



## Trade News Bulletin

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

# Establish a Caribbean wide Financial Services Regulator

by Sir Ronald Sanders\*

12 March 2009

In my last commentary entitled, "Tax Haven jurisdictions – Sitting Ducks and Scapegoats", the point was made that British Prime Minister Gordon Brown and others, including Congressmen in the United States, are trying to pass the buck of responsibility for the global financial crisis to jurisdictions with offshore financial services, including those in the Caribbean.

I had drawn attention to Brown's statement to the US Congress on March 4<sup>th</sup> in which he said: "But how much safer would everybody's savings be if the whole world finally came together to outlaw shadow banking systems and outlaw offshore tax havens?"

The point is that Brown and others are ignoring completely the lax regulation in many of the countries of the Organisation for Economic Cooperation and Development (OECD) that led to poor banking and investment practices and the collapse of financial institutions that were considered "giants", and they are trying to move the focus to offshore financial jurisdictions even though the financial institutions located in them were not responsible for the crisis.

Many authoritative persons and organisations are not buying into the targeting of offshore financial centres as the culpable parties. On March 8<sup>th</sup> the British Financial Times Newspaper said: "There is scant evidence that the offshore centres are to blame for financial turmoil. The UK Financial Services Authority told MPs last year that offshore centres had already undergone extensive regulatory reviews".

Then on March 10<sup>th</sup>, the Chairman of the Confederation of British Industries, Martin Broughton, is reported to have said that "Gordon Brown's focus on 'red herring' issues such as bank bonuses and tax havens risks turning next month's summit of the Group of 20 nations into a catastrophe that fails to deal with the recession". Broughton constructively said the G20 Summit, scheduled in London for April 2<sup>nd</sup>, "should focus on a global stimulus and undertakings to resist protectionism – including a pledge not to increase trade tariffs". He went on to say that it would be "nothing short of a catastrophe, when you've got an opportunity to make a difference, that you get bogged down" in issues that were totally irrelevant" to resolving the current crisis.

In an editorial on March 12<sup>th</sup>, the Financial Times did not hold out much hope for Broughton's call. The prestigious newspaper said, "Asking a group of politicians not to make a meal of irrelevant but crowd-pleasing issues may be a forlorn call". But the publication said he "is still right to have made it". And, the editorial warned: "True, the odds look better for extra funding for the International Monetary Fund and easing the shortage of trade finance – but these are not the stuff to capture the imagination of the watching world. So the attraction of announcing some populist crackdowns could be great".

So, in circles that are expert and authoritative about global business and finance, the assault on offshore jurisdictions is seen as what Broughton called a "red herring". But, it clearly is not going to stop those who are determined to shut them down because of the fear that they provide a haven for people and organisations who are evading tax.

Two matters arise from this. The first is that both the United Kingdom and the United States are "tax havens". Non-residents of these countries bank in them and invest in instruments that do not attract tax. Indeed, if both the US and the UK were to begin to tax the bank deposits and tax-free investments of non-residents, the adverse effect on their financial systems would be significant to their economies. So there is a principle here that is being applied for Peter that is very different to the one being imposed on Paul.

The second point is that jurisdictions with offshore financial services should not sit back idly because authoritative organisations and personalities have pointed to the unfairness of the assault on them by OECD governments. They do have to be active in making their case.

The British Crown Dependencies and Overseas territories have begun to argue for what they call “a more discriminate approach”. Jersey, a large offshore financial centre, is reportedly sending a delegation to Washington on March 23<sup>rd</sup> to meet representatives of the new Obama administration. Undoubtedly, they have already been talking with officials in the United Kingdom.

It is a shame that the 35 jurisdictions, named by the US Congress in the ‘Stop the Tax Havens Abuse’ Act, are not all joining together to agree on common ground including standards and practices to which they will all adhere, and in making a common case to the US, the UK and other OECD countries.

There can be few governments among the 35 jurisdictions which would not agree that, just as there is a case for better and tighter regulation and supervision of financial institutions in the OECD countries, so there is a need to do so in their own.

But unfortunately, there appears to be no such harmony among them. Instead, some are trying to distance themselves from others by claiming that they are being “tarred with the same brush”. This lack of cohesion will weaken them and many will collapse in the process, hurting even further economies of small countries which are already hard-hit by the global financial crisis.

In the Caribbean, there is yet to be a meeting of governments or representatives of financial institutions on this matter even though the G20 meeting to discuss “outlawing tax havens” is set for April.

There have now been consistent calls for a region-wide body to be a supra-national regulator for financial services throughout the Caribbean Community and Common market (CARICOM). It is a call that should be heeded not only to give an important layer of supervision of the sector but also as a strong tool in defense of their jurisdictions.

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# Africa: Global Growth to Fall Below Zero, IMF Warns

Mariam Isa  
11 March 2009  
Johannesburg —

Africa might lack the clout to get the financial support it needed to withstand the global downturn, and the threat of political risk on the continent was rising, Finance Minister Trevor Manuel warned yesterday. He said at an International Monetary Fund (IMF) conference that attempts to address the global crisis might prove futile as there was a failure to acknowledge it stemmed from a "fatally flawed" model of capitalism. "If we don't deal with that flawed model of capitalism, we will extend its life. The key issue is to ensure that the actions taken don't just mark time," he told delegates at the conference in Dar es Salaam, Tanzania.

IMF MD Dominique Strauss-Kahn said it was clear the global economy would contract, falling below zero this year, which might curb Africa's growth below an expected pace of 3%. Sustained donor support was vital, as more than 50-million people, many in Africa, could be thrown back into "absolute poverty", he said. Strauss-Kahn was confident donors would pledge enough support to enable the institution to double its resources to \$500bn by the time the G-20 group of countries meets in London next month. IMF officials say this will enable the fund to provide \$11bn in low-cost loans to the poorest countries, which are mainly in Africa, over the next five years.

These countries are now facing the full brunt of the global crisis as waning demand hits their exports while investment and aid inflows dry up. The IMF says 22 countries, mainly African, will need at least \$25bn to cope with the fallout. "Although the crisis is slow in reaching Africa's shores, we know it's coming and its impact will be severe," Strauss-Kahn said. "This is not only about protecting economic growth and household incomes, it is also about containing the threat of civil unrest, perhaps even war."

Manuel told Business Day in an interview that he hoped to be proved wrong, but he was sceptical that developed countries would cough up the cash that Africa needed to maintain political and economic stability. "If you can't kick ass, no one takes you seriously," he said.

During a panel discussion, Manuel said it would be hard for African governments to explain why the world's developed countries were spending freely on huge economic stimulus packages while African countries could not. "The issue of political risk is a very real one. We are in countries where people can't understand the benefits of tough decisions to reform," he said.

Manuel hoped that the G-20 meeting would take a "more co-ordinated" and "less protectionist" approach to the global crisis. Strauss-Kahn said that some private financial institutions in developed countries had received more financial support than the entire African continent. "At a time when developed countries are finding hundreds of billions for private companies, I cannot accept that we cannot find hundreds of millions for developing countries." The institution would reform its lending terms and conditions to make it easier for poor countries to access credit, he said. It would also push hard for more representation for low-income countries at the G-20 meeting.

# Africa: Kofi Annan - 'Continent Must be Part of the Solution to the Global Economic Crisis'

10 March 2009

Kofi Annan today called for immediate assistance for Africa to ease the impact of the global financial meltdown on its people and economies, and to enable the continent to play a major role in the world recovery. We face a "once in a lifetime" opportunity to reshape global institutions in a fair and effective way to give Africa and the developing world a stronger voice, he said. In his opening address at a conference entitled 'Changes: Successful partnerships for Africa's growth challenges' taking place in Dar es Salaam, which is jointly hosted by the Government of Tanzania and the International Monetary Fund, the former UN Secretary-General and Chair of the Africa Progress Panel, said:

## **Africa Must be Part of the Solution**

Africa can be part of the solution to the economic crisis by being part of a global stimulus plan: The basis of this should be a continent wide pipeline of ready projects, focusing on clean energy, roads, rail and port facilities. This would create jobs, stimulate economic activity, both in Africa and globally, and could be a basis for stronger trade within the region.

- Africa needs immediate support to weather the financial storm: The nature of the meltdown is such that no country or even region can cope on its own. Africa is already facing the impact of climate change and food insecurity and will be heavily impacted by the economic meltdown. Immediate steps must be taken to allow African countries access to a large increase in financial flows. Specific measures that G20 and OECD countries can support include increasing concessional lending, strengthening tax systems, taking steps to increase remittance flows to Africa from its Diaspora, and funding for adaptation to climate change. Aid promises must be kept and provision made for a social safety net to meet urgent humanitarian needs.
- Failure to compensate for loss of revenues to maintain essential public services could result in extraordinary human suffering, and reverse progress in achieving the Millennium Development Goals: It will also result in increased social and political tension.
- Africa must be fully represented in the evolving global architecture: Africa needs the technical support, policy advice and financial resources that the Bretton Woods institutions have to offer, but these institutions need to reform their governance and modus operandi. Africa must be fully represented in the global architecture, including in negotiations on the regulation of the global financial system. "It is not good enough being occasional guests at exclusive club meetings".
- Africa must live up to its own commitments: If Africa fails to meet its own commitments to good governance, respect for human rights, the rule of law, aid effectiveness, transparency and accountability, insisting that our partners keep their promises won't work. "Citizens deserve good governance and accountability". The ability of a country to withstand and respond to the impact of the global crisis will be shaped by the strength of governance arrangements.

# Africa: Aid Fragmentation Worse Despite Paris Declaration

Julio Godoy  
10 March 2009

Berlin — Civil society representatives agree with the recent finding of the Organisation for Economic Cooperation and Development (OECD) that fragmentation of international cooperation has increased instead of diminished, in direct contradiction to the so-called Paris Declaration where over 100 countries called for effective dispensing of aid.

In its Development Co-operation Report (DCR) for 2009, released on Feb 19, the OECD's Development Assistance Committee (DAC) concludes that the ever-growing number of donors and aid agencies and mechanisms across the world is making "aid increasingly fragmented and reducing its effectiveness". As a result, the DCR 2009 says, "the international development effort now adds up to less than the sum of its parts". The DAC, a forum for major bilateral aid donors, is the principal body through which the OECD deals with issues related to cooperation with developing countries. The forum releases a DCR once a year.

The DCR defines fragmentation of international development cooperation as aid "that comes in too many small slices from too many donors, creating high transaction costs and making it difficult for partner countries to effectively manage their own development". African countries with between 24 and 30 active donors are the following: the Democratic Republic of Congo, Angola, Kenya, Tanzania, Uganda, Rwanda, Burundi, Ethiopia, Sudan, Egypt, Cameroon, Ghana, Mali, Niger, Burkina Faso, Zambia, Lesotho and South Africa. Countries where between 15 and 23 donors account for less than 10 percent of the country's aid are: South Africa, Nigeria, Kenya, Tanzania, Rwanda, the DRC, Cameroon, Egypt, Tunisia and Senegal.

In an interview with IPS, Barbara Unmuessig, a member of the directorate at Germany's Heinrich Boell Foundation and former counsellor at the United Nations (UN) Conference on Environment and Development, concurred with the DCR findings. The Heinrich Boell Foundation, which is affiliated with Germany's Green Party, describes itself as an "(environmental) think tank and an international policy network" which main tenets are "ecology and sustainability, democracy and human rights, self-determination and justice". According to Unmuessig, "during the last two years alone, more than 14 new bilateral and multilateral international mechanisms for the financing of environmental development policy have been created, making coherence and complementarity of international cooperation even more difficult."

Unmuessig complained that practically every single international organisation participating in development cooperation creates ever new instruments. "For developing countries, it is extremely difficult to cope with this endless flow of new agencies and mechanisms," she added. "This growing fragmentation of aid demands more competent personnel and institutions in developing countries, represents an insurmountable challenge, and erodes the effectiveness of cooperation," Unmuessig claimed. Fragmentation of aid compels government officials, doctors, teachers and aid workers in developing countries to spend much of their time filling in reports or being bogged down in meetings with donor governments and agencies or accompanying monitoring missions. Aid fragmentation can also create overlap and wasted effort among donors, with some working in sectors where they have less expertise. As an example of the fragmentation of aid, Unmuessig described the disjointed management of German cooperation policies by saying: "The ministry for international cooperation coordinates less than 40 percent of all German development aid," she pointed out. "The rest is managed by different ministries and even by regional agencies, thus opening the door to all forms of administrative jealousies, contradictory interests and even local irresponsibility."

That this anarchic management hinders a strategic view of aid goes without saying.

The evidence that the fragmentation of aid has become worse since 2005 is overwhelming. According to the first full "survey on aid allocation policies and indicative forward spending plans" carried out by the DAC, "aid is often spread thin". In total, 15 of the DAC members that replied to the survey have an aid concentration of less than 50 percent, meaning that a large part of their assistance is distributed among a relatively high number of developing countries.

For developing countries, this means dealing with a high number of donors giving sometimes relatively small amounts of money - and more bureaucracy just to keep track of them. Some critique of present development aid goes beyond the mere reference to its fragmentation and ineffectiveness. Some aspects of the Paris declaration are seen as "neoliberal concepts".

For Jens Martens, executive director of the Global Policy Forums Europe, which monitors policy making at the UN and advocates for accountability of global decisions, "the indicators that the Paris declaration set out to measure the improvement of effectiveness of aid are clearly of neoliberal inspiration".

This is particularly true for the objectives and indicators of public financial and purchasing management, Martens told IPS. "In these areas, the Paris declaration uses criteria that are clearly addressed at promoting the further liberalisation of trade and privatisation of public services in developing countries," he warned. Mertens said that the promotion of development in the countries of the South must not be dependent on international aid.

"Instead, South-South cooperation either through new donors, such as the People's Republic of China, or new regional financial institutions, such as the Banco del Sur in South America, and the drastic increase of public income in developing countries through coherent, progressive fiscal reforms can be powerful tools for development," Mertens said.

In the Paris Declaration on Aid Effectiveness, signed on March 2, 2005, delegates from over 100 developed and developing countries "resolve(d) to take far-reaching and monitorable actions to reform the ways" in which international aid is delivered and managed.

The declaration established that "while the volumes of aid and other development resources must increase to achieve the (United Nations Millennium Development) goals, aid effectiveness must increase significantly as well to support partner country efforts to strengthen governance and improve development performance". This will be all the more important if existing and new bilateral and multilateral initiatives lead to significant further increases in aid, the declaration added. It also set 2010 as the deadline to meeting the effectiveness targets. At that time, the OECD praised the Paris Declaration as being "more than a statement of general principles. (It) lays down a practical, action-orientated roadmap to improve the quality of aid and its impact on development," the OECD said.

### **Economic Crisis Hits Developing Countries**

The organisation, which represents rich countries, referred in a communiqué to the "56 partnership commitments... organised around the five key principles: ownership, alignment, harmonisation, managing for results, and mutual accountability".

Four years on, not only the OECD finds that aid has become more fragmented, and thus less effective but the DAC plainly says that the world is not on course to meet the 2010 targets of the Paris Declaration.

# Africa: IMF Pledges to Help Continent Get Through Global Crisis

11 March 2009

The IMF pledged to help Africa get through the global economic crisis by providing extra funding and technical assistance, and offered to be the voice of Africa at coming talks of major industrial and emerging market countries in London convened to agree ways to combat the worldwide trade and business slump.

Launching a two-day conference of African financial officials, business leaders, and academics in the Tanzanian city of Dar es Salaam, IMF Managing Director Dominique Strauss-Kahn said that the meeting was being held at a critical juncture, with the world facing what he dubbed a “Great Recession.”

“The IMF expects global growth to slow below zero this year, the worst performance in most of our lifetimes. Continued deleveraging by the world’s financial institutions, combined with a collapse in consumer and business confidence, is depressing domestic demand across the globe. World trade is falling at an alarming rate, and commodity prices have tumbled,” he told attendees at the opening plenary, also addressed by Tanzanian President Jakaya Kikwete.

“Even though the crisis has been slow in reaching Africa’s shores, we all know that it is coming—and its impact will be severe. This ‘third wave’ of the crisis, which is hitting low-income countries, will depress economic growth, put budgets under strain, and weaken external accounts. And the threat is not only economic: there is a real risk that millions will be thrown back into poverty,” Strauss-Kahn said in prepared remarks.

Kikwete said the crisis threatened to reverse or even wipe out the socio-economic gains made by Africa in recent decades.

Speakers at the March 10–11 conference include Benno Ndulu, Governor of the Bank of Tanzania; Trevor Manuel, Finance Minister of South Africa; Youssef Boutros-Ghali, Finance Minister of Egypt; Yuan Chen, Chairman of the China Development Bank; Jeffrey Sachs, professor at Columbia University; Angel Gurría, Secretary General of the Organization for Economic Cooperation and Development; and Kofi Annan, former secretary general of the United Nations.

## Input to G-20

The conference is taking place ahead of the meeting of the Group of Twenty (G-20) leading industrialized and emerging market countries in London on April 2. The conference will follow up on an action agenda agreed last November in Washington to try to get the world economy out of the current tailspin.

Strauss-Kahn said he had been encouraged by the leadership role taken by the G-20 to provide a policy response to the crisis. But he said he was concerned that the grouping was not well equipped to hear the voice of Africa, or more generally, low-income countries.

“I therefore see this conference as an excellent platform for African countries to convey key messages to the G-20 Leaders Summit being held in London next month. In this conference, the IMF can be your voice,” he declared. Annan, also addressing the plenary, urged that Africa should be fully represented in discussions on reforming the global financial architecture, including negotiations on regulation of the global financial system. “It is not enough being occasional guests at exclusive Club meetings,” he said.

Annan’s message was also spelled out by Kikwete in his opening speech. The Tanzanian President said the impact of the crisis goes beyond the borders of the nations responsible. “It is therefore important that creating effective mechanisms for surveillance of the international and national financial systems should be a matter of global interest. We too in Africa, though poor, have profound interest in the matter.

He said the mandate of the IMF for surveillance of economies should be strengthened. “In carrying out this role, evenhandedness is very important. There should be no untouchable countries when it comes to financial impropriety and lack of effective regulatory framework because its consequences affect all of us.”

## **Warning of civil unrest**

Strauss-Kahn said the voices of the poor who will be worst hit by the crisis must be heard. “We must ensure that Africa is not left out. This is not only about protecting economic growth and household incomes—it is also about containing the threat of civil unrest, perhaps even of war. It is about people and their futures,” he stated.

In an analysis released ahead of the conference, the IMF said that economic growth in sub-Saharan Africa is expected to slow to 3¼ percent in 2009 from 5 percent in 2008—half of what was expected a year ago.

Strauss-Kahn said that with growth around the world coming to a virtual standstill, demand for Africa’s products is plunging. Tourism revenue is also likely to decline as consumers around the world are tightening their belts, and trade financing and investment flows have become scarcer.

## **Need for more funding**

While some African countries were better placed than in the past to weather the crisis, many African economies will need significant additional concessional financing to get through. The IMF projects that the 22 most vulnerable low-income countries—many of which are in Africa—will require at least \$25 billion in additional concessional financing this year alone to keep their foreign reserves at safe levels. If global economic and financial conditions deteriorate further, the financing need will be significantly larger.

Strauss-Kahn called on the international community to both help Africa and avoid protectionist measures that could harm the continent. The IMF, he said, would move quickly to provide African members with the financial resources they need. Last year, the IMF backed countries suffering from the food and fuel price shocks, reaching 15 new financing agreements with African member countries in 2008—up from only four in 2007—and increased access under 8 existing arrangements.

Former U.N. secretary general Annan said that Africa could be part of the solution by including it in a global stimulus plan that would create jobs and promote economic activity. But African countries needed a dramatic increase in concessional lending and temporary financial support to help them cope. The trillions of dollars found to bail out companies and stimulate the economies of advanced countries undermined the claim that money could not be found to fight poverty.

## **Double concessional lending**

Looking ahead, Strauss-Kahn said his goal was to at least double the IMF’s concessional lending resources. “I urge partner countries to support me in this, so that additional resources for Africa can be available as soon as possible. I am hopeful that significant progress on this front can be made in the near future,” he stated.

The IMF was trying to increase the flexibility of its financing by exploring better ways to provide short-term financing to members facing immediate financing needs. Raising access limits, which have become increasingly binding, is also under discussion. The IMF is also trying to streamline conditionality, and tailor it better to the circumstances of each individual country.

The IMF also wanted to strengthen ownership of the Fund. “Specifically, we need to implement recent agreements on rebalancing quota shares, and also agree on a timetable for the next stage of quota reform. I am hopeful that both can be achieved this year—with welcome consequences for amplifying the voice of our African members,” Strauss-Kahn added.

# Tanzania: Speech By Jakaya Mrisho Kikwete, President of the United Republic of Tanzania

11 March 2009

Dar es Salaam — Mr. Dominique Strauss-Kahn, Managing Director of the IMF and Co-host of the Conference; H.E. Dr. Asha-Rose Migiro, United Nations Deputy Secretary General; H.E. Dr. Festus Mogae, Former President of Botswana; H.E. Koffi Annan, Former UN Secretary General; Honourable Ministers for Finance of African Countries; Governors of Central Banks of African Countries; Distinguished Participants; Invited Guests; Ladies and Gentlemen

It is with great joy and a deep sense of gratitude that I welcome you all to Tanzania and to Dar es Salaam in particular. I hope you will find your stay as comfortable as possible. As co-host, allow me to welcome you to this historic Africa-IMF High Level Conference on Changes: Successful Partnerships for Africa's Growth Challenge. I thank you for accepting our invitation to participate at this meeting.

It was in February 2008, that the Managing Director of the IMF, Mr. Dominique Strauss-Kahn and I agreed to convene this meeting. We saw then three main objectives. First, to take stock of what difference Africa's partnership with the Fund has made in terms of helping Africa create macroeconomic conditions conducive for supporting Africa's development efforts. Second, to draw out lessons from the successes and challenges we faced in working together to foster macroeconomic stability. And third, to deliberate on how we could make changes going forward in order to make our partnership more effective. This also included thinking through ways of making Africa's voice be heard more clearly in shaping the global financial and economic developments. You will agree with me, Ladies and Gentlemen, that, this is a very crucial meeting. The opportunity to discuss and share our experiences on the evolving viable and sustainable partnership between Africa and the International Monetary Fund is very welcome indeed. Africa and the IMF have a long history of partnership. They have together done so many things in the last four decades, we are continuing do so now and we will do so in future. So sitting at a conference as we do today to discuss our partnership is the right thing to do. Africa needs the IMF and the IMF needs Africa.

Ladies and Gentlemen; Distinguished participants;

While still focused on the original objectives of this meeting, it is hard to ignore the current global financial crisis and economic downturn which have dealt a massive shock to the world economy and our own, in the wake of the shocks caused by high oil and food prices. This meeting therefore, is being held at a very opportune time. It affords the unique opportunity to reflect on the crises and discuss ways to face it out.

The current crisis poses the greatest danger ever to Africa's development in recent history. It is, indeed, a matter of great concern to us on the African continent because the crisis threatens to reverse or even wipe out the hard won socio-economic gains made by African countries over the past few decades. Thus, if anything, the crisis sharpens the focus of our discourse at this conference given the important role the IMF can play in helping nations to overcome such a crisis or mitigate its consequences. So far, Africa's voice on this unnerving situation has been muted as witnessed in different global initiatives and processes, which have emerged to respond to the crisis.

This meeting therefore, offers us a unique opportunity to send a clear message to the G20 in London next month, and the world as a whole regarding Africa's concerns and views about the crisis and what we think should be done to deal with it or mitigate the impact of the crisis on our economies and livelihood.

Ladies and gentlemen;

Africa has been turning the corner: slowly but surely poverty is being reduced and prosperity is on the increase. For nearly a decade, Africa has recorded sustained growth averaging above 6 to 7 percent. Income levels are rising and in most countries inroads have been made into the improvement of social wellbeing of their people. On the whole in many nations encouraging progress is being made towards poverty reduction.

It is important that we avoid the repeat of the experience of the 1980s and early 1990s, when after the second oil shock of late 1970s and world recession of early 1980s, many of our countries lost a decade and a half of growth and experienced a reversal of some of the hard earned gains in education, health, water and infrastructure development.

Ladies and Gentlemen:

We cannot afford to “mark-time” again. We need, ourselves together with our partners, to take measures that will help us stay the cause of steady economic growth and continue with investment in building capacity for further growth and attaining the Millennium Development Goals. I urge you in particular, to work together with the IMF, to craft a clear message to the G20 meeting which will take place next month to convey our hopes and concerns. Distinguished participants;

African nations and the IMF have worked together for over 40 years. To be honest, it has not been a smooth sailing relationship. It has had its difficult and happy moments. One could rightly describe it as bitter-sweet relationship. In all countries the dialogue was difficult particularly at the beginning. Notwithstanding the difficulties in the dialogue in the end, with the support of the Fund notable successes were made. The strong economic performance being demonstrated by African nations today is, partly, a factor of this successful partnership with the Fund. Macroeconomic stability has been attained in many nations on the continent. Many nations have recorded significant reduction in inflation and fiscal deficits which have helped create more robust and stable financial markets.

Ladies and Gentlemen;

Tanzania joined the IMF in 1962, immediately after attaining independence in 1961. Our path too has not been so smooth. I recall nationwide huge anti-IMF demonstrations in the early 1980s. I also recall the time when I was the Minister for Finance in 1994-1995 how difficult some of the negotiations were especially in reaching consensus on appropriate policy options for our country. The pay off has nevertheless been substantial. Since 1995, Tanzania has seen a steady decline in inflation to single digit level and staying within that range for more than thirteen years before the rise in oil and food prices raised it to low tens in the last five months. But, Tanzania is not alone in this kind of achievement of the continent. Until recently more than half of our countries on the continent had inflation at single digit, and fiscal deficits below 5 percent. Growth, as noted earlier, has also been sustained at an average of 6-7 percent. Partly, the successes are the result of the successful implementation of the painful reforms that have been pursued with the support of the IMF and other development partners.

Ladies and Gentlemen;

There are, certainly, lessons to be drawn from the various reform experiences in Africa, which, as I earlier said, we should take stock of and appreciate. The role of the IMF over the years in providing policy advice to African countries and elsewhere is also well known and documented. Policy advice and finance were provided via a variety of programs. Examples here include bilateral consultations with members under Article IV, Poverty Reduction and Growth Facility (PRGF) and the recent Exogenous Shocks Facility (ESF), Policy Support Instrument (PSI) and Short-term Liquidity Facility (SLF). I hope you will spend some time to evaluate how well these have worked in our region and identify ways to sustain the gains and enhance their effectiveness.

### **Africa Must be Part of the Solution**

It is gratifying to note that the IMF stands ready to step up its support for Africa during this most difficult period. The IMF has already augmented its assistance under PRGF-supported arrangements and under the new Exogenous Shocks Facility. In this regard, the Fund has made financing available to African countries hit by exogenous shocks. We also note with deep appreciation and anticipation the fact that the IMF is reviewing its financing facilities for low-income countries to ensure that the Fund is sufficiently responsive and flexible to meet the diverse needs of its members, including those related to the global economic downturn. To that end, I am told, the IMF is also assessing the adequacy of its concessional resources and re-examining its policies on debt limits, with the objective of ensuring that the evolving financing needs of African countries can be accommodated while preserving debt sustainability. These are welcome developments and we congratulate the IMF for these bold steps and we look forward to **seeing the initiatives become operational.**

Distinguished participants;

The big challenge going forward, is about how to maintain and sustain the gains in macroeconomic stability in our countries against the backdrop of the global financial and economic crisis. With the world economy at a crossroads, risks facing Sub-Saharan Africa have intensified. If the concerted efforts of policy makers around the globe fail to re-establish trust in the international financial system, the world economy risks a deeper and more prolonged recession. Sub-Saharan African countries would suffer from steeper reduction in the external demand for its commodities, dwindling foreign exchange earnings and remittances, declining corporate profitability, incomes and aid flows. Consequently, growth in Sub-Saharan Africa may drop more sharply than envisaged, risking erosion of the gains painfully achieved.

Ladies and Gentlemen;

Already we, in Tanzania, are experiencing the negative consequences of the world economic downturn. Prices for our commodities are falling and there is declining demand for our exports. For example, the price of cotton, which is one of our major traditional exports, has dropped from US cents 82 per pound between March and July 2008 to US cents 45 per pound currently. Also, cotton exporters are finding it difficult to sell their cotton and some are already threatened with bankruptcy.

The same applies to the price of Arabica coffee, our other major traditional export crop. Between August 2008 when the buying season started and December 2008 prices have fallen from US\$ 158 to US\$ 104 per bag of 50 kg: a drop of 34 percent. Robusta coffee also experienced a drop in price from an average of US\$ 93.6 to US\$ 65.46 for a 50 kg bag, during the same period: a drop of 30 percent. The story is the same with other agricultural commodities and minerals. The prices of most minerals, except for gold, have fallen.

Ladies and Gentlemen;

The trend of investment flows and tourist arrivals give us cause for great concern. There is a decline in tourist arrivals in the country. It is anticipated that there will be a 7-18 percent decline of tourist arrivals this year. Investments flows are being affected as well. We are witnessing withdrawal and/or postponement of investment commitment made earlier. Among such examples are the postponements to later dates of a US\$ 3.5 billion investment in aluminium smelting and a rescheduled US\$ 165 million nickel mining and extraction project. The tightening of global credit conditions is to blame for this unfortunate situation. It is most likely that foreign direct investment flows and portfolio inflows will continue to decline as investors flee into more liquid or safer assets. Trade finance flows may also be affected in a similar way. Can you imagine the consequences of such trends to the Tanzanian economy and similar economies on the continent?

Our worries do not end there. Poor nations and weak economies on the African continent that rely on external aid to compliment their own limited resources are very nervous. They are worried that our countries would face daunting reconstruction and stabilisation challenges if external aid flows would be cut as well. Their efforts to promote growth and wrestle themselves from poverty and backwardness would be handicapped severely. Such economies may experience a sharp deceleration in growth with significant negative consequences on poverty reduction and attainment of MDGs.

The current global crisis, therefore, highlights not only the dangers of over-reliance on free market to run the show in management of economies, but also the need for more social safety nets. Many of us on the continent are faced with the challenge of ensuring that we have in place necessary economic regulations and well designed safety nets and cash transfer programs to assist poor families as 2009 could develop into a year of tough economic challenges. Many of us on the continent are really worried and concerned that the financial crisis could turn into a humanitarian catastrophe.

We realise that as governments, we have the obligation to help households that will be affected as we tried with those affected by the recent high food and fuel price crises. The critical challenge for most of us is the capacity to finance huge bailout packages. For sure, we may not easily afford it. We look forward to our partnership with the IMF and other development partners for support.

Let me conclude my remarks by urging all of us to go out from here with clear "take away" for implementation or further work. In particular, I ask you to deliberate on the following six issues.

First, and to reiterate, let us use the opportunity of this conference to send out a message to all initiatives that are currently being conceived, designed and implemented to respond to the crisis. African countries need to protect and sustain recent achievements in raising growth and reducing poverty. As the new initiatives consider financial interventions, including stimulus packages, it would be highly appreciated to include provisions for meeting the commitments development partners have made to assist African nations to meet the targets of the Millennium Development Goals. It is critical that commitments made at several international fora should be respected and implemented. Among them are the Monterrey Consensus proclaimed at the International Conference on Financing for Development held in Monterrey, Mexico, March 18-22, 2002. The other is the recent review conference held in Doha, November 28-30 where the commitments made at Monterrey were reaffirmed.

Second, Ladies and Gentlemen, it is clear that weaknesses in the regulatory mechanisms of the international and national financial systems impact negatively on all countries irrespective of whether they are responsible or not for causing the financial crises. The impact goes beyond the borders of responsible nations. It is, therefore, important that creating effective mechanism for surveillance of the international and national financial systems should be a matter of global interest. We too, in Africa, though poor, have profound interest in the matter. I believe, the IMF can play an important role in the conception and establishment of systems for early warning and preempting such crises in future. As such, the mandate and capacity for surveillance of the Fund needs to be strengthened for it to be able to play this role. The IMF can gather and make information available to all countries on impending difficulties to allow them to take protective measures. In carrying out this role even handedness is very important. There should be no untouchable countries when it comes to financial impropriety and lack of effective regulatory framework because its consequences affect all of us.

Third, now that most of our countries are faced with the fallout of the financial crisis, there is an urgent need to create a rapid response framework to help all countries in need of stemming and reversing the effects of global financial crisis and economic downturn. As expected, the IMF has to play the key role of providing support for stabilization among nations in particular the weak and vulnerable ones, the majority of whom are Africa. This should be done in a manner that is timely and unencumbered. We should take stock of how well the rapid response instruments have worked, once the world has passed through the depth of the recession and embark on the path to recovery.

Fourth, the emerging economies and developing world, including Africa, need to have the rightful voice in the shaping of the global financial system and the responses to the current crisis. In this regard, I would like to urge the Fund to continue with its in house governance reforms. The reforms have been useful because they have significantly provided greater role for emerging economies. This conference needs to look into ways that will enhance the African voice and participation in the governance structures of the International Monetary Fund. Fifth, let us urge the IMF to increase its technical support to African countries as we appreciate the technical assistance the Fund has provided so far to our countries to enhance expertise, knowledge and ideas. We have seen the establishment of AFRITAC in three regions including one which is hosted at the Bank of Tanzania serving the East African region. We urge the Fund to continue with this crucial support while making sure that access to this noble institution is unhindered.

Finally, several developed countries and emerging economies are now putting together or executing stimulus packages. These are important for Africa too, in terms of the likely ability to revive demand for our commodities, and subsequently support the recovery of the prices for our commodities. It would be important that the Fund plays a catalytic role in leveraging these resources for purposes of supporting African programs. We count on the International Monetary Fund through its engagement with the G20 and other development partners to join hands with other multilateral institutions to call for directing some of these resources through programs to support initiatives to mitigate the effects of the crisis on African economies.

Let me end by once again thanking you for responding so well to our invitation to this meeting. I hope we will use this unique opportunity to have candid discourse and come up with substantive discussions which will help us face the future more confidently together. Lastly, since you are here with us, please take time, before you depart, to visit some parts of Tanzania and have a glimpse of our natural heritage and leisure spots for your memorable experiences.

Thank you and may I wish you fruitful deliberations.

# **AfDB Sets out Mechanism to Mitigate Financial Crisis Impact**

10 March 2009

Tunis — These measures are contained in a policy documents titled "Bank Response to the Economic Impact of the Financial Crisis" approved by the Board of Directors on Wednesday, 4 March 2009 in Tunis.

The response comprises four initiatives to be considered together -- An Emergency Liquidity Facility, A Trade Finance Initiative, and A Framework for Accelerated Resource Transfer of African Development Fund (ADF) Resources to eligible countries and enhanced Policy Advisory Support.

The Emergency Liquidity Facility (ELF) with a provisional US\$ 1.5 billion, in the short-term, will enable the Bank to disburse resources in a fast and flexible manner to enable eligible recipients to rapidly meet the urgent, unforeseen and short-term financing needs.

The US\$ 1 billion Trade Finance Initiative (TFI) will be implemented in phases as the Bank strengthens its capacity in this regard, with the launch, of a first phase new Line of Credit for Trade Finance (TI LOC) of US\$500 million which will enable commercial banks and development finance institutions in Africa use AfDB resources to help trade financing operations.

Support to low-income borrowers of ADF's concessional resources will be provided in the form of budget support to offset budget deficits due to falling commodity prices, declining exports, worsening terms of trade and infrastructure financing in key long-term projects.

To enhance its advisory Support to the RMCs, the Bank will continue to deepen its analysis of the impact of the crisis to develop appropriate policy responses at the national and regional levels.

This response is largely based on the conclusions of African Finance Ministers Conference held in Tunis, Tunisia, in November 2008 on AfDB's initiative. Its content reflects real needs and demands, and it takes into account actions by the Bank's partners.

The combination of instruments such as those proposed - and working in close concert with other development partners - would make it possible to tackle the most important steps: fast-tracking support to eligible low-income countries in need of it, keeping trade moving, providing liquidity, helping the institution's regional member countries (RMCs) stay the course of sound policy frameworks and filling financing gaps in key infrastructure projects.

"These proposals reflect what we know at this stage and are an attempt to meet a part of the needs, because the needs are larger and will, in all probability, grow. The Bank's response provides for a review of the instruments based on market developments, risk implications and tenor of the crisis from time to time. The first review will take place in 6 months or earlier, if circumstances warrant it, AfDB Vice President Mandla Gantsho, who chaired the Financial Crisis Management Group within the Bank, said.

## Ghana: Regional EPA Due in June

Daniel Nonor  
4 March 2009

A Regional Economic Partnership Agreement encompassing the West African region is expected to be signed later this year as negotiations are far advanced for a draft agreement in June 2009, and subsequently a full pact by the end of the year. The outgoing Head of the EU Delegation to Ghana, HE Ambassador Filiberto Ceriani Sebregondi has hinted.

Ghana, in 2007, signed an interim Economic Partnership Agreement (EPA) - light with the European Commission (EU) making her second after Cote d'Ivoire to sign the deal.

The move was to insulate the two countries from a disruption of their exports after preferential trade terms expired at the end of that year. The decision by government to sign the EPA, however, was met with a lot of backlash from civil society groups who argued that the trade agreements will only allow the European Commission to lock Ghana and other African countries into aspects of the EPAs, over which there are still fundamental disagreements, including issues which have never been part of the negotiations.

The groups stipulated that the deal will also bounce our countries into opening the African markets to European goods even before they have concluded proper assessment of what revenue needs and fledgling domestic industries can endure.

The Ministerial Monitoring Committee on the negotiations of the Economic Partnership Agreement between West Africa and the EU at a meeting in October 2008, in Banjul, Republic of the Gambia, however, called on the negotiators to expedite action on reaching an agreement which would preserve the region's interest while respecting the June 2009 deadline.

The Ambassador, who is expected to end his duty tour to Ghana in June, this year, also reflected on some activities of the European Union in the country, during his tenure of office. The Ambassador stated that although Ghana's economy would face the most difficult times until the oil revenues start trickling in, the EU will continue to deliver on its promises to back Ghana's economy to sail through the times.

As a commitment to its promises, The EU Last week provided an additional 6.2 million euro facility for the government to help address the effects of the escalating international food prices. The support, formed part of the addendum to the 10th European Development Fund (EDF) Country Strategy Paper and National Indicative Paper (CSP/NIP) for 2008-2013, bringing to 373 million euros the total budgetary assistance to Ghana under the EDF.

Under the programme, 76 million Euros will be budgeted for in the area of transport connectivity and regional integration, 95 million euros for governance and decentralisation, while 175 million euros will be allocated for general budget support.

HE Ambassador Filiberto Ceriani Sebregondi intimated that the EU was committed to raising its level of assistance to developing countries to at least 0.7% of their GDP and also making those aids more effective through the well known list of best practices, lastly committed in the Accra Agenda for Action, adopted at the last Aid Effectiveness Forum in Accra, last year.

He however, called for greater transparency, public accountability and a consultative approach with all stakeholders in the oil industry to maximise the oil gains.

He recommended that government cuts its expenditure and increase its revenue generation to cushion it against the economic challenges ahead.

## **New U.S.T.R. Ease Tensions with Antigua - EU - WTO**

US President Barack Obama's nomination for US Trade Representative, former Dallas mayor Ron Kirk, has made an encouraging first impression, telling Senate confirmation hearings considering his appointment that he will push for strict enforcement of global trade rules.

That could be a refreshing change from his predecessor, Susan Schwab, who presided over a regime that went to extraordinary lengths to do just the opposite as far as online gambling was concerned, embroiling her country in serious and long-running World Trade Organisation disputes with a list of countries which includes the European Union and Antigua and Barbuda.

"This [Obama] administration's starting point on trade will be to ensure the strongest possible enforcement of existing rules and increase the transparency of current and future trade agreements," Kirk said at his confirmation hearing in the Senate. "As I've said to many of you in private, I don't come to this job with deal fever, and we're not going to do deals just for the sake of doing some," he said.

Kirk, the first black mayor of Dallas from 1995 until 2001, will also become the first black trade representative if approved by the Senate.

The current USTR, Susan Schwab, has presided over lost legal tussles, an abandonment of global trade obligations, WTO penalties against the US, missed deadlines and a negotiating process that has taken an excruciatingly lengthy time to deliver minimal progress, doing little for the reputation of the US with its trading partners in the process. In the world of online gambling, few will be dismayed to see her go.

Nevertheless, she found it necessary to issue a "we did good" press release welcoming Kirk's nomination and urging him to carry on what she clearly perceives to have been her stellar career in international trade.

"The Office of the U.S. Trade Representative (USTR) plays a critical role in the U.S. economy by promoting the open and fair trade of goods and services around the globe," Schwab crowed. "Ron Kirk is an excellent choice and I hope that he continues the work that we have done to benefit U.S. workers, farmers and entrepreneurs. As a former mayor of Dallas, which is a major hub of international business, he understands the importance of trade.

"I am proud of USTR's accomplishments in opening markets, as well as its excellent record of enforcing our trade agreements," Schwab said. "This [Bush] Administration will leave behind an exceptionally strong, pro-trade organization that will support the new U.S. Trade Representative as he continues to build on those accomplishments."

She did not mention her WTO tribulations with the Antiguans and the EU

# China to File WTO Complaint on U.S. Chicken Imports (Update1)

By Richard Dobson and William Bi

March 11 (Bloomberg) -- China, which posted a record drop in exports last month, will file a World Trade Organization complaint against U.S. measures that it says have effectively banned chicken imported from the Asian nation.

The U.S. rules on chicken imports are "unfair and malicious," China's Ministry of Commerce said today in a [statement](#) posted on its Web site. The Asian nation will file a WTO complaint against the U.S. and "retains the right to take further measures," it said.

China's complaint against the U.S. measures on chicken imports would be the fourth it's filed since joining the WTO in 2001 and the first since the nation's exports began four consecutive months of [declines](#) in November. The world's most populous nation lost 3 million jobs in the fourth quarter as economic growth hit a seven-year low, further straining the ruling Communist Party's ability to maintain social stability.

"What the U.S. has done amounts to cheating," said Gong Guifen, director of the poultry division of the China Animal Agriculture Association, by telephone from Beijing. "This is not equal trade." China last month urged the U.S. government to rescind a section of its 2009 spending plan that stipulates no funds made available under the Omnibus Appropriations Act may be used to establish or implement rules allowing the import of Chinese poultry products.

## 'Protectionist' Measures

The rule is "discriminatory and protectionist," Ministry of Commerce spokesman [Yao Jian](#) said in a [statement](#) posted to the Chinese government's Web site on Feb. 28

The China Chamber of Commerce of Imports and Exports of Foodstuffs, Native Produce & Animal By-Products said March 6 that the Asian nation should ban imports of chicken from the U.S. in response to the limitations passed in the spending bill. The U.S. is the largest exporter of chicken to the China, according to the USDA's Foreign Agricultural Service.

The U.S. congress in 2007 stopped the Agriculture Department from moving forward with a proposed rule that would have allowed cooked poultry from China to enter the U.S. market, according to the government agency. China allowed U.S. raw poultry to enter its market after it was given assurance that Chinese cooked poultry would be allowed access to the U.S. market, China Animal Agriculture Association's Gong said. Imports of U.S. poultry rose to 611,000 tons last year from 407,000 tons in 2006, Gong said.

## Falling Exports

Chinese exports of chicken meat may decline 24 percent from a year earlier to 215,000 metric tons this year, according to estimates by the U.S. Agriculture Department's Foreign Agricultural Services. The nation exported 12 tons of chicken meat to the U.S. last year, the agency said.

The Chinese government said today that exports in February fell 25.7 percent from a year earlier. That's the biggest decline since 1995, the earliest date for which Bloomberg has data.

China's trade surplus, which hit a record \$40 billion in November, fell to \$4.8 billion last month, the customs bureau said. The Asian nation's trade surplus had led U.S. lawmakers to accuse the Chinese government of artificially holding down the value of its currency and helped make China the subject of more U.S. WTO complaints than any other nation.

The U.S. in January filed a WTO complaint against the European Union's decade-long ban on imports of American poultry, saying the policy violates global trade rules.

To contact the reporter on this story: [Richard Dobson](#)

# China to file WTO complaint on US poultry ban, criticizes measure as protectionist

By Associated Press

BEIJING ([AP](#)) — China said Wednesday it will file a World Trade Organization case challenging a U.S. ban on Chinese poultry imports, criticizing the measure as protectionist.

The United States and China banned imports of each other's poultry in 2004 following outbreaks of bird flu. China agreed in September to lift its controls and complained that [the United States](#) has failed to do the same.

The U.S. measure is "discriminatory and protectionist," Commerce Ministry spokesman Yao Jian said in a statement on the ministry's Web site. It called on Washington to remove a measure in a 2009 U.S. Senate spending bill that it said extends the ban.

The U.S. Embassy in Beijing did not immediately respond to a request for comment. Yao said China has created a quality control system for its poultry producers in line with international standards. He said China exports poultry to the [European Union](#), Japan and Switzerland.

China has imported more than 4 million tons of U.S. poultry products since 2004, including 580,000 tons of chicken products last year, according to the Communist Party newspaper People's Daily.

The announcement comes as Beijing tries to boost exports amid a global slowdown that has seen Chinese trade fall for the past four months.

## WTO to look into US rules on 'dolphin-safe' tuna

The Associated Press  
Published: March 10, 2009

**GENEVA:** The World Trade Organization will consider a complaint by Mexico next week alleging that U.S. rules on "dolphin-safe" tuna are illegal, according to an agenda released Tuesday.

Mexico says U.S. labeling restrictions effectively exclude Mexican tuna from the U.S. market and have caused a third of the nation's tuna fleet to shut down.

The Latin American country claims its tuna production complies with international standards on reducing the accidental capture of dolphins. But it says U.S. rules prohibit Mexico from using the "dolphin-safe" label needed to sell the product in the United States.

The U.S. mission to the WTO could not comment.

The issue of tuna and dolphins is a sensitive one that pits environment against trade, and originated with the WTO's predecessor body, the General Agreement on Tariffs and Trade.

### **Today in Business with Reuters**

Mexico won a case in 1991 over a U.S. law that banned imports of tuna caught in nets that also harm dolphins, but the old rules allowed the loser to simply ignore the ruling by exercising its veto power.

The WTO, created in 1995, has stricter enforcement powers and can authorize sanctions against countries that violate international trade agreements — but usually after years of litigation.

Washington can delay the establishment of a panel at the March 20 meeting of the WTO's dispute body. It cannot do so a second time, meaning the trade body will likely launch a formal investigation by April at the latest.

Also on the agenda for next week's WTO meeting is a complaint by Thailand over U.S. taxes on imports of plastic bags.

The WTO has consistently ruled against Washington's calculations of duties for foreign goods it suspects are being sold in the U.S. at below-market prices.

## Brazil rejects revision of Doha negotiating package

\* WTO urges Brazil to cut tariffs and other import barriers

GENEVA, March 9 (Reuters) - Brazil called on Monday for current proposals under negotiation to be the basis of a deal in the World Trade Organisation's (WTO) long-running Doha round.

The call, by Brazil's WTO ambassador Roberto Azevedo, was an apparent rebuff to the United States, which said last week an imbalance in the current negotiations must be corrected by other countries opening their markets more to U.S. businesses.

"We are of the view that the package on the table is a good basis for the resumption of the negotiations. In light of the ongoing economic crisis, the gains that we could obtain from the package on the table are not to be thrown away," Azevedo told WTO members during a regular review of Brazil's trade policy.

WTO members are now conducting technical negotiations on the basis of revised negotiating texts in agriculture, industrial goods and some other key areas that were produced in December.

The WTO had been considering holding a meeting of ministers that month to seek a breakthrough in the Doha talks, launched in late 2001 to free up world trade and help developing countries export their way out of poverty. But WTO Director-General Pascal Lamy decided the gaps between members were still too wide for a meeting, not least because the United States felt big emerging countries such as China, India and Brazil were not opening their markets enough to U.S. goods.

Major U.S. business groups have told President Barack Obama they are unhappy with other countries' offers. They say the Doha talks should not simply pick up where they left off in 2008, a view reflected in the annual U.S. trade agenda report issued last week.

Azevedo said last week Brazil could not allow the current package, based on years of give and take, to be reopened.

### TARIFF PROTECTION

In a report prepared on Feb. 2 for its review of Brazil's trade policy, the WTO urged Brazil to lower import duties and other barriers to tackle the economic crisis and sustain growth. "Brazil needs to press on with its efforts to give additional impetus to trade and investment, including by lowering effective tariff protection, reducing the use of import prohibitions and providing greater predictability to the foreign investment and trade regime," the WTO said.

The report noted that Brazil, one of the keenest supporters of a Doha deal, has raised tariff protection over the past five years, taking the average rate it applies on imports to 11.5 percent in January 2008 from 10.4 percent in January 2004.

The WTO also called on Brazil to join its government procurement agreement, to give more Brazilian businesses the chance to compete for contracts and bring down the cost of government purchases for taxpayers. At present, more than 40 percent of procurement contracts have some kind of waiver from tendering requirements. Foreign suppliers present in Brazil generally receive the same treatment as Brazilian companies, unless the offers are identical. (Reporting by Jonathan Lynn; Editing by Kevin Liffey)

## **WTO says tourism can bounce back stronger than ever**

WTO Headquarters

WASHINGTON, United States, March 9, 2009 –

The World Trade Organisation (WTO) says the tourism industry, which is the chief foreign exchange earner for many Caribbean countries, can play a relevant role after the current global economic crisis.

The sector has been negatively affected by the economic downturn, but the WTO says this is not the first time that tourism has suffered a setback and, if handled correctly, it can bounce back even stronger than before.

That is one of the conclusions of the recently-held first meeting of the UNWTO Resilience Committee (TRC), which set guidelines for the tourism sector to overcome the current situation. "It is not possible to assess how long the economic crisis will last, nor the extent of the downturn and its full impact on tourism. What is clear is that tourism can play a critical role in the recovery process as a sector with a unique resurgence capacity and an immense potential in terms of employment creation and sustainability. UNWTO's Tourism Resilience Committee will precisely monitor the evolving economic situation and its effects on tourism," said UNWTO's interim Secretary-General, Taleb Rifai.

Essential conclusions of the TRC include a swift course of action while keeping in mind the differences among specific tourism destinations; greater cooperation amongst tourism stakeholders; innovation in areas such as product development, marketing, distribution, human resources training, and all regional and national policies; and improved and more substantial market information.

The UNWTO has highlighted the relevance of keeping in mind the long term benefits of tourism, such as its capacity for job creation, contribution to local economies and poverty reduction "If short term crisis response is aligned with the current long term issues, that is global poverty and climate challenges, the overall industry structure will be strengthened," the TRC said.

In the face of the economic downturn the tourism industry is expected to continue its decline at least in the short to medium term. The UNWTO expects international tourism to stagnate or even decline slightly by one to two per cent throughout 2009.

## Obama's trade pointman vows strict enforcement

WASHINGTON (AFP) — US President Barack Obama's prospective trade envoy vowed to push for strict enforcement of global trading rules and said a free trade pact signed with South Korea should be renegotiated. Ron Kirk told his Senate confirmation hearing that the Obama administration wanted to ensure "the strongest possible enforcement" of trading rules even as countries were grappling with financial turmoil and a sharp economic downturn.

He said the United States would use all its resources within the World Trade Organization (WTO), as well as "diplomatic resources" to champion free trade and to prod Beijing to pursue policies weaning it away from exports and manufacturing.

The US Congress, Kirk said, wanted "referees" at the WTO -- the global trade watchdog -- "to call a foul when the rules were broken.

"And I agree," the ex-mayor of Dallas told Senators, who will vote to decide his political future. If confirmed, Kirk will be the first African-American to hold the cabinet-level position of US Trade Representative (USTR).

He is tipped win confirmation despite revelations during the vetting process that there were a number of errors in his tax returns that will require him to pay about 10,000 dollars in back taxes. Kirk said that his other priorities were to work with US trading partners to advance the long delayed Doha Round of global trade negotiations and to address outstanding issues over free trade pacts signed with Panama, Colombia and South Korea under the administration of Obama's predecessor George W. Bush.

Following suggestions from senators, Kirk agreed that the Panama deal was the closest to possible passage and refused to set a year-end deadline for resolving concerns about labor violence in Colombia that had prevented approval of the free trade agreement with that country. But he said the agreement with South Korea deadlocked over an auto trade dispute was unfair and should be renegotiated.

"In the case of Korea, the current status quo simply isn't acceptable," he said of the US-South Korea Free Trade Agreement signed in 2007, but awaiting ratification by both countries' legislatures. The pact would be the largest for the United States since it signed the North American Free Trade Agreement with Canada and Mexico in 1994. Ahead of his election in November, Obama has called the deal "badly flawed," saying it did too little to narrow a huge trade imbalance in South Korea's favor, especially in the auto trade.

"The president has said, and I agree, the agreement, as it is, just simply isn't fair and if we don't get that right, we'll be prepared to step away from that," Kirk said. South Korea has ruled out renegotiating the pact, which cleared a subcommittee of its parliament last month after opposition legislators boycotted the meeting. US Secretary of State Hillary Clinton also cited the imbalance in the auto trade during her confirmation hearing in January.

She said the pact gave South Korean auto exports "essentially untrammelled access" to the United States, which she added would have no leverage to break down Seoul's non-tariff barriers. "If the South Koreans are willing to reengage negotiations on these vital provisions of the agreement, we will work with them to get to resolution," she said.

South Korea shipped about 700,000 cars to the United States in 2007 while importing 5,000 American cars, official figures showed. Some analysts in Seoul however say the figures are misleading, since they exclude more than 125,000 vehicles made by a General Motors subsidiary in Korea while including vehicles made by a Hyundai plant in Alabama.

## WTO chief hopes for new trade talks in northern summer

Wed Mar 4, 2009 2:42am GMT

CANBERRA (Reuters) - A meeting of world trade ministers to finalize the Doha Round of negotiations could be held early in the northern hemisphere summer, World Trade Organization director-general Pascal Lamy said on Wednesday.

Negotiations could be reconvened once the new United States administration had established its trade policies and India had held general elections, Lamy told reporters in Canberra.

Lamy said the G20 meeting of trade ministers in four weeks could lay the ground work to restart the talks, which stalled last year when a final agreement could not be reached on two key areas, agriculture and industry. "What I hope is that before the summer break there will be a window of opportunity to bring them back," he said. The G20 group of rich and emerging nations in November called for ministers to outline a deal by the end of 2008 but Lamy did not call a meeting of trade ministers because political differences were too wide, and the new U.S. administration was yet to take office.

Lamy said reaching a final agreement last year would have paved the way for the completion of other areas of Doha Round such as services negotiations, the reduction of fisheries subsidies as well as addressing trade related environmental issues. "These subjects would have gained steam had we been successful last year but, to our great dismay, agreement proved elusive," said Lamy.

There were also concerns about a new wave of protectionism in response to the global economic crisis but "there has been limited evidence so far of isolationist moves," said Lamy, adding that the WTO was keeping a watch on any moves that might hinder trade.

## India, Brazil protest seizure of generic drugs by Dutch

11 Mar 2009, 0253 hrs IST, Sheila Mathrani, ET Bureau

GENEVA: India and Brazil have expressed their deep concern over the public health implications of the seizure of [generic drugs](#) in transit by European nations, and its systemic implications. At a meeting of the WTO TRIPS Council, the two countries along with nine other developing nations strongly criticised the EU for its double standards.

This followed their protest at the WTO General Council meeting a month ago over the seizure of a consignment of Indian firm Dr Reddy's [generic drug](#) for high blood pressure meant for Brazil by Dutch Customs authorities in December 2008.

The EU defended the actions of the Dutch authorities, claiming they were acting for the "benefit of mankind", and said it would continue to do so, as the issue of counterfeit drugs is a [public health](#) issue. The EU Customs regulations are in complete conformity of the TRIPS agreement and the WTO disciplines. The European Commission claimed that one-third of the four million counterfeit medicines seized by EU authorities come from India.

Brazil stated that though both countries brought up what they considered was a serious violation of WTO rules at the General Council, as the TRIPS council was the forum dealing with intellectual property matters it could give a better analysis of the factual circumstances of the episode and legal implications. [Seizure](#) of goods in transit, regardless of if they were medicines or not, on grounds that they could violate IP rights registered in the country of transit, violates the GATT Article V and other GATT obligations. It is up to Brazil, and not any other country, to inspect whether the goods that Brazil was purchasing were substandard or fake.

Dutch authorities have been regularly acting ex-officio, based on EU procedures of 2003 on the infringement of IP rights, said Ambassador Roberto Azevedo, adding this was a case of extraterritorial application of Dutch patent rights.