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## OECS should establish joint Regulator: G20 should help

By Sir Ronald Sanders\*

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THE members of the Organization of Eastern Caribbean States (OECS) should move to establish immediately two separate bodies to regulate domestic non-bank financial institutions and the offshore financial services sector. In turn, these new bodies should work closely with the Eastern Caribbean Central Bank (ECCB).

Financial problems in the member states of the OECS, posed by the CL Financial Group headquartered in Trinidad and Tobago and the on-shore and off-shore banks of R Allen Stanford located in Antigua, have underscored the vital importance to the economies of these countries of strong supervision for both non-bank financial institutions, such as insurance companies, and the offshore financial services sector. The problems will worsen in the coming weeks. The IMF has warned the OECS that "waning economic growth after a period of rapid private credit expansion poses a major risk to the stability of the banking system".

OECS countries which are part of the Eastern Caribbean Currency Union with a single currency, the EC dollar, are the independent States of Antigua and Barbuda, St Kitts-Nevis, Dominica, Grenada, St Lucia, and St Vincent and the Grenadines together with the British Overseas territories of Anguilla and Monsterrat. The ECCB is their common Central Bank.

The cross-border nature of the financial services sector emphasises the importance of cross-border regulation. Ideally, it would be best if a Pan-Caribbean financial regulatory authority could be established covering all the countries that are now members of the Caribbean Community (CARICOM).

But, as I was reminded by Caribbean and European Union (EU) colleagues after my commentary last week ("Establish a Caribbean wide Financial Services Regulator"), the member states of CARICOM are unlikely to do so in a hurry.

The members of the OECS are in a better position to establish the two very necessary joint bodies because they enjoy deeper economic integration arrangements than CARICOM. They already have a single currency, a single Central Bank, and a single Court system. Further, none of them can afford to establish these bodies at an individual national level, particularly in the current situation in which remittances from their nationals abroad have fallen, receipts from tourism are in decline, preferential commodity markets have been withdrawn, and construction (that helped their economies to grow in the last two years) has now slowed considerably.

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As an example of part of the costs each country would face if it were to try to establish its own national domestic bodies, the Prime Minister of Barbados, David Thompson, told his country's Parliament on March 18<sup>th</sup> that it will cost US\$2.06 million to establish, by early next year, a Financial Services Commission to regulate the non-bank financial services institutions as well as international business.

There are two fundamentally important reasons why the OECS countries should now move to establish a joint Financial Services Commission to regulate the non-bank domestic sector and a joint International Financial Services Authority to supervise the off-shore sector. The first is that they have to establish machinery for safeguarding the interests of their own domestic investors including persons who invest in instruments of the non-bank finance companies, and the second is that the industrialised countries, such as the US and UK, are now moving rapidly to strengthen their own regulatory bodies in the wake of their failures to deal with the practices of major banks, insurance and mortgage companies that led to the current global financial crisis.

If all Caribbean countries do not themselves move in this direction, not only will they be uncompetitive in the global market for financial services, but their economies and their local investors will continue to be exposed to the problems of non-domestic companies over whom they exercise no supervision. The truth is that it would be an abdication of governmental responsibility to allow the present situation to continue.

It is significant that, on March 18<sup>th</sup>, the British Financial Services Authority, which regulates Banks, is reported to have strongly supported "calls for the creation of a pan-European regulatory body as the only way to save the European market for financial services". The Financial Times reported its Chairman, Lord Turner, as saying, "We've got to think about how to run a single market in retail banking without a European federal government."

The countries of CARICOM face a similar challenge, only it is worse. At least the 27-nation European Union (EU) has a single market and many of its members also operate the Euro as a single currency. Only strong political will or a further major catastrophe will push CARICOM fast enough to establish Pan-Caribbean arrangements. In this context, no one can blame countries, such as Barbados, from forging ahead with the strengthening of its own financial services supervision. After all, Barbados does have a vibrant international financial services sector to preserve.

But, the point is that the member states of the OECS, given their deeper economic and financial integration, can move faster than CARICOM and they should in their own interest. They have already established a Task Force to consider their options in light of the global financial crisis. It is headed by the Prime Minister of St Vincent and the Grenadines, Ralph Gonsalves, now a senior Head of Government and Finance Minister in the region. If the OECS and the international community provide his Task Force with the resources, there is no reason why a blue print couldn't be devised to address many of the issues facing these very small and fragile economies in a meaningful way.

In the height of economic crises, there is always a tendency by governments, whether large or small, to pursue both short-term and nationalistic solutions. Invariably, such solutions fail especially when they originate with cross-border problems.

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Individual OECS countries, therefore, should resist the temptation to try to solve present and looming problems in their national economies associated, for instance, with the CL Financial Group. Instead, they should work together with the government of Trinidad and Tobago where the CL Financial Group originates and whose own supervisory authority lacked the legal muscle to enforce measures to correct deficiencies in the Group before they affected a number of countries in the Caribbean.

The government of Trinidad and Tobago should be encouraged to provide resources to the member states of OECS which remain important markets for Trinidad's goods and services.

And, the G20 countries when they meet in London on April 2<sup>nd</sup>, should be asked to provide the necessary resources to the Caribbean – and especially the OECS – to pay for the joint multi-nation financial services regulator that they need and would allow them to participate meaningfully in the global effort.

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## **WTO sees 9% global trade decline in 2009 as recession strikes**

### **WTO Press Release | 23 March 2009**

The collapse in global demand brought on by the biggest economic downturn in decades will drive exports down by roughly 9% in volume terms in 2009, the biggest such contraction since the Second World War, WTO economists forecast today (25 March 2009). "Trade can be a potent tool in lifting the world from these economic doldrums. In London G20 leaders will have a unique opportunity to unite in moving from pledges to action and refrain from any further protectionist measure which will render global recovery efforts less effective," said Director-General Pascal Lamy.

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[Get full WTO report here](#)

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## **Lamy urges Africa to keep trade open**

### **WTO News | 23 March 2009**

WTO Director General Pascal Lamy's message to African Union Trade Ministers was "Keep trade open; keep opening trade", when he addressed them in Addis Ababa, on 20 March 2009. This is what he said:

The WTO agenda in light of the economic crisis that started in the United States and that has now spread throughout the world can be summed up in six words: keep trade open, keep opening trade.

- Keeping trade open and pushing back protectionism is one of the easiest reactions to the current crisis. Opening trade offers hope for the future of world growth.
- IMF figures indicate global GDP will decrease by 1 to 2 per cent in 2009: this includes a drop of about 3 per cent for developed countries, which represent around two-thirds of the world economy, and growth of around 2 per cent for developing countries, which represent about one-third of the world economy.
- The WTO forecast for trade in 2009 will show the worst decline in 80 years.

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*"... keep trade open,  
keep opening trade..."*

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- The impact of the crisis is much stronger in countries that depend more than average on trade, which is the case for many developing countries. African economies are more vulnerable than others. They are more dependent on trade with developed economies, where demand has severely contracted. The level of trade within Africa remains relatively low at around 10 per cent.

### **How does the global picture translate into the WTO agenda?**

#### *Substance*

1. Pushing back protectionism
  - WTO members should resist the pressure to undertake protectionist measures.
  - G20 members have committed not to take trade-restrictive and investment-restrictive measures.
  - The WTO will continue monitoring and peer reviewing the development of protectionist measures. The second surveillance report will be more sombre than that issued in January 2009.
2. Pushing towards concluding the Doha Development Round
  - 80 per cent of the work is already done. The remaining 20 per cent needs political energy. Members should build on the progress made in the seven years of negotiations.
  - Concluding the Doha Round will give a strong signal of the collective readiness to address the global economic crisis and contribute to addressing economic difficulties in many developing countries.
3. Oiling the wheels of trade finance
  - One reason for trade contraction is the decline in liquidity for trade finance and the increase in the cost of the risk.
  - Around 90 per cent of world trade requires trade finance.
  - The key is to encourage public financial institutions to back commercial banks' trade finance activities.
  - Regional development banks, including the African Development Bank, are already engaged very actively.
4. Securing Aid for Trade: building long-term competitiveness
  - There has been good progress on coordinating Aid for Trade projects and on identifying priority sectors.
  - There has been a 20 per cent growth in Aid for Trade flows since 2006.
  - Donors must be pressed to abide by their previous commitments. The current crisis makes this even more important.

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*“It is important to mobilize so that trade contraction does not harm African countries. Avoiding the risk of protectionism is worth the fight.”*

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#### *Process*

1. G20 meeting in April 2009
  - The WTO is actively contributing towards the preparation of the trade part of the G20 agenda.
  - Africa will be better represented than last year, with South Africa, the Ethiopian Prime Minister (Chair of the New Partnership for Africa's Development) and the African Union Commission Chairman.
  - A clear message on trade needs to be sent to the G20. African countries must engage in the coming two weeks.

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## 2. Post G20

- There needs to be increased ministerial engagement towards the conclusion of the Doha Round.
- Technical work is ongoing in Geneva. Members are waiting to see when the US will be ready to engage at the political level.

## 3. Aid for Trade Global Review on 6 and 7 July 2009

- The Global Review will be preceded by regional reviews. The first will take place in Lusaka (Zambia) on 6 and 7 April 2009. It should be complemented by another regional review for western Africa.
- The implementation of commitments, monitoring and evaluation will be the main themes on the agenda.

## 4. Conclusion

- It is important to mobilize so that trade contraction does not harm African countries. Avoiding the risk of protectionism is worth the fight.

## Green shoots

From *The Economist* print edition | 19 March 2009

AT A time when much of the global economy is falling apart and demand both for consumer goods and the firms that make and finance them is collapsing, the notoriously cyclical world of agriculture is holding up remarkably well. Prices for grains and meat are down from the peaks of mid-2008, but are 30-50% above their averages over the past decade. There is reason to believe that this strength is more than just another of the many bubbles that have recently inflated, only to pop.

Higher prices are hardly a universal blessing: they are good for farmers, many of whom are poor, but bad for consumers. Some of the increase can be blamed on the shift of crops from food to fuel, prompted by wildly inefficient subsidies. But high prices are also a sign of progress because their single largest cause is the steady increase in demand from poorer countries, as people there eat more food—especially more protein. More people are better nourished thanks to a bit more grain, a lot more meat, and much more milk.

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*“No matter how bad things get, people still need to eat.”*

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China’s role has been profound, reflecting its enormous economic progress and huge population. In the past decade, says Carlo Caiani of Caiani & Company, an investment-advisory firm based in Melbourne, the consumption of milk has grown seven-fold, and that of olive oil six-fold. China is consuming twice as much vegetable oil (instead of less healthy pork fat), 60% more poultry, 30% more beef and 25% more wheat, and these are merely the obvious foods. Scores of niches have expanded dramatically: people are drinking four times as much wine, for example.

And yet even with all this growth, people in China still, on average, consume only one-third as much milk and meat as people in wealthy countries such as Australia, America and Britain. The gap is even larger with India, which is also growing fast. Overall, protein intake in Europe and America is unlikely to expand much, but a combination of rising incomes and population in developing countries could increase demand by more than 5% annually for years to come. “Once people are accustomed to eating more protein, they won’t take it out of their diet,” says Mr Caiani.

Expanding supply at the same rate will be difficult, because the amount of arable land under cultivation is growing by only a fraction of a percentage point each year.

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In China and India many of the most fertile areas are the ones being developed for roads and factories. That means existing land is becoming more valuable, and must become more productive.

The consequences stretch from one end of the food chain to the other, as higher food prices prompt a response. BASF, one of the world's largest producers of agrochemicals, saw 9% growth last year in agricultural sales, including 16% growth in Asia. It expects the industry to grow by 17% this year, which has begun well, the global economic tumult notwithstanding.

Its competitors are also prospering. The share prices of Agrium, CF Industries, Bunge and Syngenta spiked last year along with food prices, then tumbled (along with the shares of nearly every other company), but then stabilised, even as the rest of the stockmarket continued to tank. Monsanto, which a decade ago had been praised and then trashed for selling highly efficient genetically modified seeds, has seen its popularity restored for exactly the same reason. After years of strong growth, and with the prospect of more to come, its shares are valued at 20 times trailing earnings, nearly double the market average.

Interest in the industry is still growing. A conference for fund managers tied to agriculture held annually in Sydney by Austock, an Australian broker, attracted a few dozen contrarian souls three years ago. This year's event, which began on March 16th, had to be restricted to several hundred ticket-holders, with many others turned away. Deals are also being done. On March 13th Terra Firma, a private-equity firm based in London, announced it would buy 90% of Consolidated Pastoral Company, the vast Australian cattle holdings of the Packer family, which encompass 5m hectares (12m acres) of land.

In February Nufarm, an Australian agrochemical maker, won approval for its acquisition of AH Marks, one of Britain's oldest chemical companies, which has a valuable portfolio of herbicides. Nufarm itself only barely avoided being acquired in 2007 in a joint bid by an American private-equity firm and a Chinese state-owned company. Shares of Mosaic, a maker of fertiliser, have been swept by one acquisition rumour after another. Last year COFCO, China's state-controlled food conglomerate, bought 5% of Smithfield, the world's largest pork producer. Al Qudra, an Abu Dhabi-based investment company, said it had bought big tracts of farmland in Morocco and Algeria, and was closing in on purchases in Pakistan, Syria, Vietnam, Thailand, Sudan and India.

In November China Agri-Industries, a subsidiary of COFCO, established a partnership with Wilmar, the world's largest trader in palm oil. Landkom, listed on London's AIM market, and Black Earth Farming, listed in Stockholm, have each made big investments in farming in Ukraine. And reports are circulating in China about local investors buying 50,000 hectares of farmland in Argentina, and considering other investments in Argentina and Brazil.

Even China is finally opening up to private agricultural investment, in part because new laws allow farmers to lease land, thus making possible economies of scale. Asian Bamboo, a company that is listed in Frankfurt, leases 27,000 hectares in Fujian province. It announced profits for 2008 of €21m (\$30.4m) on sales of €44m, reflecting how, at least for the moment, agriculture can be an extraordinarily high-margin business.

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There are limits to what can be done, however. By far the most ambitious of all the land deals in the past year was Daewoo Logistics' contract with the government of Madagascar to lease 1.3m hectares, almost half the country's arable land, to produce corn for Daewoo's home country, South Korea. But after riots and a coup in Madagascar, the deal is off. These tensions are not unique. In response to local concerns about the loss of critical food supplies, several governments have imposed taxes or other restrictions on exports: on a key ingredient of fertiliser in China, on grain in Argentina, on rice in India. That sort of meddling undermines some investments and businesses. But in a strong market, it makes the businesses that can operate freely all the more lucrative and valuable.

## **A Development Charter for the G-20**

**From The Overseas Development Institute | March 2009**

The global financial crisis started in developed countries, but the global recession which has followed is having a wide-spread impact on developing countries. By the end of this year, developing countries are expected to lose incomes of at least US \$750 billion. In sub-Saharan Africa, the figure is over US \$50bn. The consequence is likely to be rising unemployment, poverty and hunger: an extra 50 million people trapped in absolute poverty, with the number expected to rise to 90 million; and the total number suffering from hunger already up by 75 million to nearly a billion people, rising for the first time in nearly two decades.

ODI researchers, in coordination with other developed and developing country institutes, are tracking the spread of the recession, monitoring and modelling its impacts and applying their different skills to the policy challenge of restoring growth and development in the poorest economies in the world. The G-20 cannot deliver development, but its members can aim to promote development efforts rather than hinder them. The 12 short articles in this pack do not constitute an institutional position but, taken together, they outline a Development Charter for the G-20 to help poor countries tackle the effects of the global economic recession. This includes:

- A Global Poverty Alert System:
  - to monitor the economic impact of declines in trade, financial flows, remittances and aid. Work by ODI and its partners in ten countries in Africa, Asia and Latin America show all are affected, but in very different ways.
  - to monitor the impact on people's lives of lost work, lower incomes and falling investment in health and education.
- Better financial regulation and new financial rules to increase the transparency of capital flows, curb illegal transfers, and reduce the pro-cyclicality of financial flows to developing countries, for example by adjusting capital adequacy ratios over the business cycle, or promoting capital flows to developing countries using innovative financing mechanisms.
- A significant share of the fiscal stimulus of G-20 countries to be spent in developing countries (at least \$50 billion in Africa) to provide social protection, but especially to help provide the infrastructure needed to restore growth. Such a fiscal stimulus can raise welfare in the poorest countries and offset a significant part of the impact of the crisis and will also help developed countries seeking export markets.
- A trade package which does not set unrealistic expectations about a conclusion to the Doha Round, but instead concentrates on preventing 'beggar-thy-neighbour' protectionism and bringing forward funding for Aid for Trade.

- A reversal of labour protectionism, which restricts migration and hurts both sending and receiving countries.
- Support developing country efforts for building institutions, establishing crisis management focal points, and implementing home-grown 'rainbow' policies that:
  - promote policies and institutions that help developing countries to grow themselves out of the crisis;
  - support the livelihoods of the poor through greatly expanded social protection schemes;
  - invest in the technology, institutions and structures necessary to deal with climate change;
- Making sure that aid is managed to support national ownership and effective response, with fast distribution, in support of government plans, and through government budgets;
- Using the G-20 as a platform for reform of the international system, starting with the governance of the Bretton Woods system, but also launching a wider process to strengthen the effectiveness of the United Nations.

Download the full ODI Background Paper [here](#).

## Chair of WTO Farm Talks is Set to Leave Post

Reporting by ICTSD

The chair of the Doha Round agriculture negotiations, Ambassador Crawford Falconer of New Zealand, has told negotiators that he plans to go back to his home country in April - seemingly reversing a decision he made in December to postpone his return. Back in Wellington, Falconer will take on the post of Deputy Secretary at the Ministry of Foreign Affairs and Trade, the New Zealand government said in a statement on Wednesday.

"Originally scheduled to end in December, Mr. Falconer's term in Geneva was temporarily extended to continue negotiations that culminated in a further revised agriculture modalities text," New Zealand Trade Minister Tim Groser said Wednesday.

"This text provides a strong basis for completion of the agriculture negotiations in the near future," he added. So far this year, however, progress in the farm talks appears to have stalled in the absence of clear engagement from the fledgling US administration.

Speaking privately, negotiators have frequently praised Falconer's personal contribution to the drawn-out Doha talks, noting that it will be hard to find a replacement who can match the New Zealander's combination of listening skills and technical knowledge of the talks.

David Walker has succeeded Falconer as New Zealand's Permanent Representative in Geneva. The next chair of the farm talks will be decided by the WTO Membership.



## **Brazil, Chile and Caricom countries back FAO's proposal for a World Summit on Food Security**

**FAO Newsroom | 23 March 2009**

The Heads of Government of CARICOM countries as well as President Luiz Inácio Lula da Silva of Brazil and President Michelle Bachelet of Chile are putting their support behind a proposal by FAO Director-General Jacques Diouf for a World Summit on Food Security next November in Rome, on the occasion of the 36<sup>th</sup> Session of the Conference of the Organization.

The announcement came after Dr. Diouf's visit earlier this month to Chile and Brazil, where he had separate talks with Presidents Bachelet and Lula, and to Belize, where he took part in the 20<sup>th</sup> Inter-Sessional Meeting of the Conference of Heads of Government of the Caribbean Community (CARICOM).

At a meeting with Diouf on 7 March, President Bachelet indicated her support for the proposed World Summit of Heads of State and Government on Food Security and her intention to be at the meeting. In a joint meeting on 9 March, President Lula expressed his support for the Summit proposal and his plan to participate in it.

On 13 March, the Heads of Government of CARICOM deliberated on the proposed Summit and lent their full support to it.

The FAO proposal had already received support from the Heads of State and Government of the League of Arab States at the Arab Economic and Social Development Summit in Kuwait last January and of the African Union at the 12<sup>th</sup> Ordinary Session of their Assembly in Addis Ababa in early February. Several other heads of state and governments have pledged their support and participation.

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*"The total number of undernourished people in the world reached 963 million in 2008... or 15 percent of the world's population"*

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### **The 2009 Summit — from consensus to action**

The FAO Director-General stressed that the Summit would reach tangible results by securing broad consensus on the total and rapid eradication of hunger and setting a new world food order.

"The Summit should lead to greater coherence in the global governance of world food security. It will define how we can improve policies and the structural aspects of the international agricultural system by putting forward lasting political, financial and technical solutions to the problem of food insecurity in the world," Diouf said.

The world food insecurity situation is unbearable. According to a recent FAO report, the total number of undernourished people in the world reached 963 million in 2008 — nearly one billion human beings, or 15 percent of the world's population.

The ongoing global financial and economic crisis could drive even more people into hunger and poverty unless urgent decisions are made and bold measures are undertaken.

The FAO chief has repeatedly appealed to the international community to put greater action behind their promises to fight hunger by designing a new agricultural order and mobilizing \$30 billion per year to invest in rural infrastructure and boost agricultural production and productivity in developing countries.

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"It is only in this way that we will succeed to eradicate hunger and feed a world population that will reach 9 billion in 2050," Diouf stressed.

#### **A decent living for farmers**

Diouf insists that "a new system of governance of world food security must be established" following the failure of the current system.

"We must have the intelligence and innovation to devise agricultural development policies together with rules and mechanisms that will ensure not only free but also fair international trade and in particular provide food security for all and offer farmers, in developed and developing countries alike, the means of earning a decent living," Diouf also said.

"To remain in rural activity, farmers in both developed and developing countries should earn incomes that are comparable to their fellow citizens employed in the secondary and tertiary sectors," he added.

### **Trade Barriers Rise as Slump Tightens Grip**

**By Marl Landler | New York Times | 22 March 2009**

WASHINGTON — After repeated pledges by world leaders to avoid erecting trade barriers, protectionism is on the march, provoking nasty trade disputes and undermining efforts to plot a coordinated response to the deepest global economic downturn since World War II.

From a looming battle with China over tariffs on carbon-intensive goods to a spat over Mexican trucks using American roads, barriers are going up around the world. As the recession's grip tightens, these pressures are likely to intensify, several experts said.

The surge in protectionism is casting a shadow over an economic summit meeting of world leaders scheduled for London on April 2. At the last such gathering, in Washington in November, former President George W. Bush persuaded the Group of 20 members to commit to protecting free trade — whatever the pressures caused by faltering economies and lost jobs. The members include industrialized and developing nations, and the European Union.

"No sooner was the G-20 statement issued than it was breached," said Daniel M. Price, an official in the Bush administration who helped negotiate the agreement. "Instead of just talking about trade liberalization, countries need to take immediate steps to show they mean it."

Far from heeding their pledge not to erect new barriers for 12 months, many countries have raised import duties or passed stimulus measures with trade-distorting subsidies. The World Bank, in a report last week, said that since the Washington meeting, 17 members of the Group of 20 had adopted 47 measures aimed at restricting trade.

Russia has raised tariffs on used cars. China has tightened import standards on food, banning Irish pork, among other things. India has banned Chinese toys. Argentina has tightened licensing requirements on auto parts, textiles and leather goods.

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*"Instead of just talking about trade liberalization, countries need to take immediate steps to show they mean it."*

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And a dozen countries, from the United States to Australia, are subsidizing embattled automakers or car dealers.

The most vivid example of that policy is the “Buy America” provision in the stimulus package, intended to ensure that only American manufacturers benefited from public-spending projects. The Obama administration persuaded Congress to water it down, and Mr. Obama has taken up Mr. Bush’s warnings about the dangers of protectionism.

But pressures are building on other fronts. Last week, the energy secretary, Steven Chu, said he favored tariffs on Chinese goods if China did not sign on to mandatory reductions in greenhouse gas emissions — underscoring how the “green economy” could be the next trade battleground.

Mr. Obama signed a \$40 billion spending bill that scrapped a program enabling Mexican trucks to haul cargo over long distances on American roads. Mexico retaliated by imposing duties on \$2.4 billion worth of American goods — everything from pencils to toilet paper. The trucking dispute has its roots in the North American Free Trade Agreement, or Nafta, which guaranteed Mexico, Canada and the United States access to one another’s highways for cargo transport by 2000.

While resistance in Congress to Mexican trucks is long-running, based in part on safety and environmental concerns, American officials worry it will cause broader frictions with Mexico.

“It’s very worrisome to the Mexicans because it’s seen as protectionism,” said Thomas A. Shannon Jr., the assistant secretary of state for Western Hemisphere affairs, who is working with other officials to devise a new pilot program for trucks that will satisfy critics in Congress. Mexico’s tariffs affect 90 products from 40 states, accounting for less than 2 percent of American exports. Mr. Shannon said it underscored the breadth of the trading relationship.

Even without protectionism, the synchronized global downturn is likely to result in the largest annual decline in world trade in 80 years, according to the World Bank. While the bank said it was difficult to quantify the effects of the new barriers, they could aggravate that decline.

“It’s very easy for this to spin out of control and move to trade wars that could be quite devastating,” said Richard Newfarmer, who wrote the report and is the bank’s special representative to the World Trade Organization.

The World Bank president, Robert B. Zoellick, warned recently that 2009 could be a “very dangerous” year, as leaders faced rising calls for protection from economically insecure populations. He called on the World Trade Organization to monitor protectionist actions and publicize them. But not all the measures violate the body’s laws.

The stimulus plans that the United States is pushing Europe to adopt can also distort trade, depending on how much they rely on subsidies. In November, the Group of 20 agreed to “refrain from raising new barriers to investment or to trade in goods and services,” regardless of whether the measures complied with trade laws. Mr. Price, the former Bush administration official who is now a trade lawyer with the firm Sidley Austin, said the leaders should go further in London.

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*“It’s very easy for this to spin out of control and move to trade wars that could be quite devastating...”*

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He proposed having the W.T.O. study the impact on trade of stimulus programs, much as the International Monetary Fund has been charged with studying their economic impact.

Beyond that, he said, the leaders could agree to eliminate tariffs and other barriers on “clean” products. So far, the climate debate has brought to the surface potentially divisive issues, like whether countries should impose tariffs on exports with high carbon emissions. Chinese officials said they would view such acts as a violation of World Trade Organization agreements.

“A lot of people are worried that U.S. protectionism is going to take a green face,” said Trevor Houser, an expert in energy and climate issues at the Peterson Institute for International Economics in Washington.

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*“The next two years  
could be a disaster for  
free trade.”*

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Some trade skeptics caution against making too much of the link between the economic crisis and protectionism. Lori Wallach, director of the global trade division at Public Citizen, a consumer advocacy group, noted that many countries had not raised tariffs to the highest levels permissible under trade laws.

With so much else on the agenda in London, it is not clear how much time the Group of 20 will be able to devote to trade. Mr. Price expressed disappointment that after a preparatory meeting of finance ministers last week in Britain, the Group of 20 did not issue a stronger statement about protecting trade.

Given Mr. Obama’s ambiguous positions on trade during the campaign — he favoured renegotiating Nafta — economists praise him for holding the fort against protectionism so far. But as stimulus programs begin to take hold, they could encourage consumers to buy more imported goods, further fanning antitrade sentiment.

“The U.S. is in such great danger of backing away from free trade,” said Kenneth S. Rogoff, a professor of economics at Harvard. “The next two years could be a disaster for free trade.”

## **New Status in Africa Empowers an Ever-Eccentric Qaddafi**

**Shawn Baldwin for The New York Times | 22 March 2009**

TRIPOLI, Libya — Forty years after he seized power in a bloodless coup d’état, Col. Muammar el-Qaddafi, the Libyan leader once called the mad dog of the Middle East by President Ronald Reagan, has achieved the international status he always craved, as chairman of the African Union.

Colonel Qaddafi’s selection last month to lead the 53-nation African Union coincided with his emergence as a welcomed figure in Western capitals, where heads of state are eager to tap Libya’s vast oil and gas reserves and to gain access to virgin Libyan markets. Once vilified for promoting state terrorism, Colonel Qaddafi is now courted. But Colonel Qaddafi remains the same eccentric, unpredictable revolutionary as always. He has used his new status to promote his call for a United States of Africa, with one passport, one military and one currency. He has blamed Israel for the conflict in the Darfur region of Sudan, defended Somali pirates for fighting “greedy Western nations” and declared that multiparty democracy was not right for the people of Africa.

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“This is a role that Qaddafi has been looking for for 40 years,” said Wahid Abdel Meguid, deputy director of Egypt’s largest research institute, the government-financed Ahram Center for Political and Strategic Studies. “He kept shifting and changing directions in search of this role.”

Each step of Colonel Qaddafi’s calculated transformation from terrorist sponsor to would-be statesman has bolstered the next. The thaw in relations with the West, which began in 2003 when he gave up Libya’s nuclear weapons program, gave him more credibility in Africa; and his rising status in Africa has made him more acceptable to the West. All of which has been aimed at one primary objective: bolstering his image.

At one time, Colonel Qaddafi, who was born in 1942, tried to position himself as the next pan-Arab leader. But he was rejected, at times mocked, for his eccentric style and pronouncements. His country was isolated for decades because he sent his agents to kill civilians, including in the bombing of Pan Am Flight 103 over Lockerbie, Scotland, in 1988.

But now in Africa, he has found traction. African heads of state view him suspiciously, and his one-Africa agenda is generally dismissed as unworkable. But he is embraced for his growing status in the West, the lack of credible alternatives across the continent and his money. Many stories are told in Tripoli of African leaders visiting Colonel Qaddafi and leaving with suitcases full of cash, stories that cannot be confirmed but that have become conventional wisdom.

“They don’t want to lose him because he is a gold mine for solving crises, usually financial crises,” said Attia Essawy, an Egyptian writer with expertise in African affairs. “He is searching for a role; he wants to have a role regardless of where.” While Libya’s strongman is enjoying his burnished image, it has come at a cost to his nation of 5.5 million people and to the approximately two million Africans who have flocked to Libya believing that they would find warm receptions, good jobs and, perhaps, an easy path to Europe. Instead, they found a hostile environment and a struggle just to eat.

“It is a burden,” Ali Abd Alaziz Isawi, who served for two years as the minister of economy, trade and investment, said of the army of illegal immigrants living in Libya. “They are a burden on health care, they spread disease, crime. They are illegal.”

All over this capital city, illegal African immigrants line up along roadways, across bridges and at traffic circles hoping to be selected for menial day jobs that pay about \$8. They call the areas where they congregate “the hustling grounds,” which are always crowded with desperate faces from early morning until well past sundown.

Many people in Tripoli said they resented the presence of so many illegal workers. “We don’t like them,” said Moustafa Saleh, 28, who is unemployed, echoing a popular sentiment. “They smuggle themselves through the desert, and the way they deal with us is not good.”

For the African migrants themselves, life in Libya is often a dead end. “They call us animals and slaves,” said Paul Oknonghou, 28, a Nigerian who lives with about a dozen other Nigerians in a house under construction that lacks glass in the window frames, running water, a bathroom or a kitchen. He said he and his friends considered themselves lucky that they did not have to sleep on the streets.

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*“...he is embraced for his growing status in the West, the lack of credible alternatives across the continent and his money.”*

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Thomas Thtakore, 26, who is from Ghana, entered Libya illegally a year ago after a three-month journey across mountains and desert. "I have no help; I sleep under a bridge near the river," He said. He said his younger brother died on the way. "If I stay here, I will die."

Mr. Thtakore was about to be flown back to Ghana by the International Organization for Migration, a nongovernmental group that helps migrants return home. Since 2006, the group has helped about 3,000 travel home. "If they find a job it can be good, but if they don't, it can be a nightmare," said Michele Bombassei, an official with the migration group, adding that most do not find jobs.

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*"His Africa agenda helps empower him in other ways too"*

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That hostile reality contrasts sharply with the image that Colonel Qaddafi likes to portray. His capital city is filled with billboards showing Libya as the one bright spot on the continent. In one billboard, Colonel Qaddafi appears as a savior as sun rays break over his shoulder and a crowd of black men and women reach toward him with outstretched arms. His Africa agenda helps empower him in other ways, too.

Diplomats here said it gave him leverage in keeping African and European leaders listening and their doors open. If Libya sent all the migrants home, they would become a burden to poorer African nations, which would have to absorb them while losing out on the remittances they send home. At the same time, diplomats here said, Libya has made it plain to European countries, especially Italy, that if Libya chose to look the other way, most of those migrants would head for European shores.

"It's a kind of soft power they use," said one Western diplomat who works on Libyan affairs but requested anonymity for fear of antagonizing Libyan authorities.

Colonel Qaddafi will serve only a one-year term as chairman of the African Union, but his quest to use Africa as a stepping stone to greater world influence and credibility is likely to continue well past that. Last August, 200 kings and traditional African leaders travelled to Libya and anointed him with a more permanent moniker; they crowned him king of kings.

## **New FAO food price database launched**

**From the IATP Observatory | 19 March 2009**

Rome – As part of its response to high food prices, FAO has developed an interactive database of staple food prices on national markets in 55 developing countries from Afghanistan to Zimbabwe.

The "National Basic Food Prices Data and Analysis Tool" shows the prices of different food commodities in local currencies or dollars and local measurements as well as standard weights. It allows for price comparisons between domestic and international markets, between different markets in the same country, as well as between countries.

*Price fall less in poor countries*

"While food prices have fallen internationally, as indicated by the FAO food price index, this tool shows that in developing countries they have not fallen so fast, or at all," said Liliana Balbi, a senior economist with FAO's Global Information and Early Warning System.

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*Access the FAO's National basic Food Prices Data and Analysis Tool [here](#)*

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“The easy-to-use database will be an invaluable source of information for policy and decision-makers in agricultural production and trade, development and also humanitarian work.”

Food price inflation hits the poor hardest, as the share of food in their total expenditures is much higher than that of wealthier populations. Food represents about 10-20 percent of consumer spending in industrialised nations, but as much as 60-80 percent in developing countries, many of which are net-food-importers.

Currently 963 million people or around 15 percent of the world’s population are suffering from hunger and malnutrition. The new analysis tool has benefited from a financial contribution from Spain under the FAO Initiative on Soaring Food Prices. FAO plans to add new countries and series to the database, resources permitting.

Access the FAO’s [National Basic Food Prices — Data and Analysis Tool](#).