



## **Trade News Bulletin**

*Issue No. 157*

Tuesday 24 February 2009

---

| Table of Contents  | Pages |
|--|-------|
| WTO chief says banks must clean up balance sheets, countries avoid protectionism | 2     |
| WTO 'zeroing' ruling goes too far - US lawmakers                                 | 3     |
| WTO: "Buy America" clause doesn't violate trade rules                            | 4     |
| EU probe seen backing WTO action vs. US on gambling                              | 5     |
| Brazil may challenge "Buy American" at WTO                                       | 6     |
| Gov't to Sign CECA with China under WTO Framework                                | 7     |
| Ethiopia Won't Free Telecoms, Banking for WTO, Minister Says                     | 8     |
| Barney Frank to launch another legislative attack on Uigea                       | 9     |
| U.S.-China Trade Ties Erode Amid Accusations                                     | 10-11 |
| WTO top court again condemns U.S. dumping measure                                | 12    |
| EU proposal to end banana trade dispute  | 13    |
| Germany world's top goods exporter in 2008-WTO                                   | 14    |
| EABC Urgently Needed in EAC Integration Process                                  | 15    |
| SADC, Comesa Merger Poses No Threat to Revenue Earnings                          | 16    |
| The Commonwealth Summit: A Caribbean Opportunity                                 | 17-18 |
| New Publication: Decentralisation in the Gambia                                  | 19-22 |

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

### **WTO chief says banks must clean up balance sheets, countries avoid protectionism**

Banks must cleanse balance sheets and regulators shore up international rules for confidence to be restored amid the global financial crisis, the head of the World Trade Organization said Monday.

Pascal Lamy, director general of the Geneva-based WTO, told a forum in Seoul that cleaning up balance sheets is "a matter of urgency" even if bank shareholders resist. "Until and unless this happens, there is in my view, no turning point in sight."

Lamy also said that restoring confidence requires a "serious attempt" be made at "filling the hole" of international financial regulations to "avoid future accidents of this size."

The global credit crunch is having a serious impact on trade, which is decreasing not only because of falling demand, but "because of lack of trade finance," Lamy said. Some 90 percent of global trade happens with such financing, which is drying up, he told a press conference earlier.

Lamy also told the forum that countries must avoid protectionism and quickly reach agreement on the stalled Doha round of WTO trade talks, calling it the "best insurance policy available" against trade barriers. "Beggary-thy-neighbour policies bear the risk of prompting retaliation by other countries and driving down the overall level of trade, thus destroying even more output and jobs around the world," he said.

WTO talks aimed at a new global commerce pact the so-called Doha round named after Qatar's capital where the negotiations were launched in 2001 have been unable to secure a final deal amid disagreement between the United States and emerging economies over trade rules applying to agricultural and industrial goods.

Lamy said the globe was experiencing its "worst economic recession" since World War II. "No country on this planet is now immune from this crisis," he said. "Trade is shrinking, growth is declining and unemployment is on the rise." He also said that countries must coordinate individual stimulus packages and steps must be taken to care for the "weakest and poorest" in society.

Lamy said that the upcoming April summit of the Group of 20 in London will be a "test of the capacity of major economies to work together in searching for solutions to pull the world economy out of this recession."

**Source: Associated Press, Seoul, 23 February 2009.**

### **WTO 'zeroing' ruling goes too far - US lawmakers**

The World Trade Organization's top court overstepped its authority this month in a ruling against a U.S. method of calculating anti-dumping duties, two senior U.S. lawmakers said Monday. "The Appellate Body mistakenly asserts the authority to resolve disagreements that the WTO Members were unable to resolve through negotiation," House of Representatives Ways and Means Committee Chairman Charles Rangel and Trade Subcommittee Chairman Sander Levin said in a joint statement. "Ultimately, this will make it more difficult to reach new agreements to liberalize trade. As we strive to complete the Doha Round of WTO negotiations, this report should give all negotiators cause for concern," the Democrats said.

The Ways and Means Committee plays a major role in consideration of U.S. trade agreements and has jurisdiction over U.S. anti-dumping and other trade remedy laws.

At issue is a U.S. method known as "zeroing" for calculating anti-dumping duties on imported goods, which has been repeatedly challenged at the WTO in recent years by the European Union and other trading partners.

International trade rules allow countries to impose duties on imports that are sold for less than they cost at home, if they are found to damage businesses in the importing country.

The anti-dumping duties are based on the difference between the price in the exporting and importing markets.

Under zeroing, the United States ignores, or treats as zero, examples where the price is actually higher in the United States than in the exporting country.

Critics say that artificially inflates the anti-dumping duty, putting up a higher barrier to trade.

The Appellate Body's latest ruling involved a case brought by the EU against U.S. anti-dumping measures on European ball bearings, steel products, pasta and chemicals.

The case had attracted attention as an example of a growing rift between the WTO's dispute panels and its Appellate Body over the extent to which zeroing is allowed. "There are times when the text of an agreement simply does not address an issue. In those cases, the Appellate Body must recognize that sovereign nations simply have not bound themselves," Rangel and Levin said.

Instead, the panel has "rejected the notion that the WTO members could agree to disagree" on certain subjects and leave them for future negotiation, the lawmakers said.

Tim Reif, a former top aide to both Rangel and Levin, recently left the Ways and Means Committee to become general counsel in the U.S. trade representative's office, where one of his jobs will be to defend U.S. anti-dumping laws.

**Source: Reuters, Washington 23 February 2009**

**WTO: "Buy America" clause doesn't violate trade rules**

World Trade Organization Director-General Pascal Lamy said the "Buy American" provision in U.S. stimulus is a sign of "protectionist pressures," but it does not break international trade rules. The final "Buy American" compromise in the stimulus "will be implemented in a way that is consistent with U.S. WTO obligations," he said. Source:

**New York Times, New York, 23 February 2009.**

### **EU probe seen backing WTO action vs. US on gambling**

An investigation by the European Commission into a U.S. clampdown on European online gambling firms is expected to recommend action at the World Trade Organisation, sources familiar with the probe's findings said.

But the sources said the EU executive, which oversees trade policy for the 27-nation bloc, would try to find a solution with the new U.S. government before taking any case to the global trade watchdog. "The report next month will back the EU's position, but the Commission intends to deliver its findings to Washington which it hopes will persuade the U.S. to start bilateral talks to find a solution without going to the WTO," one source told Reuters. "A case would take a very long time tied up at the WTO and in the current spirit of avoiding protectionist moves in line with the G20 (Group of 20 emerging and industrial nations) statement, action should be avoided."

European Internet gambling companies lost billions of Euros in market value after the U.S. Congress moved in 2006 to shut down the U.S. market by making it illegal for banks and credit card companies to make payments to online gambling sites.

Many publicly traded European companies, such as Party Gaming (PRTY.L) and 888.com (888.L), withdrew from the United States after Congress passed the 2006 Unlawful Internet Gambling Enforcement Act, but they face possible criminal prosecution for activities before then. The European Commission, acting on an industry petition, began a formal investigation in March into whether Washington was singling out EU companies for enforcement actions while allowing U.S. online companies to operate freely.

**Source: Reuters, Brussels, 19<sup>th</sup> February 2009.**

### **Brazil may challenge "Buy American" at WTO**

Brazil may challenge the legality of a "Buy American" clause in the recently approved U.S. economic stimulus package at the World Trade Organization, Brazilian Foreign Minister Celso Amorim said on Monday. "It's a complex legal analysis, but we're doing it," Amorim said. "(Going to the WTO) is a real option," he told the state television channel TV Brasil in a program to be aired later this week.

The U.S. Congress approved a \$787 billion plan to jump-start the world's biggest economy on Friday, stipulating that public works and building projects funded by the stimulus use only U.S.-made goods, including iron and steel.

Major commodities exporter Brazil has been a key player in the Doha round of global trade negotiations, and had hoped the G20 group of leading economies would honour a November pledge in Washington to avoid protectionism.

Amorim said the U.S. move was counterproductive, likening it to a pain-killer that heals the symptoms of disease but not its cause. He said the Doha round was not dead but would be hard to revive. "It's a bad sign. ... It's not positive at a moment when the world economy is trying to revive," Amorim said.

Chinese official media also blasted the Buy American provisions over the weekend, saying they were "poison" to the world economy.

U.S. business groups last week criticized Congress and warned the clause would dilute the bill's impact and invite other countries to keep American goods out of their stimulus programs. Amorim said he thought Brazil could challenge the "Buy American" clause at the WTO, despite not being a signatory to an international agreement on government procurement. Brazil's President Luiz Inacio Lula da Silva will speak against global protectionism at the G20 meeting in London next month, Amorim said. Amorim is expected to meet U.S. Secretary of State Hillary Clinton later this month to prepare a visit by Lula to the United States this year.

**Source: Reuters, Brasilia 17 February 2009**

### **Gov't to Sign CECA with China under WTO Framework**

The government will step up effort to sign Comprehensive Economic Cooperation Agreement (CECA) with China under the framework of the World Trade Organization (WTO), which will focus on petrochemical and machinery but exclude agriculture initially, said Economics Minister Yiin Chii-min yesterday (Feb. 22).

Yiin stressed that signing the agreement with China has become quite urgent as Taiwan's economy and trade will face the problem of survival due to the threat of being marginalized from the regional economy. The statement echoes the instruction of President Ma Ying-jeou during an economic meeting at the Presidential Office over the weekend, calling for the Executive Yuan (the Cabinet) to sign the CECA with China.

The government, said Yiin, will adhere to the principles of fairness, equality, and dignity in signing the agreement under the WTO framework with China and may choose a new name other than CECA for the agreement, a move apparently designed to sidestep the political connotation associated with it by the opposition Democratic Progressive Party (DPP).

Accordingly, Huang Chih-peng, director general of the Bureau of Foreign Trade, under the Ministry of Economic Affairs (MOEA), revealed that the government intends to sign the agreement with the name of the "Separate Customs Territory of Taiwan, Kinmen, and Matsu," adding it will definitely not accept the name of "Chinese Taipei" preferred by China.

Yiin stressed that the agreement is indispensable for Taiwan to avoid being marginalized from the regional economy, due to the implementation of "ASEAN (the Association of Southeast Asian Nations) plus one" arrangement in 2010, which will be followed by economic integration between ASEAN and Japan, Korea, and India.

Yiin explained that under the "ASEAN plus one" arrangement, tariffs on items now subject to under 10% rates in trade ASEAN and China will be removed entirely, putting Taiwan-made petrochemical materials and machinery equipment in a grossly disadvantageous position in the Chinese market, as they will still have to pay tariffs of 6% and 8%, respectively, there.

The minister said that the government will not open up the domestic market to Chinese agricultural products initially, in line with the campaign platform of President Ma Ying-jeou, different from the policy of the DDP regime which lifted import ban on 1,000 Chinese agricultural products during its eight-year rule.

**Source: CENS, Taipei, 23 February 2009**

**Ethiopia Won't Free Telecoms, Banking for WTO, Minister Says**

Ethiopia will pursue membership of the World Trade Organization, though it has no plans to liberalize its telecommunications and financial-services industries to gain access, Trade Minister Girma Birru said.

Ethiopia is currently fielding questions about its trade policies from countries including the U.S. and Canada, as it attempts to negotiate entry into the global trade regime, Birru said in an interview on Feb. 17 in the capital, Addis Ababa. The Horn of Africa nation, twice the size of Texas and with a population of 82.5 million, applied for membership of the Geneva-based trade arbiter in 2003. The country is counting on membership to open new markets to boost its \$25.1 billion economy. "Primarily we will join the WTO not to make others happy, but to make our economy work," Birru said. "So to the extent it helps our economy we will liberalize things, but if it's not going to assist our goals in trade and development we will not liberalize. Why do we have to?"

The country's protected telecom and financial industries will be points of contention in the talks with WTO-member countries including the United States and United Kingdom, Tewodros Mekonnen, a researcher with the Ethiopian Economic Association, said in a phone interview on Feb. 19. "I don't see any plan" to break up or sell Ethiopian Telecommunications Corp. to private investors, Birru said. "If there are some problems it has nothing to do with ownership. It has only to do with management. Management and ownership don't necessarily go together."

### **Private Investors**

Ethiopia has resisted pressure from the World Bank and trade partners like the U.S. to sell the telecommunications company to private investors.

Ethiopian Telecommunication's monopoly enables it to charge \$35 for a mobile-phone SIM card, which is required to obtain a mobile-phone number. In neighbouring Somalia and Kenya, which have private mobile services, cards cost less than \$5.

A 1-megabyte per second Internet connection costs more than \$2,000 a month in Ethiopia. In South Africa, the continent's biggest economy, a similar service costs between 600 rand (\$59) and 760 rand, according to the <http://www.mybroadband.co.za> Web site. "In Ethiopia, if there is any problem I don't think it's the price," said Birru. "It's the quality of the service. This has to be improved. And to improve this I don't think it would be wise to privatize it."

Ethiopia's government is reluctant to sell the company because it is profitable and is expanding services to rural areas, Newai Gebre-Ab, Prime Minister Meles Zenawi's top economic adviser, said yesterday in an interview.

### **Cash Generator**

The company is "generating a lot of money and that money is being put to good use for development of infrastructure," Gebre- Ab said.

Birru also said the Ethiopian central bank lacks the capacity to regulate large foreign financial institutions. The country is also unsure whether foreign banks would play a positive economic role in the country. As a result, the country is unlikely to liberalize the financial-services industry. "At this stage, given the capacity that we have in terms of managing things and supervising them at the National Bank level, I don't see why we'd allow that," he said.

Ethiopia's three state-run retail banks control about two-thirds of the capital in the country's banking industry, according to the National Bank of Ethiopia. Until last year, no bank in Ethiopia could process MasterCard transactions. Banks in the country are also reluctant to lend to businesses that cannot provide real estate as collateral.

**Source: Bloomberg Geneva, 19 February 2009.**

### **Barney Frank to launch another legislative attack on UIGEA**

Barney Frank, the Democratic Party's chairman of the House Financial Services Committee and a strong supporter of legalising online gambling in the United States, is preparing to launch another legislative attack on the controversial Unlawful Internet Gambling Enforcement Act, according to a Reuters report as the week ended.

Frank has been a consistent opponent of the Act, which disrupts financial transactions with online gambling companies and has caused billions of dollars in losses in European companies, major foreign trade hassles for the USA and extra work for a confused and already over-extended financial services industry charged with enforcing the act.

Passed in a late night session of a Congress about to go into recess, and attached to a completely unrelated "must pass" security bill, the UIGEA has been controversial and widely criticised from its inception in late 2006, when it was signed into law by former US president George Bush, precipitating an exodus from the US market of major publicly listed and reputable gambling groups.

Government agencies trying to draft regulations supporting the politically ill-considered law subsequently admitted difficulty in framing sufficiently precise provisions, causing the drafting process to go way over deadlines, and a last-minute rush by an outgoing administration to bring the regulations into force.

Although the regulations have been in place for only a few weeks, the adverse impact of a confusing law (the lack of a definition of "illegal gambling" is a major fault) is already being felt as a financial services industry that is already under pressure errs on the side of caution in blocking "illegal" transactions.

This week a member of Congressman Frank's staff confirmed that the respected political leader plans to introduce legislation to repeal the UIGEA. "The bill introduction should happen in the next month," the aide told Reuters. "Mr. Frank will bring back legislation to repeal the UIGEA."

Congressman Frank's attempt to overturn the UIGEA comes against a background of continued pressure from the government of Antigua and Barbuda, which has conducted a fierce and so far successful fight in the World Trade Organisation against the UIGEA and the inequities of US anti-online gambling laws.

In addition, the European Union has taken up the cudgels for major online gambling companies in Europe prejudiced by the law. Whilst EU officials have said a negotiated resolution is preferred, a complaint to the WTO is on the cards should this prove impossible to achieve.

Reuters recaps the case of Anurag Dikshit, a founder of PartyGaming who pleaded guilty in December to Internet gambling charges and agreed to pay \$300 million in fines after negotiating with the US Department of Justice.

EU industry officials said the pressure on Dikshit to make a deal showed the Justice Department had crossed a major line in its prosecution of cases. The European Commission, acting on an industry petition through the Remote Gaming Association, began a formal investigation in March into whether Washington was singling out EU companies for enforcement actions while allowing U.S. online firms to operate freely.

Sources familiar with that investigation told Reuters in Brussels last week that they expect the Commission investigators' report, initially due last year, to recommend action at the WTO when it is released next month.

**Source: Reuters, Brussels, 23 February 2009.**

## **U.S.-China Trade Ties Erode Amid Accusations**

Officials from Each Nation Complain of Protectionism

The global financial crisis is bringing out the worst in the trade relationship between the United States and China.

After three years of largely friendly talks about economic issues, both in the past few weeks have blamed the other for the world's problems.

U.S. Treasury Secretary Timothy F. Geithner accused China of "manipulating" its currency, vowing in written testimony submitted for his confirmation hearing that the United States would act "aggressively" to remedy the situation. The U.S. Trade Representative's office, in a harshly worded and wide-ranging complaint to the World Trade Organization in December, alleged that China uses cash grants, cheap loans and other subsidies to illegally aid its exporters.

China, for its part, has bashed the "Buy America" program embedded in the just-passed stimulus package, calling it "poison to the solution" of the global economic crisis. At the World Economic Forum meeting in Davos three weeks ago, Chinese Premier Wen Jiabao, without naming the United States explicitly, blamed the financial crisis on unsupervised capitalism. "The crisis has pushed the China-U.S. relationship to a flash point. From now on, it will either become more stable or more confrontational," said Mei Xinyu, a trade expert with the Chinese Commerce Ministry's research arm.

When Hillary Rodham Clinton arrives in China on Friday as part of her first diplomatic visit as secretary of state, she said she hopes to broaden the bilateral dialogue to include climate change and human rights. But it is economic cooperation that will be at the forefront of many people's minds. Both the United States and China, the world's No. 1 and No. 3 largest economies, have railed about the dangers of economic protectionism, but so far both have been guilty, according to the other, of practicing it. "While both countries have come to an agreement that trade protectionism shouldn't be practiced by any country, when it comes to the details maybe due to domestic reasons they may feel pressured toward it," said Jia Qingguo, the vice dean of Peking University's international studies school.

Li Wei, a researcher at the Chinese Academy of International Trade and Economic Cooperation, said "the purpose of 'Buy America' is clearly to kick out foreign competitors."

In the United States, industry groups are pushing for more action against China, saying it is trying to export its way out of the crisis by dumping cheap products abroad. The latest figures, released in mid-February, show that the U.S. trade deficit with China hit at an all-time high of \$266.3 billion in 2008, the worst imbalance ever recorded with any country. It came as the overall trade deficit shrank for the year and hit its lowest levels in six years in December amid depressed demand for imports.

U.S. steel and textile manufacturers have been especially loud in their call for the Obama administration to be more aggressive with Beijing. The U.S. International Trade Commission has imposed duties of 35 to 40 percent on some steel products from China -- imports hit an all-time high this fall -- to counteract Chinese subsidies. The textile lobby has accused China of increasing its share of the U.S. apparel market to more than 50 percent this year by using export subsidies. The Dec. 19 WTO petition filed by the USTR addresses some of these concerns; a WTO official said the complaint is still being reviewed.

## **U.S.-China Trade Ties Erode Amid Accusations**

Since the economic crisis began in America more than a year ago, China has been making a number of small but significant changes to its trade policy. Taken together, the changes are radical, some experts say.

Over 30 years of reforms pioneered under Chinese leader Deng Xiaoping, the country has opened up its economic practices and reduced its companies' dependence on the state in the name of free trade. But over a few months, as the global slowdown has dragged down its export market, China rolled back a number of these reforms.

Since July, Beijing has raised rebates of value-added taxes at least five times for all sorts of exported goods ranging from shoes and sewing machines to motorcycles. In the fall, China stopped letting the yuan rise against the dollar, reversing some of the gains it had made over three years. The United States has accused China of keeping its currency artificially low, helping its exporters and hurting American competitors. And in December, China reduced export duties on some steel, chemical, grain and fertilizer products.

Scott Paul, executive director of the Alliance for American Manufacturing, said the fact that China now accounts for almost half the U.S. trade deficit is disturbing. The Alliance is one of a number of industry groups that blame China for the loss of American jobs. "We must insist that China honour the commitments it made to gain greater access to the U.S. market. China must stop illegally subsidizing its industries, misaligning its currency, and dumping products into the U.S. market," Paul said in a statement.

But taking an aggressive stance on China in terms of economic issues, as Clinton has in the past on human rights, may be dangerous, experts say. China is the biggest overseas holder of U.S. Treasury securities, having invested more than \$1 trillion into government bonds and mortgage debt. The Chinese government has never officially made any threats about these holdings. However, academics who are often used to convey the prevailing feeling among the country's leaders hinted in the past that the government would not hesitate to use what state media have called the "nuclear option" of liquidating its dollar holdings if Washington imposes trade sanctions related to the debate over the yuan or other alleged problems. There's already some evidence that China is starting to reduce its holdings of U.S. debt as it tries to diversify its portfolio to mitigate the harm a falling dollar may have on its coffers.

Trade researcher Mei said that from the Chinese point of view, Geithner's remarks on the yuan may have been a test. The comments were later tempered by the Obama administration saying it hadn't made any formal decision on the issue and Obama discussed the remarks with Chinese President Hu Jintao in a telephone call shortly after taking office.

"They may have wanted to use this as a way to try to test China's reaction. If China acted weak, then the U.S. would probably be on China step after step. But China didn't," Mei said.

Indeed, even as China's exports have plummeted and it is struggling with unemployment, it has seized opportunities to build allies and raise its position in a new economic world order.

It has lent hundreds of millions of dollars to ailing countries such as Jamaica, Tanzania and Pakistan. In addition, in late December, China took the first steps to making the yuan, which is not freely convertible into other currencies, an international standard like the dollar or Euro. It signed agreements with eight neighbouring countries to allow settlement of trade payments in Yuan and is encouraging other countries to include the yuan in their mix of foreign exchange reserves.

**Source: Washington Post Foreign Service, Washington, 20 February 2009.**

***Researchers Crissie Ding in Shanghai and Liu Liu in Beijing contributed to this report.***

### **WTO top court again condemns U.S. dumping measure**

The World Trade Organization's top court backed the European Union on Wednesday in its challenge of a U.S. method for dealing with unfairly priced imports, confirming a series of previous rulings.

The European Union launched the appeal even though it won the original case in October, because the original panel refused to rule on some instances challenged by Brussels. The United States subsequently also appealed. "Given the repeated WTO findings against the use of zeroing by the U.S., the (European) Commission hopes that the U.S. will abandon this practice and fall into line with other WTO members," EU trade spokesman Peter Power said in a statement.

An official with the U.S. Trade Representative's Office said the United States was "highly disappointed" with many points of the ruling, but also noted the panel did not accept all the European Union's claims in the appeal. "The United States has previously expressed its concerns about the Appellate Body's findings on zeroing in statements made to the WTO in ... other disputes. We will continue to consult with members of Congress and interested members of the public as we move forward with next steps," the U.S. trade official said.

The case had attracted attention as an example of a growing rift between the WTO's dispute panels and its Appellate Body over the extent to which zeroing can be permitted under international trade rules. With the economic crisis fuelling fears of protectionism that could deepen the world's recession, trade remedies such as anti-dumping measures to tackle cheap imports are coming under added scrutiny by governments and trade lawyers.

In a 166-page report, the Appellate Body overturned many reservations of the original dispute panel, and recommended the United States bring the measures into line with trade law. International trade rules allow countries to impose duties on imports that are sold for less than they cost at home, if they are found to damage businesses in the importing country. The anti-dumping duties are based on the difference between the price in the exporting and importing markets. The United States ignores, or treats as zero, examples where the price is actually higher in the United States than in the exporting country. Critics say that artificially inflates the anti-dumping duty, putting up a higher barrier to trade.

The present case, launched in October 2006, involves U.S. anti-dumping measures against imports of European ball bearings, steel products, pasta and chemicals. The United States now accepts that zeroing is inadmissible in new anti-dumping investigations, and did not contest EU arguments involving investigations into imports of chemicals from Finland, Netherlands, Spain and Sweden.

But it argues that zeroing should be allowed in reviews of its existing anti-dumping measures, and is pushing in the WTO's Doha round to have zeroing explicitly recognized as permissible.

**Source: Reuters, Geneva, 5 February 2009.**

### **EU proposal to end banana trade dispute**

The European Union has made a fresh proposal to Latin American banana producers in a bid to end a decade-old dispute over the bloc's banana import policies, sources close to the WTO said Monday.

In the fresh proposal, the EU has proposed lowering its taxes on banana imports from Latin American countries to 114 Euros per tonne by 2019, instead of 2016, prompting swift criticism from the producer nations.

Banana imports to the EU from Latin America are currently subject to taxes of 176 euros per tonne, while imports from mostly poor former European colonies in Africa, the Caribbean and the Pacific region enter the bloc tariff-free.

As a result, Latin American exporters have been pushing for this barrier to be lowered.

The latest proposal would envisage lowered taxes but levied three years later than the 2016 deadline Brussels offered last July in a proposal made on the sidelines of negotiations between ministers for a world trade liberalization deal.

The EU has said the July agreement on bananas was tied to overall trade liberalisation negotiations at the World Trade Organisation. Since those talks collapsed, that agreement was therefore no longer valid, according to the EU.

However, Latin-American producers want the EU to honour the July agreement. "We will not accept the introduction of new elements and renegotiations to arrive at something that is completely different and disadvantageous compared to the balanced agreement concluded on July 27, 2008," Guatemala's ambassador Eduardo Sperisen-Yurt told AFP.

The world's largest banana exporters, Ecuador, Brazil, Colombia, Costa Rica, Guatemala, Honduras, Mexico, Nicaragua, Peru and Venezuela, have all rejected the EU's argument and have threatened sanctions against the bloc.

Three of the largest producers with plantations in Latin America are US-based multinationals -- Chiquita, Del Monte and Dole.

**Source: AFP, Geneva, 23 February 2009**

### **Germany world's top goods exporter in 2008-WTO**

Germany was the world's biggest goods exporter for a sixth straight year in 2008, staying just ahead of China by shifting nearly \$1.5 trillion (1 trillion pounds) worth of merchandise, the World Trade Organisation (WTO) said on Monday.

"Our estimate (of the amount of goods sold) for China is \$1,428.5 billion, and for Germany, \$1,463.2 billion," WTO chief economist Patrick Low told Reuters by telephone.

During 2007, China sold goods worth \$1,218.6 billion and Germany goods worth \$1,323.8 billion, the WTO said.

The gap between the two trading giants has narrowed sharply and many analysts expect China to come out on top this year.

**Source: Reuters, Berlin, 9 February 2009.**

### **EABC Urgently Needed in EAC Integration Process**

Deeper involvement of the East African Business Council (EABC) in the integration process of the East African Community (EAC) is urgently needed, according to the EABC Vice Chairman, Keli Kiilu.

The release issued by the Directorate of Corporate Communications and Public Affairs of the EAC on its website, said Kiilu made the remarks at the EAC Strategy Retreat held in Kigali, at Serena Hotel on February 9-10, 2009.

The release said Kiili requested for deeper involvement of the EABC in the EAC integration process beyond the 'observer' status it has occupied since 1996.

"There should be more communications flow between the EAC and EABC and harmonization of their operations, work culture, ethics and vision of the EAC. They should not be seen to be blocking the integration process but promoting integration," Kiili said.

He added: "With the ongoing consolidation of the EAC Customs Union and the advanced process towards the establishment of the Common Market, the role of the private sector should become more pronounced and deeper entrenched."

He said EAC bureaucrats and senior officials of the partner states assigned to the EAC project should be working in the Community, not to advance national interests but to promote the integration process.

Kiilu lamented the over-reliance on external investors at the expense of promotion of East African productivity, manufacturing and export.

"EAC should do more to promote local manufacture and investments to create export capacity as well as promote intra-regional trade by facilitating free movement of factors of production and, on the whole, reduce the costs of doing business in the region," he advised.

Results of the Business Climate Index (BCI) survey commissioned by the EABC estimate that US\$9.8 million is lost by business every year through payment of bribes; 56% lost at weighbridges and 25% at roadblocks and say non-tariff barriers (NTBs) are the most serious impediments to the growth of business in the East African region.

The EAC Strategy Retreat convened by the current Chair of the EAC heads of state summit, President Kagame of Rwanda, was meant to review the current operations of the EAC organs and institutions, sharing of views and insights on their effectiveness against their mandates under the EAC Treaty.

Themed "'Collaborative Work Culture in the EAC Organs and Institutions for a Stronger East Africa,' the retreat that was opened and closed by Kagame, was attended by over 100 participants, including ministers, members of the EAC Council of Ministers, heads of key EAC institutions and organs, the secretary general and his deputies, other senior officials at the EAC secretariat, representatives of the business community and the deputy secretary general of the Commonwealth.

**Source: Reuters, Kigali, 21 February 2009**

### **SADC, Comesa Merger Poses No Threat to Revenue Earnings**

The impending transformation of the Sadc and Common Market for Eastern and Southern Africa into customs unions poses no serious threat to Zimbabwe's revenue earnings, an official said on Tuesday.

A senior Zimbabwe Revenue Authority official said although integration would reduce earnings from customs duty, increased economic activity would enable the Government to earn more from corporate and Value Added Tax.

Regional integration would eventually result in the zero rating of products, allowing free entry of imports into all countries participating in the customs unions.

Various stakeholders have expressed concern on the threat this poses to the country's revenue earnings. "When we open up the market, we are allowing economic activity to increase and when we allow activity to increase, we are creating sources of additional revenue for Government," he said. Comesa plans to launch its customs union this year while that of Sadc is expected next year "When one door is closed, another is opened," said the official, adding that Government had already carried out an impact assessment on revenue earnings before acceding to participation in the trading blocs. Sadc and Comesa are currently operating Free Trade Area regimes, which allow goods produced in participating countries to be traded without payment of customs duty.

Each member state, however, maintains its own external tariffs on non-members.

Customs Unions are a level deeper than FTAs. Countries adopt a common external tariff and are governed by the same legislation dealing with issues such as unfair trading practices, competition and investment.

**Source: Reuters, New Ziana, Harare, 23 February 2009.**

### **The Commonwealth Summit: A Caribbean Opportunity**

Trinidad and Tobago's Prime Minister, Patrick Manning, will become the Chairman-in-Office of the 53-nation Commonwealth in November this year when his country hosts the organization's biennial summit.

For two years thereafter, Mr Manning should, theoretically be "Mr Commonwealth" – the face of the leadership of the group of countries whose multi-ethnic, multi-cultural member states are drawn from every Continent of the world and whose nearly two billion people come from one of the two largest nations in the world and some of the tiniest.

The Commonwealth is a "voluntary" association of States held together by their shared history and common values which are enshrined in various declarations. The "Crown of the United Kingdom" in this case Queen Elizabeth II is the symbolic "Head of the Commonwealth". It has no governance structure apart from the Summit and its Secretariat headed by a Secretary-General elected by all Commonwealth Heads of Government to serve a 4-year term with a limit now of two-terms only.

Nonetheless, the old cliché about the Commonwealth is perfectly true: if it did not exist, nations would try to create it because it does bring together in a common forum, speaking the same language, 53-leaders who represent every known faith, race of people and size of economy. There could not be a better microcosm of the world and, therefore, no better forum for seeking solutions to the world's problems.

As Chairman of the Commonwealth Summit in November in Trinidad, Mr Manning has a real opportunity to shape the direction of the Commonwealth over the next two years. The Commonwealth countries of the Caribbean Community and Common Market (CARICOM) also have a chance, through Mr Manning's on-going Chairmanship, to ensure that issues of importance to them are not only discussed at the Summit but are advanced internationally right through to the end of 2011.

One of the issues should be the financing of the Commonwealth Secretariat itself and the raising of its profile.

For small countries, such as those in the Caribbean and Pacific, the Commonwealth is vitally important as tool of their foreign policy. As examples of this, it is in the Commonwealth that both Belize and Guyana first garnered international support against the territorial claims by Guatemala and Venezuela respectively, and it is the Commonwealth that has not only been an ardent champion of small states since 1977, but has helped to fight specific issues such as the assault on small jurisdictions by the Organisation for Economic Cooperation and Development (OECD) over so-called "tax competition". But, in recent time the older and more powerful members of the Commonwealth have been paying lip service to the organisation. They have done enough to keep it alive but stopped short of contributing more to return it to the vibrancy it enjoyed when it fought racism in Southern Africa and worked to change the international economic order.

Just recently, the British Conservative Party opposition spokesman on Commonwealth affairs, William Hague, accused the British government of "turning its back" on the Commonwealth. He makes the point that the Commonwealth is under-used and that more money would help. Britain pays £54 per person per year to the EU, £10 to the North Atlantic Treaty Organisation, £2 to the United Nations and only 20p to the Commonwealth.

The same parsimonious approach to the Commonwealth is reflected in the lack of real zeal by Canada, Australia and New Zealand all of whom are participants in other powerful decision-making bodies such as the OECD, the G7, the G20 and the boards of the IMF and World Bank.

Smaller states the Caribbean among them have also not helped to improve the financial status of the Commonwealth. Many of them have been tardy in making their annual contributions and some of them are in arrears. When they don't demonstrate their appreciation of the immense value that the organisation is to them, they play in to the hands of those larger countries that would like to keep it as a tame pet rather than a vigilant bulldog.

The new Commonwealth will be 60 years old in April. The occasion of the Summit in Trinidad in November is therefore an historic event that should not be allowed to pass without the Caribbean and other small countries seeking to take advantage of Mr Manning's chairmanship for the next two years.

CARICOM countries and the CARICOM Secretariat should have, by now, established a permanent team to help Mr Manning as Chairman to carve out an agenda for the Summit and to work with him over the next two years to make his Chairmanship-in-Office a success.

While it is true that Mr Manning would have the resources of the Commonwealth Secretariat and the very astute and experienced Secretary-General Kamallesh Sharma upon whom to call, the reality is that they will be 4,000 miles away and a busy Head of Government should be able to summon his team on request. What is more, Mr Sharma himself will call upon Mr Manning as Chairman-in-Office for guidance from time to time.

The four other Heads of Government, who have been Chairmen-in-Office, have not made much of the opportunity unlike the Heads of Government who serve 6-month terms as President of the European Union (EU). But, the brevity of the Presidency of the EU might be the contributing factor to its success. Two years is simply too long to expect a Head of Government to split his or her attention between pressing national affairs and the Commonwealth's business unless they are backed-up by a full time and dedicated team.

Reform of the global financial architecture, changes in IMF and World Bank criteria to match loans and grants to real needs, fundamental change in their conditionalities, the expansion of the G20 to include a permanent representative voice of small states, the consequences of climate change including sea-level rise and a well-funded programme to help developing nations mitigate the effects of global warming while preserving their environment should all form part of the agenda for the Summit with well-researched and well-argued papers from the Caribbean. Manning has identified the Commonwealth Caribbean with the hosting of the Summit. The Caribbean, in turn, should provide him with a strong team, drawn from the region, to help make his two-year period as the Commonwealth's Chairman-in-Office a benefit to the Caribbean's people and to the global neighbourhood.

**By Sir Ronald Sanders**

**(The Writer is a consultant and former Caribbean diplomat)**

**Responses to: ronaldsanders29@hotmail.com, 18<sup>th</sup> February 2009**

## **Decentralisation in the Gambia**

The Commonwealth Secretariat through its Governance and Institutional Development Division (GIDD) organised a high-level workshop on decentralisation and local government reforms for the Department of State for Local Government, Government of The Gambia, under the auspices of the Commonwealth Fund for Technical Co-operation (CFTC). The workshop, on 'Managing Change in Local Governance', was held in Banjul, 7–9 April 2008. The deliberations of the workshop form the basis of this book.

The workshop enabled senior policy-makers in The Gambia to focus on the enormous challenges involved in implementing local government reforms and to chart the way forward. Workshop participants considered country experiences, especially those in Commonwealth Africa, various reform options suitable for The Gambia and how leadership can bring about change. This book attempts to capture these aspects of learning and improvement.

Decentralisation is now taking place in most countries of the world, including the countries of the Commonwealth. Since the 1980s there has been a strong tendency to decentralise, with most countries adopting some form of decentralisation. This has been driven either by the changing role of the state, to make it sufficiently responsive to citizen needs, or by regional differences or by the failure of centralised economic planning to deliver quality services to users. Irrespective of the reason for decentralisation, new reform initiatives have given rise to numerous challenges, especially in developing countries, in terms of the design of decentralised structures and apportionment of resources and power between different tiers of sub-national governments. Decentralisation has also placed increased responsibilities on sub-national and local governments for the delivery of public services and the achievement of the millennium development goals (MDGs).

The Governance and Institutional Development Division of the Commonwealth Secretariat is the implementing arm of the Secretariat's Public Sector Development Programme under the auspices of the Commonwealth Fund for Technical Cooperation (CFTC). Its work covers a wide range of public sector issues, including decentralisation. GIDD's development assistance is packaged to meet the particular needs of the individual member countries. For more information about GIDD's work, see Annex 3.

This book is based on the in-country workshop on 'Managing Change in Local Governance' held in Banjul, The Gambia, 7–9 April 2008, organised by GIDD in association with the Department of State for Local Government, Lands and Religious Affairs, Government of The Gambia.

The background of local government reform in The Gambia is not fundamentally different from that in other countries in sub-Saharan Africa. Decentralisation in The Gambia was conceived after a broad consultative process with local, national and international stakeholders. The reform of local government has several components: the institutional and legal framework, capacity building, financial decentralisation, human resource development and service delivery. Although decentralisation constitutes a key part of the government's development plans, and implementation started off relatively well, it now seems to be slowing down. But, again, this is not unusual for any country implementing a reform process with insufficient capacity at national and local levels. Another noteworthy aspect of decentralisation in The Gambia is that it could not be adequately disseminated so that it is understood among the general public.

Cohen and Peterson (1999: 167) have argued that in early stages of local government reform, national leadership is essential not only for carrying out reforms uniformly across the country, but also for laying the ground work for other task-related roles such as financing and regulation. In view of the foregoing, the workshop aimed to generate ownership of reforms by the country's senior leadership. It was attended by regional govern-ors, National Assembly members, paramount chiefs, the secretary-general and head of the civil service, permanent secretaries, mayors, chief executive officers of local authorities and councillors. The programme presented an opportunity for the participants to assess the strengths and weaknesses of the decentralisation process in The Gambia in its application of principles, process and methodology.

This book explores a variety of themes and issues around decentralisation that were deliberated in the workshop. In the following paragraphs readers will find a summary of the chapters in the book.

Chapter 2 provides the background to the workshop and a brief history and context of decentralisation in The Gambia, as well as major mile-stones in the reform process. The chapter has a corporate authorship as it has been contributed by the Department of State for Local Government, Lands and Religious Affairs of The Gambia and GIDD. Chapter 3 presents the keynote address by Alhaji Ismaila K Sambou, Minister for Local Government. He outlined the relevance of the workshop for local government and decentralisation in the Gambian context. Recalling the enactment of the Local Government Act (2002), he expressed his appreciation of the issues and topics of the workshop that bore relevance to the challenge of the fundamental restructuring of the framework of local administration in The Gambia.

In Chapter 4, after explaining the background and context of the workshop, Dr Munawwar Alam attempts to set the scene for local government reform in the larger Commonwealth context that touches upon all regions of the Commonwealth, including Africa. The chapter begins with the argument that 'local government' is truly 'local' in that it concerns people in their day-to-day lives. This premise provides ample rationale for transferring responsibility for service delivery to the structure that is closest to the local population. After setting out the regional differentiation of local government systems within the Commonwealth, the chapter also briefly discusses the issues and challenges faced by local governments.

Chapter 5 discusses decentralisation in The Gambia in the context of the country's national development agenda.

In Chapter 6, Andrew Nickson explains the concept and meaning of decentralisation, followed by arguments for devolution. The chapter makes reference to wider development thinking among multilateral organisations and the consequent spread of decentralisation in the past three decades. The chapter makes the important point that the involvement of citizen groups or the private sector is not sufficient in the absence of the creation of capacity in local government and effective fiscal decentralisation.

In Chapter 7, Andrew Nickson analyses local governance in the context of wider state reform and new public management. The chapter argues that mere external pressure is insufficient if there is no internal impetus to reform. The author starts his thesis by discussing the fiscal crisis of the state in the 1980s. The Mexican crisis of 1982 marks the beginning of the structural adjustment programmes (SAPs) that encouraged decentralisation – both horizontal, to the private sector, and vertical, to local governments. The consequent withdrawal of the state meant that public administration had to perform new tasks that were more complex than the former ones. In addition to core administration and direct service supply, it had to regulate and enable private, community and arms-length agencies,

as well as undertake policy analysis and strategic planning incorporating the activities of these new actors. The reforms had many facets, including a radical change in the organisational structures of central government and the skills and attitudes of the civil service. It is no surprise, therefore, that capacity building within public administration is now regarded as crucial to the sustainability of SAPs over the longer term.

Chapter 8 is the text of the address made by the Governor of Upper River Region, Omar Khan. He refers to donor efforts during the 1980s and to earlier studies by consultants who advised on decentralisation. Since 1994, there have been increased efforts on decentralisation. Mayor Omar Khan explains many important facets of local government in The Gambia. First, he mentions legal provisions relating to local councils, regional governors and seyfolu, the traditional authority. His address also outlines the organisational structure of the decentralisation process in The Gambia and problems in relation to decentralisation, such as:

- -Issues of weak planning, budgeting, human resource management and other technical capabilities;
- -Inadequate resources needed for development projects and pro-grammes;
- -Poor co-ordination of local development efforts;
- -The weak participatory mechanism resulting in ill-conceived inter-ventions that do not meet the needs of the target communities;
- -Low community awareness of rights, obligations and capacity.

In Chapter 9, Dr Roger Koranteng provides case studies of decentralisation in four Commonwealth countries in sub-Saharan Africa: Ghana, Uganda, Sierra Leone and Swaziland. The specific issues covered include the composition of local government structures, fiscal decentralisation, local government service (staffing), the relationship between central and local government, traditional leaders and constitutional issues. The chapter also deals with constraining and facilitating factors for decentralisation in the four countries.

As mentioned above, the workshop was convened, inter alia, for senior officials and politicians. The workshop format included plenaries and break-out sessions, including many experiential learning exercises for the participants. 'Experiential learning' is an application-oriented learning process through which the learner creates new knowledge and skills from making sense of a direct experience. It is 'learning by doing', active learning as opposed to rote learning or learning by passive listening. The value of experiential learning lies in its ability to facilitate the application of new information and new experiences. The focus on application makes experiential learning exceptionally suitable for training busy, high-level and high-impact decision-makers. A diverse portfolio of activities was integrated in a series of presentations and discussions in order to maximise the effectiveness and efficiency of learning. In the workshop, the participants – senior officials responsible for facilitating the decentralisation process in their respective countries – welcomed and appreciated the new approach. Chapter 10, by Andrea Deri, is dedicated to leadership development exercises that helped participants visualise different forces in a given situation (in this case decentralisation); the participants came up with several interesting factors enabling or hindering the reform process.

In Chapter 11, Mayor Samba Faal provides a practitioner's perspective of decentralisation. He provides a detailed study of the constitutional and legal provisions of decentralisation in The Gambia. Mayor Faal also highlights issues such as striking a workable balance between local autonomy and central supervision, the problem of resource mobilisation and inadequate human resources in local

authorities. The chapter provides a significant insight into the existing local government system and its internal dynamics.

In Chapter 12, Dr Roger Koranteng addresses the issue of public–private partnerships (PPP) for service delivery in local government. In a succinct manner, the chapter introduces a range of PPP options for local governments and identifies appropriate conditions for each. The concept of PPP is very fashionable in local government discourse today and many developing countries (including in the Commonwealth) are exploring different options for funding municipal infrastructure through non-conventional methods such as private sector participation. Dr Koranteng sets out the pros and cons of all the available options which local governments can consider to forge partnerships in service provision.

In the context of Commonwealth Africa, and of a large part of the Pacific region of the Commonwealth, the story of local governance is incomplete without reference to traditional authorities. Chapter 13, by Seyfo Lamin SI Jammeh, addresses this issue in the Gambian context. A simple definition of traditional authority is that it is a home-grown leadership handed down from one generation to another that is a part of the local governance system. In different countries, its form and range of functions and authority differ. In many countries, these co-exist with elected structures. In The Gambia, traditional authority plays a significant role in society from the family to the clan, village and community. Traditional authority existed before colonial rule, but was relegated over the course of time. The present government has given it greater importance and is revitalising it. Seyfo Jammeh recommends that traditional structures be given a role in policy formulation and urges development practitioners to accept that their inclusion in the development process is likely to pay dividends.

Chapter 14, by Dr Roger Koranteng, outlines principles and concepts for the strategic planning of local government services. The author defines strategic planning as a process through which an organisation envisions its future and develops the necessary procedures and mechanisms to achieve its long-term objectives. He also refers to stakeholder and SWOT analysis, which are regarded as important tools for strategic planning.

In Chapter 15, Buba Joof discusses community involvement in local governance. Initially, he outlines key concepts such as participation, development, decentralisation and governance, and indicates Gambia's first five year plan (1975/76–1980/81) as the turning point for community participation. This plan introduced the philosophy of *tesito*, a Mandingo word meaning 'gird up' or 'prepare for hard work while relying on one's self'. The Government of The Gambia has since recognised that improving the governance environment is a necessary precondition for the stimulation of sustainable development and improvement of the welfare of the Gambian people. The chapter further discusses challenges in community involvement and makes recommendations on how to meet these challenges.

Reference: Cohen, JM and Peterson, SB (1999). *Administrative Decentralization: Strategies for Developing Countries*. Kumarian Press, Bloomfield, CT.