in Antigua's favour in 2003. The US appealed but the Appeals Board found largely for Antigua in 2005. The WTO has now found that the US has not tried hard enough to stick to that decision. Antigua had taken a case relating to a ban on all bets placed across state lines. The WTO, though, only ruled in its favour in relation to the narrower issue of horse race betting across state lines. It found that foreign bookmakers seemed to suffer discrimination. The WTO has provided both sides with a preliminary report on its findings. Both parties can submit further comments to it before a final report is published in March.

A spokesperson for the US Trade Representative told Reuters that the ruling was only a minor issue. "[We] did not agree with the United States that we had taken the necessary steps to comply with that ruling," she said. "The panel's findings issued today involve a narrow issue of federal law." Since the disputed laws were passed in the US further, more stringent anti-online gambling legislation has been passed. Last autumn, the US passed laws which made almost all internet gambling illegal in the US and several online gambling executives have been held by US authorities.

The US has the opportunity to appeal the latest ruling after it is published in March.

Source: Hub and Spokes Report, 1 February 2007.

Nicaragua looks to WTO for solution in banana trade dispute

The Nicaraguan government has uttered its discontent about the progress of the banana dispute between the European Union and Ecuador. Nicaragua will also benefit from a reduction of the banana import tariff of 176 euro per MT and the government of the country states that it recognizes this economic relevance. Therefore one had hoped that the negotiations between the two parties, which were part of the consultation periods which are now concluded, would have led to a solution. As this is not the case, Nicaragua considers joining the WTO complaint of Ecuador, should it persevere in its arbitration against the EU. Colombia, Panama, Honduras and the US already joined Ecuador in the affair.

Source: Fresh Plaza, Tholen, 1 February 2007

US farm bill proposals come under fire in Europe

US government proposals for a new farm bill came under attack in Europe today for not offering enough cuts to domestic support payments to ensure success at a crucial stage in stalled world trade talks. US domestic farm supports have been a sticking point in the World Trade Organisation (WTO) negotiations - known as the Doha Round - for developing nations, which say they preclude true global competition.

The talks broke down in July in an impasse over agriculture. Critics believe the subsidies drove down prices and lock out poor farmers in the developing world. But Washington says it can only cut so much until other nations roll back their own duties.

Yesterday, US officials unveiled a plan to shield farm subsidies from legal battles, shuffling some of the \$87bn they want to spend over the next decade into programmes that they hope will not run foul of WTO rules. The European Commission, the EU's executive arm, was quick to point out what it saw as a series of shortcomings in the US administration's proposal for the 2007 farm bill - the umbrella law that sets subsidy, environment and nutrition spending." If we are to have a successful outcome to the Doha Round, the US will need to propose more ambitious cuts and disciplines in trade-distorting domestic farm subsidies," said Michael Mann, the Commission's agriculture spokesman." So far as Doha is concerned, it is not possible for us to form a clear view from this proposal of what the (US) Administration's negotiating approach will be," he said." Key trade distorting programmes for dairy and sugar remain virtually untouched," Mann told a daily news briefing.

Proposed cuts in loan deficiency payments, the basic safety-net of the 2002 US farm bill, were extremely modest, he said. But the Commission noted a modest shift towards more "green" direct payments, he said. The US proposal assumed that commodity prices would remain at their current high levels, Mann said. If this was so, domestic farm support would fall, he added - but if price trends changed, then trade-distorting farm support would rise. The Doha negotiations on lowering barriers to commerce were halted by WTO chief Pascal Lamy after major powers failed to break a long-running deadlock over farm trade. But a recent series of meetings - mainly bilateral sessions between major trading states and blocs, such as the US, Brazil, the EU and Japan - sent signals of flexibility.

Source: Reuters, Brussels, 2 February 2007.

Country Could Lose Duty Free Access to EU Over EPA

Uganda could lose its duty-free export access to the European Union market as a new trade regime, the Economic Partnership Agreements (EPAs) comes into force on January 1 2008. The Private Sector Foundation of Uganda (PSFU) citing unpreparedness and unfair competition - wants the Ministry of Tourism, Trade and Industry to suspend plans to become part of the EPA.

The EPA allows products from any member country access to any market within the partnership at competitive tax rates. The PSFU fears that once this happens, Uganda's exports to the European Union market will face tough competition and will not fetch the price they have enjoyed since the Cotonou agreement of June 2000. "This is a radical shift in the relationship between our countries and the EU. Our products are going to face serious competition from European markets," said Dr Evarist Mugisa, a consultant.

The Cotonou trade pact, signed between African, Caribbean and Pacific countries on one hand and the European Union on the other, allowed less developed countries to export duty-free products to the EU market. Now PSFU and the Trade Ministry want to delay the signing of the EPA, saying that Uganda is not ready and should have an extension on the period by another three years.

The other twist, however, is that PSFU is also wary of the possible competition from European products, which would flood the local market. Ideally, under Economic Partnership Agreements, even EU countries are eligible to enjoy access to markets of member countries. The private sector in Uganda says that it is not ready because of the crisis in the economy, with production costs shooting through the roof as Uganda battles crippling power crisis and dilapidated transport infrastructure. This is besides costly loans and interest rates averaging a minimum of 22 per cent.

On the other hand, European industries enjoy lower costs of production and their exports to Uganda would therefore sell for lower prices, undercutting Ugandan products. The PSFU has also taken issue with the EU's agricultural subsidies, arguing that if EU farm products are allowed access to the Ugandan market, local producers will suffer. "The PSFU's fears are not justified because products imported from the EU will remain those that are not produced here," said Tom Vens, head of the economic and trade desk at the Kampala EU mission. "They should come up with concrete examples of products that are going to flood this market, other than those that are currently being exported here."

According to Mr Vens, the EPA would expose Uganda's exports to competition from countries like Brazil, China, Indonesia and India, which traditionally flood EU markets with high volumes of exports. However, Uganda has been dragging its feet for a while. The negotiations started in 2004 but till now the government has not held any induction meeting with the country's export sector to bring them up to date with the workings of the EPA regime.

If actualisation of the EPA locks Uganda out of the European markets, the country will lose its number one trading partner. The EU is Uganda's largest export market constituting 60 per cent in 2005 according to Uganda Bureau of Statistics; Uganda has earned significant revenue from exporting to the EU since 2001 after the Cotonou

agreement was signed. The Uganda Bureau of Statistics says that Uganda's exports to the EU in 2001 were worth \$200 million, but in the space of less than six years this figure has grown to over \$380 million.

Moreover, the EU continues to expand, a development that would offer Uganda potential to access an even larger market. The East African has learnt that Uganda wants its exports to Europe to continue enjoying the current tariff regime, which in effect will protect them from competition from cheaper exports from Brazil and the Tiger economies. "Uganda wants its exports to be zero rated immediately after the EPA and to maintain the status quo for another 10 years," said Kirk Haywood, a trade policy analyst with the Trade Ministry. PSFU executive director Gabriel Hatega said that in the event that Uganda does not sign an EPA, the private sector may also be stripped of preferential treatment under the "Everything But Arms" (EBA) initiative. EBA came into effect in 2001 to grant duty free access to European markets to 48 less developed countries, including Uganda.

The "Everything But Arms trade agreement is not reciprocal. It was not negotiated and can therefore be withdrawn," said Mr Hatega. Uganda's committed itself to be part of the reciprocal EPA trade arrangement in 2004 along with 15 other countries to form the EPA configuration of East and Southern Africa (ESA) countries. However, experts say that ESA is the only configuration that is lagging behind in the move toward the new regime, with Kenya the only country that has made the right moves. "Of the 16 countries in ESA, only Kenya has done something. At least many Kenyan exporters know what is going on," said Dr Mugisa. Officials at the EU Mission in Kampala told The East African however, that it is not up to the EU to extend Uganda's period of duty-free access to European markets. If Uganda does not sign the EPA, it may instead have to wait for waivers that will be discussed at the [stalled] World Trade Organisation talks.

Source: The East African, Nairobi, 31 January 2007.

Country and China Discuss Closer Bilateral Ties

Visiting Chinese President Hu Jintao held talks with his Cameroonian counterpart, Paul Biya, on closer bilateral ties here on Wednesday morning.

President Hu was accorded a red-carpet welcome by President Biya before their talks. Hundreds of Cameroonian people sang and danced, giving the Chinese delegation a warm welcome. During the talks, the Presidents exchanged views on the development of China-Cameroon ties and discussed other important issues of common concern, according to a Chinese official.

Mr Hu proposed that China and Cameroon promote mutual trust and cooperation by intensifying communication at all levels and supporting each other on core issues. He also suggested more efforts be made on economic cooperation that would benefit both countries, particularly in agriculture, primary products processing, infrastructure and telecommunications. People-to-people exchange is another field that the Chinese president proposed the two sides focus on. "Communication should be strengthened in education, health, culture, sports and tourism," he told Mr Biya.

President Hu also called for enhancing multilateral coordination in an effort to safeguard the interests of developing countries. For his part, Biya said Cameroon firmly supports China's endeavour to safeguard its sovereignty and territorial integrity. "China is the great friend of Cameroon and Cameroon is the sincere friend of China," he said.

On economic cooperation, Mr Biya said Cameroon has been making efforts to improve its investment environment and welcomes more Chinese enterprises to invest in his country. President Hu is currently on the first leg of his tour of eight African nations, which started Tuesday and is to conclude on 10 February. Following his stop in Cameroon President Hu will visit Liberia, Sudan, Zambia, Namibia, South Africa, Mozambique and the Seychelles.

The visit is aimed at deepening the traditional friendship between Africa and China, and realising the agreements reached during the Beijing Summit last year, including eight commitments President Hu had made to benefit the African countries. China will sign debt relief agreements with 33 African countries by the end of 2007 to honour the pledges it made at the Sino-African Forum, the Chinese Ministry of Commerce (MOC) said in Beijing Monday. South Africa's Deputy Minister of Foreign Affairs, Aziz Pahad, outlined some of the activities on President Hu's itinerary when he arrives in South Africa on 7 February. President Thabo Mbeki will hold discussions with his Chinese counterpart with a view to further strengthening the existing trade and political relations between their countries.

The presidents will sign at least seven agreements to strengthen relations.

These include: * Protocol on Phyto-Sanitary Requirements for the export of pear fruit from China to South Africa; * Protocol on Phyto-Sanitary Requirements for export of table grapes from South Africa to China; * Protocol on Phyto-Sanitary Requirements for the export of apple fruit from China to South Africa; * Protocol on Phyto-Sanitary Requirements for the export of tobacco-leaf from China to South Africa; * Agreement

between on co-operation in the minerals and energy sector; * Memorandum of Understanding (MOU) regarding the establishment of the South Africa-China Minerals and Energy Sectoral Co-operation Committee; Agreement on economic and technical co-operation.

President Mbeki and President Hu will also discuss global matters since South Africa has assumed a non-permanent seat on the United Nations Security Council (UNSC). Since the establishment of diplomatic relations in 1998, trade between China and South Africa has grown significantly.

China became South Africa's second largest import trading partner in 2005, comprising 9 percent of total imports and the eighth largest export partner, comprising 3 percent of total exports from South Africa.

Source: BuaNews-Xinhua, 1 February 2007

Regional Trade Ministers to Decide on Tough External Trade Issues

The month of February will be a time of serious deliberation for the Region as Ministers will convene to engage a number of salient issues related to external trade at the 20th Special Meeting of the Council for Trade and Economic Development (COTED) on February 2-3, 2007 in Montego Bay, Jamaica.

The tone of the meeting will be set by discussions on refining strategies that capitalize on the collective strengths of the Region to mitigate development challenges. In this regard special emphasis will focus on strategies that simultaneously improve international competitiveness and accommodate appropriate domestic and regional adjustments.

In addition attention will be placed on specific trade issues especially relevant to the Region's EPA negotiations with the European Union, and the WTO Doha Round.

As the Director General of the CRNM indicates "Given the re-launch of the Doha negotiations, and that we have entered the final stage of the EPA, this Meeting is happening at a critical juncture in the mapping of the Region's economic future. In our focus on the EPA, we will be examining and specifying development enhancing measures that will categorically define the EPA as a tool specifically designed to engender sustainable development of the Region. Given the extremely ambitious timeline for completing the Doha Round it is crucial at this time for us to re-examine our options and strategic position."

Amongst the most pressing issues to be discussed will be the question of the future of key agricultural commodities. Specifically, Ministers will deliberate on the way sugar and bananas should be treated within the EPA. The Meeting will also address matters related to Regional bilateral relationships.

Source: RNM Pressrelease/News, Christ Church, Barbados, 30 January 2007

CHINA BECKONS: CARICOM should respond

The continuing dichotomy within the Caribbean Community (CARICOM) over the Peoples Republic of China and Taiwan could begin to hurt the grouping which has been unable to establish a joint policy toward China, now the fourth largest economy in the world and growing fast.

Belize, Haiti, St Vincent and the Grenadines, and St Kitts-Nevis continue to recognise Taiwan while the rest of the CARICOM countries have diplomatic relations with China. This division within CARICOM has kept the development of a trade, aid and investment policy for China off the agenda of CARICOM Heads of Government even though China is now involved with the region in a number of ways including as a lending member of the Caribbean Development Bank (CDB).

It is a favourable mark for China that even though it is unhappy about the continuing recognition of Taiwan by the four CARICOM countries, it has not sought to block their use of its CDB funds. The Chinese position is a stark contrast from the position taken by the US In 1979 when the New Jewel Movement seized power in Grenada and the US broke off diplomatic relations. Washington had laid down a condition to the CDB that Grenada could not access US funds. The importance of China in the world and its potential value to CARICOM countries was underscored recently by two events.

First, China's foreign exchange reserves, already the world's largest, have passed \$1-trillion (U.S.). The central bank said its reserves stood at \$1.0663-trillion at the end of December, up more than 30 per cent from one year earlier, making China the first country officially to top the \$1-trillion mark.

Second, the World Tourism Organization has announced that by 2020 China will be the fourth-largest source of global leisure travelers. But with the mountain of money on which it is sitting and the need to spend it, the Chinese government has already begun easing currency controls. They will be looking for ways to invest and spend much of it.

Recently tourists from China have officially been allowed US\$5,000 to travel, though Chinese officials say that the figure is higher than that. Now, it is likely that the government may increase the travel allowance permitting tourists to travel farther. Several Caribbean countries have already been given "approved travel destination" status. These are: Antigua and Barbuda, the Bahamas, Barbados, Dominica, Jamaica, and St. Lucia.

This gives them a head start in trying to grab a meaningful share of the market. But, they are up against serious competition from the United States, European Union countries such as the UK and France, Canada, Australia and South-East Asian nations who are already gearing for Chinese tourists.

To get a share of the market, CARICOM countries will require not only joint Caribbean planning, marketing and alliances with airlines and tour operators in China, it will also need the help of the Chinese government to provide incentives and maybe even transportation. It is the kind of help that would come out of a Joint CARICOM-China Trade and Investment Commission that meets regularly to explore the potential for mutually beneficial relations and puts machinery in place to achieve it.

Incidentally, and not unimportantly, China could also be encouraged to contribute to the Regional Development Fund which is so vitally important to the development of the Caribbean Single Market (CSM) that was formally launched by CARICOM countries in 2006.

The Chinese government has shown no reluctance to be active in the Caribbean, and officials in China would undoubtedly welcome the opportunity to map out a joint strategy for China's involvement in the region, as they have done in Africa.

In November 2006, China hosted a meeting with leaders of 48 African countries at which the Chinese President announced that by 2009 China will double the assistance given to Africa in 2006 in an effort to forge a new type of strategic relationship and strengthen cooperation in more areas and at a higher level. The prospect of a similar summit between CARICOM Heads of Government and the Chinese President is dim unless one of two things happen: Either, the four CARICOM countries that recognise Taiwan alter their policy and join the others in establishing diplomatic relations with China, or agreement is reached that the others are free to establish a Joint Trade and Investment Commission with China under the umbrella of CARICOM but excluding the four if they so wish.

The continuing links by the governments of Belize, St Kitts and Nevis and St Vincent and the Grenadines to Taiwan is understandable. They have received considerable help from the Taiwanese who continue to invest in their economies – particularly in areas where traditional donors and lenders have shied away.

But a structured regional relationship on trade, aid and investment with China, which is now indisputably an economic giant and which could offer much to the people of the Caribbean, ought not to be delayed.

Source: Sir Ronald Sanders

(The writer is a business consultant and former Caribbean diplomat)