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INSIDE THIS ISSUE

- 1** London's Economic Summit
- 3** Dominica: A Whale of A Pride
- 5** Ashton, EU Parliament Make New Push on EPAs
- 6** Catch me if you can: Sudan and the ICC
- 7** Geithner urges Caribbean nations to reject protectionism
- 8** Trinidad finance minister under investigation
- 9** WTO Trade Policy Review: Fiji

London's Economic Summit

March 26th 2009 | From *The Economist* print edition

THE last time a global economic summit was held against a dire backdrop of capsized banks and sinking economies, a new American president was in the White House and Labour's first prime minister at 10 Downing Street. Hope abounded that the world's leaders could agree in London on concerted action to turn things round.

But the World Economic Conference attended by delegates from 64 nations in 1933 was an abject failure. Franklin D. Roosevelt chose not to show up but sent a "bombshell" message that sabotaged the temporary stabilisation of currencies, seen as a crucial first step towards renewed international co-operation. Far from reversing the move towards economic nationalism, the summit marked a further staging-post along the way to it. For Ramsay MacDonald, the British prime minister who by then headed a cross-party government, the event brought chagrin rather than glory.

Set against that dismal precedent, the Group of 20 (G20) summit on April 2nd could hardly fail to do better. Unlike Roosevelt, President Barack Obama will attend in person and is calling for more rather than less co-ordination to counter the downturn. The meeting will not be undermined by the international tensions arising from war debts and reparations that were so poisonous in the interwar years. But it will struggle to reach some profoundly difficult decisions.

Much is at stake for Gordon Brown, who must hold a general election by the middle of next year. His display of resolve in rescuing the banks last October brought a bounce in his poll ratings. For a while he basked in the warmth of global esteem as other countries followed suit and underpinned their banks too. More recently, however, the opposition Conservatives have extended their lead over Labour in the polls as job losses have brought home the intensity of the recession. Mr Brown is hoping that the summit, which will be held in London's regenerated docklands, will breathe new life into both his political stock and the British economy.

The prime minister's programme for the event includes crowd-pleasers such as a crackdown on tax havens and limits on banking bonuses. But there are three main goals: to provide more resources for the International Monetary Fund in order to assist crisis-stricken emerging economies; to avoid another financial meltdown through tougher regulation and more international oversight; and to ensure that countries around the world combat the recession by stimulating demand. Although the meeting involves a mix of developed and emerging economies, the main dividing line in the run-up to the summit has been the familiar one between America and continental Europe.

The IMF said earlier this year that it wanted to double its resources to \$500 billion (£339 billion). When the finance ministers of the G20 met in the middle of March in

Britain, they agreed that the fund's lending capacity should be boosted "very substantially". A week later EU leaders said they would make €75 billion (\$102 billion) available. The prime minister can be pretty confident that he will score a success on his first objective for the summit.

Some progress is also being made towards the second goal of greater international financial oversight, mainly because Mr Brown has himself given ground. For years Britain has resisted calls for a common European regulator, fearing that it would introduce onerous new rules which would lessen the City's appeal to footloose financial firms. In the wake of the banking crisis, that doughty resistance has crumbled. On March 18th Lord Turner, the head of the Financial Services Authority, toughened up Britain's own approach to supervision but also backed a new body to co-ordinate regulation across the EU.

"Even if [the Summit] achieves rather less than is hoped, it will still mark a willingness to co-operate rather than a determination to retreat into isolation."

Although Mr Brown may be able to unveil some concrete advances towards the first two goals of the summit, success on the third looks more doubtful. That will be a particular disappointment to the Americans, who regard this as the most pressing task for the meeting. Their starting-point was that other countries should emulate their huge budgetary stimulus. But that got a dusty reception from European leaders such as Angela Merkel, Germany's chancellor. They concede that Europe may have done less in discretionary fiscal measures but point out that "automatic stabilisers"—the boost from higher public spending and lower taxation that happens anyway when economies weaken—are more powerful than in America, with its smaller state and social safety net.

Mr Brown's ability to broker a deal on this crucial question is weakened by the increasingly apparent fragility of Britain's public finances. Recent forecasts from the IMF showed that the budget deficit would reach 11% of GDP in 2010, the highest in the G20. On March 24th, the start of a whirlwind five-day trip to Europe and the Americas to mobilise consensus before the summit, Mr Brown's bargaining position was torpedoed at home. In an unusual public intervention before next month's budget, Mervyn King, the governor of the Bank of England, advised caution about further fiscal stimulus in Britain. In an additional blow, the Treasury was unable to sell all the government bonds it wanted to at an auction the following day—the first time this had happened since 2002.



Despite these rifts and setbacks, Mr Brown will probably be able to portray the summit as a success, unlike its unfortunate precursor in 1933. Even if it achieves rather less than is hoped, it will still mark a willingness to co-operate rather than a determination to retreat into isolation. That will allow gaps between the American and the European positions to be papered over. And the very choreography of the event will play to Mr Brown's advantage. The images of world leaders, including Mr Obama, converging on London to try to sort out the international economy will underscore his version of the British recession: that it forms part of a global downturn for which he cannot be blamed.

Yet the summit will also highlight not just the extraordinary weakness of Britain's public finances but also the fact that the British recession will be one of the deepest. That will buttress the Conservatives' claim that Mr Brown was an imprudent chancellor who presided over an unbridled economic boom and bust. Despite the efforts the prime minister has made as global ringmaster for the G20, the British public is unlikely to give him much credit once the travelling circus of world politicians folds its tent.

Dominica: A Whale of a Pride

March 27th 2009 | By Sir Ronald Sanders*

It's not often that the leader of a small country is bold enough to resist the desires of larger or richer countries. But, Dominica's Prime Minister, Roosevelt Skerritt, did just that on March 23rd.

"The less well-off the country is, the more vulnerable it is to pressures and trade-offs from donor nations."

Speaking in Dominica's Capital, Roseau, at the opening of an Environmental Conference entitled, "International Ocean Life Symposium", the Prime Minister declared that his government will no longer be supporting the whale-killing position of the Japanese government in the International Whaling Commission (IWC). He said that his government will be acting in his country's "national interest".

For several years now, it has been alleged that several Caribbean countries – the members of the Organisation of Eastern Caribbean States (OECS) and Suriname – have been supporting Japan at the IWC because the Japanese Whaling Association (JWA) provided them with fish refrigeration facilities. It has also been claimed in British Broadcasting Corporation (BBC) programmes that the JWA paid the IWC membership fees for some of these countries as well as the cost of their delegations' attendance.

These claims were upheld in Dominica by environmentalists who have followed closely the country's participation in IWC meetings. Among these persons is a former Environment Minister of a Dominica government, Atherton Martin, who resigned in 2000 in protest over the issue.

In the same year, a senior official of the Fisheries Agency of Japan, Maseyuku Komatsu, stated on Australian television that a number of countries have accepted aid in return for backing Japan's efforts to get commercial whaling restarted and described aid as "a major tool".

Komatsu's remark that aid "is a major tool" is instructive. That is a reality with which small countries have to contend. The less well-off the country is, the more vulnerable it is to pressures and trade-offs from donor nations. In the case of Dominica, it is the least well-off of the OECS countries, even though it is a breathtakingly beautiful island, relatively unspoilt, lush, green and diverse in its natural attractions such as rain forests, revitalizing sulphur springs, waterfalls and original people in their traditional habitat.

The island lost its preferential market in the European Union (EU) for its vital banana exporting industry, compliments of a challenge at the World Trade Organisation (WTO) by the US government and several Latin American nations whose competing banana industry was owned by US-based corporations that contributed campaign financing to President Bill Clinton's Democratic Party.

Dominica's already impoverished circumstances simply grew worse. It is, therefore, easy to appreciate why any Dominica government might look favourably on support for any large country's position if aid is given as a benefit of such support.

A Japanese Associate Professor, arguing on the JWA platform, says: "Many of the countries supporting Japan are developing countries. They are seeking their own food in the sea and are trying to earn foreign currency through exports of marine products. They find themselves in a position where they should firmly oppose the moves to hamper the sustainable development of their resources." This argument

falls down because, apart from the tiny community on the island of Bequia in St Vincent and the Grenadines, whale meat is not part of the Caribbean diet.

Further, while it would be beneficial if small Caribbean countries could indeed export their marine products, they lack both the commercial facilities and the transportation for large exports. Many of the refrigeration facilities they have received from the Japanese are even now rusting along many shore lines. Then, of course, there is the reality that huge commercial trawlers, including from Japan, have been sucking up fish stocks for years.

“Clearly, he believes that Dominica’s interest does not coincide with Japan’s on this issue.”

In his presentation to the Dominica Conference on March 23rd, Prime Minister Skerritt recalled that last year his government “had taken a very bold decision after many decades of supporting the whaling issue to steer clear of voting for whaling”, and he emphasised to the gathering that his government would not renege on that commitment.

Underscoring the commitment, the Minister of Legal Affairs and Tourism, Ian Douglas, reconfirmed his government’s whale conservation policy to the Conference on the same day that the Dominica government signed an agreement with Japan to fund another fisheries complex in the town of Portsmouth.

The Conference was organized by the Eastern Caribbean Coalition for Environmental Awareness (ECCEA) and the Pew Environment Group, in coordination with the Caribbean Environment Programme of the United Nations Environment Programme. Its attendees gave Skerritt a standing ovation, I suspect as much over the delight they felt at his declared commitment as over their appreciation that he gave it at the price of some portion of aid – however small – to his country.

Skerritt said that he is acting in “the national interest”. Clearly, he believes that Dominica’s interest does not coincide with Japan’s on this issue. He has good reason for that belief. Dominica promotes itself as “the nature isle” – the environment, including the sea and all that it possesses, is what the island has to offer to the tourist industry it’s trying to develop.

It would be incongruous if the island held itself out to be environmentally correct at home, yet supported whale-killing abroad. It certainly would not gain and retain the support of the influential international environmental groups that applauded him so fully when he committed his government not to support whaling in the future.

Many of the groups recognise that their support has to be translated into practical action. The International Fund for Animal Welfare (IFAW) has already given pragmatic support to a group called “Carib Whale”. Members of the group in the Windward Islands, including Dominica, now operate whale-watching operations for tourists earning about US\$22 million a year for the four countries involved.

Governments also have to help. Some governments have started. The Brazilian Government will open an Embassy in Dominica and has pledged to support the island as a tourist destination for Brazilians. Under the Tourism Sector Development Programme, a two-year programme financed under the EU’s Special Framework of Assistance, US\$3.87 million has been pledged for the development of rural tourism, linkages with agriculture and increased destination marketing.

But more has to be done. The international financial institutions have to step up the plate to provide greater assistance with far less onerous conditionalities to allow Dominica to stand prouder than it does now in declaring its independent position on whaling.

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Ashton, EU Parliament Make New Push on EPAs

March 25th 2009 | From ICTSD Reporting*

The EU has demonstrated renewed vigour in its push to ink Economic Partnership Agreements (EPAs) with African, Caribbean and Pacific (ACP) countries, with a flurry of activity at the European Parliament.

On 25 March, the European Parliament voted to support an interim EPA with Côte d'Ivoire. The same day, European lawmakers also passed resolutions affirming their resolve to continue work on agreements with a number of other states and partnerships within the Pacific and African regions, including the East African Community (EAC) and the South African Development Community (SADC).

Brussels considers the EPAs a WTO-compatible method to promote growth and economic integration in the developing world. But critics assert that such agreements liberalise trade too much and too quickly, overwhelming emerging economies.

Yet recent statements from Brussels contend that such criticisms are misplaced, as the EU appears committed to moving forward with the agreements.

The EU has "absolutely no interest whatsoever" in creating agreements "that make any country poorer," said EU Trade Commissioner Catherine Ashton on Monday.

"I believe that these are good agreements that support economic development and integration in the ACP and provide stability in these economically turbulent times . . . they are agreements that provide the opportunity for ACP states to lift their citizens out of poverty through the dignity of their own labour and the genius of their own ideas."

Reaffirming her commitment to further liberalisation, Ashton also sent a letter to African trade ministers on 20 March, pressing SADC officials to set a date for signing interim agreements – a move which Ashton claims is necessary to ensure legal security for preferences offered to Botswana, Lesotho, Namibia, Mozambique and Swaziland.

Despite attempts to conclude the agreement, the SADC EPA is now nearly fifteen months past the original deadline of January 2008. In the latest effort to move the talks forward, trade officials met in Namibia to address concerns of Angola, Namibia and South Africa, a meeting seen as productive by many observers.

However, officials from some African nations were hesitant to solidify the interim agreements and requested more time from Brussels. "Many countries feel that the EPA in its current form would undermine the regional integration agenda," said South African Deputy Director of Trade and Industry of Xiam Carim.

*Read EU Trade
Commissioner's full
speech to the European
Parliament [here](#)*

Other African representatives remain non-committal on exact signing dates, indicating that some nations await approval from their respective trade ministers. “We’re ready to sign, we’re just waiting to be advised accordingly,” Swaziland Foreign Affairs Ministry official Clifford Mamba said in an interview last week.

Yet in light of strong support within the European Parliament, Brussels was optimistic regarding the development of additional EPAs.

“I welcome the Parliament’s vote on the Economic Partnership Agreements. It is an important political signal that the European Parliament has given its assent to the first examples of a new generation of agreements that safeguard the EU’s special relationship with the ACP,” said Catherine Ashton.

**ICTSD Reporting; “EC Pushes for Interim EPA to be Signed ASAP,” THE SWAZI OBSERVER, 24 March 2009; “EC pushes for trade pact signature date,” BUSINESS DAY, 23 March 2009.*

Catch me if you can: Sudan and the ICC

March 28th 2009 | From Economist.com

OMAR AL-BASHIR certainly gets around. In defiance of the arrest warrant for war crimes issued against him by the International Criminal Court (ICC) on March 4th, the Sudanese president has spent the past week jetting about northern Africa. He visited Eritrea, Egypt and Libya and was planning a trip to Ethiopia. Having called on some of his neighbours, he is making up his mind whether to attend a summit of the Arab League in Qatar on Monday March 30th.

Mr Bashir is scathing about the allegations of crimes against humanity and war crimes that are levelled against him. As he travelled, a spokesman for the Sudanese foreign ministry said that the president considers the warrant for his arrest “not worth the ink it is written with—and this is the message of this trip.”



For now the ICC is putting on a brave face. Speaking to al-Jazeera television the court’s chief prosecutor, Luis Moreno-Ocampo, retorted that Mr Bashir’s trip is “a sign of desperation rather than a challenge to the ICC”. In fact the trip demonstrates the enormous difficulty faced by the court in getting those indicted into the dock.

Within Sudan Mr Bashir faces no threat of arrest. In Khartoum, the capital, people prefer to avoid talking in public about the indictment of the president. When pressed, a typical response is no more than a resigned shrug of the shoulders. A few dissidents explain that after two decades of military rule, it is time for Mr Bashir to go. Those more sympathetic to Mr Bashir, notably in government and business, suggest that the warrant is part of a broad American conspiracy to steal resources (mainly oil) from Sudan. For them, the president’s wanderings are welcome evidence of his thumbing his nose at the court.

Beyond Sudan Mr Bashir is slightly more at risk, but he has designed his tour with care. Eritrea, Egypt, Ethiopia and Libya have all failed to sign up to the ICC and thus they have no direct obligation to nab Mr Bashir (although any member of the United Nations is expected to co-operate with the court). The African Union and the Arab League, of which they are variously members, have both called for the arrest warrant to be deferred, arguing that it will destabilise Sudan.

It might grow trickier for Mr Bashir if he decides to go to Qatar, which would involve travelling through international airspace. The president's supporters worry that his plane could somehow be diverted to a third country which might be more willing to enforce the ICC's arrest warrant, sending Sudan's president to The Hague.

In Qatar Mr Bashir could have pause for thought. The host country itself has not signed the Rome treaty which set up the court, so is not obliged to detain Mr Bashir. But Jordan, Djibouti and the Comoros—all members of the Arab League—have signed up to the court and should in theory lend a hand in bringing the indicted president to book. In practice, with the Arab League rejecting the validity of the warrant, this is most unlikely.

Yet Mr Bashir might yet hesitate. Various former heads of state—from Liberia's Charles Taylor to Yugoslavia's Slobodan Milosevic—were eventually delivered to international tribunals, despite widespread belief that the courts were toothless because they lacked the direct means to conduct arrests. The Committee of Muslim Scholars, Sudan's highest religious authority, has issued a fatwa advising Mr Bashir to avoid the Arab League summit because "the enemies of the nation are creeping round". Should Mr Bashir decide to stay home, he has a convenient excuse to do so.

Geithner urges Caribbean nations to reject protectionism

From Caribbean Net News | 30 March 2009

By Lizzie O'Leary

"This is a time for the world to come together."

MEDELLIN, Colombia (Bloomberg): US Treasury Secretary Timothy Geithner called on Caribbean and Latin American countries to help revive global growth by safeguarding free trade and stimulating their economies through "all available tools."

The US and other nations "need to affirm our commitment to maintain open policies toward international trade and investment and to avoid protectionist measures that could threaten recovery," Geithner said on Sunday at the Inter-American Development Bank meeting in Medellin, Colombia. He called on "international institutions" to quickly provide aid.

The IDB, a Washington-based lender to Caribbean and Latin American nations, is seeking to nearly triple its capital, with \$180 billion in new funding from its member countries, said Pedro Pablo Kuczynski. A former Peruvian finance minister, he is leading an outside panel evaluating a capital increase.

The proposed increase, about 4 percent of which would be paid in cash over several years, could sustain annual lending of \$15 billion, Kuczynski said at the bank's annual meeting in Medellin. The IDB, the region's largest development lender, wants to approve loans for \$17 billion in 2009, up from 2008's record \$11.1 billion, he said.

"We will listen to your proposals with an open mind," Geithner said in his speech. "This is a time for the world to come together."

President Barack Obama plans to discuss the need for stronger global financial regulation at the summit of Group of 20 leaders in London on April 2. Geithner last week called for more international coordination, alongside his proposals for strengthening US regulation of large, complex financial institutions.

Geithner said before leaving for Colombia that some US financial institutions will

need substantial government aid, while warning against any attempt to tax investors who join a federal program to buy tainted assets from banks.

"Some banks are going to need some large amounts of assistance," Geithner said on the ABC News program "This Week." The terms of a \$500 billion public-private program to aid banks "cannot change" for investors or they'll lose confidence in the plan, he said on NBC's "Meet the Press."

Geithner last week proposed bringing large hedge funds, private-equity firms and derivatives markets under federal supervision for the first time. A new systemic risk regulator would have powers to force companies to boost their capital or curtail borrowing, and government officials would get the authority to seize such firms if they run into trouble.

The Treasury and FDIC would be the main agencies that handle the resolution of the systemically important financial companies that aren't banks. The plan uses procedures similar to the way the FDIC handles bank failures, without tapping the Deposit Insurance Fund used to safeguard bank deposits.

Geithner also unveiled last week his strategy for helping banks remove toxic assets from their balance sheets, using a combination of public financing and private investment. The announcement of the plan boosted stock prices and lifted the credit markets, although some investors wondered how long that enthusiasm would last if the process takes months to set up.

Trinidad finance minister under investigation

From Caribbean Net News | 30 March 2009

By Oscar Ramjeet

PORT OF SPAIN, Trinidad: The acting Director of Public Prosecutions in Trinidad and Tobago, Carla Brown-Antoine, and acting Police Commissioner James Philbert are to investigate reports of alleged corruption by Finance Minister Karen Nunez-Tesheira.

A letter from the acting DPP to this effect was read in Parliament on Friday afternoon by opposition MP Kamla Persad-Bissessar. The letter was addressed to the MP in response to her inquiries about the alleged corruption.

The letter stated, "Regarding your request for an investigation into a possible breach of the Prevention for Corruption Act by Tesheira and the Governor of the Central Bank Ewart Williams." The acting DPP said, "Having reviewed the material provided by you, I am of the view that an investigation is warranted in this matter."

The DPP letter also stated that the matter has been referred to the police commissioner for investigation.

Persad-Bissessar, a former Attorney General, told Parliament that she was heartened that there were still independent institutions acting in good faith in the country. "It is fortunate that there are independent institutions in this land, although the Prime Minister is trying every way which way he can subvert those independent offices," she said.

"It is fortunate that there are independent institutions in this land, although the PM is trying every way which way he can subvert those independent offices."

Meanwhile, Nunez-Tesheira has denied any conflict of interest in her dealings with CLICO/CL Financial in her capacity as Minister of Finance.

The Trinidad Express reported that Nunez-Tesheira, in response to a no confidence motion against her, told Parliament that she signed the Memorandum of Understanding "as minister of finance representing the collective will of the Cabinet". She said her actions diminished rather than enhanced the value of her CLICO shareholdings.

She said, "The effect of the MOU was to make the assets of CL Financial, which would not otherwise be available, liable to pay off or to meet CLICO and CIB's debts," she said, adding, "Not only did this specific decision, on behalf of the Cabinet not provide me with an opportunity to either directly or indirectly further my private interest, but to the contrary, it was against my personal interest as a holder of .0013 per cent of CL Financial shares."

"Accordingly, there was no possible conflict of interest, and therefore the question of disclosure and recusal did not arise," she said.

As regards her CDs, the Minister said that the two CDs matured last year, but were rolled over until April and August this year.

WTO Trade Policy Review: Fiji

WTO Press Release | 25 March 2009

Since its last review, Fiji has undertaken some trade-related reforms and has liberalized and rationalized its foreign investment regime, reforms that are seen as integral to Fiji's economic priorities of a developing, efficient and competitive open economy to promote export-led growth, according to a WTO Secretariat report on the trade policies and practices of Fiji.

Growth has been erratic and generally sluggish, averaging less than 1% annually since 2003. There are doubts on the economic benefits of Fiji's expanded network of bilateral and regional agreements; some tax incentives have dubious economic merit; and significant trade and other impediments remain to the efficient allocation of resources, such as government intervention, state-ownership, public and private monopolies and a general lack of competition.

The report notes that further market opening and deregulatory measures in key sectors would facilitate adjustment toward a more diversified and efficient economy. It also says that the speed at which the economy recovers will hinge in the interim Government's ability to meet economic challenges like restructuring of the economy to improve productivity and competitiveness, as well as on making urgent political reforms.

The WTO report, along with a policy statement by the Government of Fiji, will be the basis for the second TPR of Fiji by the Trade Policy Review Body of the WTO on 25 and 27 March 2009.

Access WTO TPR Reports for Fiji [here](#).

