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## Aid for Trade will help developing countries prepare for after the crisis

7<sup>th</sup> May 2009 | Address by WTO Director-General, Pascal Lamy, to the Latin America & the Caribbean High-Level Aid for Trade Meeting in Jamaica

Let me start by thanking the Government of Jamaica, and Prime Minister Golding, for hosting this Second Regional Review of Aid for Trade for Latin America and the Caribbean.

I would also like to thank President Moreno and his team at the Inter-American Development Bank — our partners in this event — for the considerable efforts they have made to make this regional review possible.

I also wish to acknowledge the presence of other heads of government, ministers and other high-level representatives from national, regional and multilateral organizations, and thank them for joining us in this regional exercise.

Two years ago, we gathered in Lima, Peru for the First Latin American and Caribbean Regional Review of Aid for Trade. Strengthening competitiveness and “connecting” more effectively with global markets were the common aspirations of the countries in the region, most of which are highly trade-dependent.

In Lima, I was impressed by the importance countries in the region give to trade, investment and global integration as a means of creating new opportunities for growth, and poverty reduction. Key priorities for the future were identified at this first LAC review, including, for example, the need for national and regional trade-related infrastructure, expanding the scope of initiatives on trade finance, strengthening trade facilitation, increasing private-sector capacity, and promoting export diversification. Our meeting over the next two days will provide us with the opportunity to assess progress in these areas since then.

At the First Global Aid for Trade Review held in Geneva in 2007, we agreed on a benchmark for measuring progress. We agreed to take the 2002-2005 average, identified by the OECD, as a starting point so as to have a better global picture of Aid for Trade flows. This would allow us to identify whether additional resources were in fact being delivered, where gaps existed, and to highlight where improvements could be made to increase transparency on pledges and disbursements. By 2007, total Aid for Trade flows had increased by about 20 per cent from this benchmark. Both our hope and endeavour are that, despite the economic crisis, the Aid for Trade flows should continue this upward trend.

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*“The current crisis is having a disproportionate impact on the most vulnerable countries.”*

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But we have to move from this macro-level monitoring to more national, regional, and sub-regional level assessments of aid flows. It is for this reason that national, sub-regional and regional reviews are an essential part of the Aid for Trade monitoring process, and the Inter-American Development Bank has been doing exemplary work in this regard.

A National Aid for Trade Review was held in Peru on 3 March 2009 where discussions focused on the global economic integration strategy of Peru, with its associated challenges and opportunities. This meeting is an excellent example of how we can move from commitment to implementation. A national Aid for Trade review structured along the same lines was held in Honduras at the beginning of this week and I look forward to receiving a full report on the outcome.

The current economic crisis is, of course, of major concern to us all. Trade is also a casualty of this crisis. Our forecast shows that world trade will contract by 9 per cent this year. Both the World Bank and OECD estimate that world economic growth will decline this year by close to 3 per cent. Foreign direct investment, revenues from tourism, and remittances are also dropping, as are commodity prices. All these, I know, are of serious concern to your region.

The WTO has started monitoring trade-related measures taken by our members during this crisis, as a means to provide transparency and, through peer pressure, pre-empt the threat posed by a shift towards protectionism. One country's imports are another country's exports. And we know that protectionism would lead to retaliation, further stalling trade as an engine of growth. It is therefore important that we work to keep trade open.

The current crisis is having a disproportionate impact on the most vulnerable countries. It is therefore welcome that G20 leaders recently undertook to mitigate the impact of this fallout by ensuring liquidity in the world economy, and also standing by their ODA pledges, including on Aid for Trade. In addition, they pledged to boost trade finance by making available \$250 billion over the next two years through different channels. In the Latin American and Caribbean region, I commend the efforts made by President Moreno to tackle the trade finance crisis by boosting the IADB's Trade Finance Facilitation Programme (TFFP) from \$400 million to a maximum of \$1 billion. Trade finance is the oil that keeps the wheels of trade turning, so it is essential to ensure it does not dry up!

But we also need to work to keep on opening trade. Seven years have passed since we launched the Doha Round negotiations and much progress has been achieved in building consensus on the different topics on the agenda.

Given the importance of trade for this region, it is no surprise that many initiatives in these talks emanated from here. Caribbean countries have been instrumental in ensuring that the specificities of small and vulnerable economies are recognised not only in the negotiations but in the wider work of the WTO. You have your special place in the WTO house!

Countries in Central and Latin America have been advocates of greater trade opening for tropical products. Many countries in this region were founding members of the G-20, whose agriculture proposals helped build bridges during the negotiations. In sum, there is a trade activist crowd in this part of the world!

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*“The challenge therefore is to diversify your export base and also to enhance trade flows within the region.”*

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It is therefore in times of crisis, such as now, that completing the negotiations under the Doha Development Round becomes more necessary. The Doha Round is our lowest hanging global stimulus package. Not only because of the new market opportunities that it will create in goods and services, but also because it will provide a stronger insurance policy against protectionism. We must, therefore, go the last mile to the finish line.

The key objective at this juncture is to keep trade open, keep opening trade and make trade flow.

During the next two days, we will also be discussing the promotion of specific private sector strategies, coordination amongst donors, and South-South cooperation in the context of Aid for Trade. This is an opportunity to see where progress has been made, to share good practices, and to better prepare for the challenges ahead.

For the Latin American and Caribbean region as a whole, Aid for Trade has followed an upward path, growing by 34 per cent, from \$1.6 billion in 2002-2005 to \$2.2 billion in 2007. An interesting feature in the Latin American and Caribbean region is the development of South-South cooperation as well as triangular cooperation.

I acknowledge, and strongly support, efforts made by Argentina, Brazil, Chile and Mexico in providing extensive technical assistance and capacity- building support in the region.

But challenges remain — both between your countries and within them. For example, a majority of countries in this region are dependent on a narrow range of export products and a narrow range of export markets, thereby increasing your vulnerabilities to external shocks. The challenge therefore is to diversify your export base and also to enhance trade flows within the region. We have to address these challenges and build a targeted and more focused approach to Aid for Trade in the region.

While the importance of additional, predictable, sustainable and effective funding cannot be over-emphasized, the issue of aid effectiveness is equally important and should not be ignored. A big challenge that the development community faces in relation to Aid for Trade is to demonstrate its effectiveness. More robust research is needed on the impact and effectiveness of Aid-for-Trade programmes through better monitoring and evaluation.

On our part, we are, with the help of the OECD, monitoring Aid for Trade at four levels:

- At the global level, an analysis of Aid for Trade flows is under way to assess where resources are being delivered, to identify where gaps lie, to highlight where improvements should be made, and to increase transparency on pledges and disbursements;
- At the national, regional and multilateral levels to assess donors' Aid for Trade activities, based on donors' self-assessments, to ensure the dissemination of best practices across countries, to identify areas for improvement, and to increase transparency on pledges and commitments;
- At the country level, based on recipient self-assessments, to provide a more focused, country-specific perspective on whether trade is being mainstreamed into national development policy, whether trade needs are being met, and financial resources are being provided, and whether Aid for Trade is effective on the ground; and

- Through the use of indicators to track the use and effectiveness of Aid for Trade, in particular against priority areas identified by recipients in their self-assessment questionnaires.

As part of this monitoring and evaluation exercise, a questionnaire was jointly sent out by the OECD/WTO to assess national Aid for Trade policies. The response to this questionnaire has been very encouraging and we will use this information to prepare fact sheets for each country that has replied.

We hope the fact sheets will serve as an initial and useful tool to stimulate an objective national dialogue between stakeholders on how to bring about more and better Aid for Trade and how to bridge the gap between demand and response.

This Regional Review will help us find concrete solutions to these challenges. Cooperation, coordination and coherence are key issues in implementing Aid for Trade projects. We need to think in terms of partnerships.

As I have noted earlier, the Second Global Aid for Trade Review will be held at the WTO in Geneva on 6 and 7 July 2009. The Review will evaluate progress made since the First Review in 2007 and scrutinize how Aid for Trade is being operationalized on the ground. Progress in securing additional financing will be discussed and views exchanged on how aid flows can be maintained against this backdrop of a worsening global economic outlook.

We will, of course, feed the results of the Latin American and Caribbean Review into the debate, and I hope we will be able to share with other participants concrete results of this two-day meeting.

In conclusion, let me just leave you with the following key messages:

- We need to work together to keep trade open by resisting protectionism.
- We also need to keep opening trade by rapidly concluding the Doha Round.
- We need to ensure Aid for Trade promises are kept, despite the crisis. In fact, Aid for Trade will help developing countries prepare for after the crisis. By building their productive capacity, they will unlock their growth potential and this will help them take advantage of existing and new trade opportunities.
- We need to keep fostering South-South cooperation on Aid for Trade.

This high-level meeting should provide a strong impetus to move from commitment to action in the Latin American and Caribbean countries. Let's seize this opportunity to work together to effectively use trade as an engine for economic growth in the region and as leverage for poverty reduction.

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The economic crisis in the Caribbean is set to get worse rather than better.

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## **Caribbean Crisis: No Time to Spare**

**7<sup>th</sup> May 2009 | By Sir Ronald Sanders\***

Four years ago in a book entitled, 'Crumbled Small', I wrote: "Small states of the Commonwealth Caribbean are in crisis. There is need for urgent action at the domestic, regional and international levels to spare them from sinking into widespread poverty and becoming client-states of larger nations upon whom they could become economically reliant".

Little action was taken to tackle the difficulties that faced Caribbean countries which, even then, were highly-indebted, plagued by the effects of drug trafficking, subject to devastation by increasing and stronger hurricanes, losing their preferential markets for key commodities, and, for the most part, graduated from concessionary financing from international financial institutions. Then, as now, they were also extremely vulnerable to the fortunes of their main trading partners in North America and Europe especially in tourism.

Since 2005, the situation has worsened. The national debt of each country has increased, except in Guyana which enjoyed large write-offs of debt when it was classified as a Highly Indebted Poor Country. In almost all others, except Trinidad and Tobago and Barbados, debt has increased to a point where servicing it has become difficult. Worryingly, a significant portion of governments' debt is to financial institutions in their own countries. This pattern of borrowing could also now threaten the banking system if governments find it difficult to service the debt on schedule.

The problems surrounding CLICO and British American Insurance, which caused financial interventions by both the governments of Trinidad and Tobago and Barbados, may not yet be over. Almost every country in the Caribbean Community and Common market (CARICOM) has been affected by what appears to be a substantial shortfall between the assets and liabilities of these two companies. CLICO's regulators say that the Trinidad government will have to spend about US\$1 billion over the next 2 years to protect policyholders. Even greater fragilities may yet appear with far-reaching consequences for the smaller countries of the region.

The events surrounding CLICO and British American clearly occurred because of either poor regulation and supervision or inadequate machinery for implementing corrective measures. While it may be closing the stable door after the horse has bolted, CARICOM countries should now strengthen regulation of all financial institutions at both national and pan-CARICOM levels to guard against repetitions.

There is no reason why CARICOM countries should not establish a pan-CARICOM regulator for cross-border transactions. After all, in the wake of a G20 Summit in London in April and after the Organisation for Economic Cooperation and Development (OECD) published a new list of co-operative and non-cooperative jurisdictions for providing tax information on request, every Caribbean country that was on the so-called "grey list" (that is countries that have to do more to be regarded as fully co-operative with the OECD), pledged that they will comply.

Compliance requires them to sign Tax Information Exchange Agreements (TIEA's) with at least 12 OECD countries, show a readiness to sign more of them, and passing OECD criteria for effectiveness in implementation. Of necessity, this compliance requires heavy expenditure in either negotiating at least 12 agreements or merely signing the OECD model blindly. In any event, new legislation will have to be enacted in each jurisdiction.

And since they chose not to resist the OECD in any way but to comply fully with its requirements, they will have to do so or suffer the consequences. OECD Secretary-General, Angel Gurría, has already said, "The OECD, tasked with a mandate to monitor their performance, will be watching like a hawk".

So if CARICOM governments are willing to be watched "like a hawk" by the OECD, they should be able to hawkishly watch the cross-border transactions within their own economic space in a collective way.

The problems surrounding CLICO and British American have exacerbated the effects of the current global financial crisis which also had its origin in poor regulation in the United States and Europe. Those effects include a huge downturn in tourist spending in the Caribbean, a major reduction in remittances from the Caribbean Diaspora, a diminution in investment in Caribbean economies and a drying-up of credit from the international commercial market.

This situation is unlikely to change in a hurry. As the Prime Minister of Jamaica, Bruce Golding, pointed out in a parliamentary debate on the Jamaica Budget on May 5<sup>th</sup>, “We delude ourselves if we think that after the recession has ended the world will return to what it was before. Banks are going to be more cautious in their lending, demanding more collateral and greater ability to repay, investors more contemplative in their investments. It is not going to be business as usual”.

Against this background, CARICOM governments could do well to bolster their economies and their capacity for dealing with the international community by completing the arrangements for implementing the Caribbean Single Market and for bargaining collectively with international financial institutions, countries and regions.

For instance, two of the International and Multilateral financial institutions claim to have funds that could be made available to the private sector in the region for development projects that are also commercially viable. It would be helpful if CARICOM governments could provide a team of experts with the specific task of assisting the private sector to devise viable projects and present them to the financial institutions for funding.

It would be of added benefit if some of these projects could integrate production in more than one CARICOM country to spread the benefits of employment and revenues throughout the region.

At the G20 Summit, it was announced that \$1.1 trillion will be provided to the International Monetary Fund (IMF) to help ease the current dire economic circumstances that grip most countries around the world. It is doubtful that half of that sum will actually be delivered. But, even if only half is delivered, CARICOM countries ought to be exploring collectively with the IMF how they might access some of that money for projects that could be distributed throughout its member states without the usual onerous and harsh IMF conditions.

Also, even though the language of the G20 Communiqué was hazy, it did undertake to boost the resources of the Inter-American Development Bank. CARICOM governments should also be investigating collectively how they could secure funds to build sustainable infrastructure and open new areas of production in the context of the Caribbean Single Market.

The crisis that CARICOM countries face requires national action, but it also demands regional cohesion. There is no time to spare.

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## Setting Priorities for Public Spending for Agricultural and Rural Development in Africa

April 2009 | IFPRI Policy Brief No. 12

Report by Shenggen Fan, Tewodaj Mogues, and Sam Benin

Agriculture and rural development must play a central role in stimulating economic growth, reducing poverty, and improving food and nutrition security in Africa. The food price crisis of 2007–08 highlighted the dramatic implications of world neglect of agricultural development over the past two decades. The current global economic recession now underscores the need for urgent attention to measures that could promote agricultural growth in Sub-Saharan Africa.

Agriculture in Africa has not performed as well as expected during the past few decades. Agricultural growth rates in the region have increased modestly from about 2.4 percent a year in 1980–89 to 2.7 percent in 1990–99 and 3.3 percent a year since 2000.<sup>1</sup> Only a handful of countries in Sub-Saharan Africa—Ethiopia, Mali, Mozambique, Nigeria, Senegal, and The Gambia—have surpassed the Comprehensive Africa Agriculture Development Programme threshold of 6 percent agricultural growth in recent years. Looking at poverty outcomes, whereas many developing regions, especially Asia and the Pacific, are on track to meet the first Millennium Development Goal (MDG 1) of halving poverty by 2015, progress in Sub-Saharan Africa has been slow. As a result, Sub-Saharan Africa is the only region of the developing world expected to have more poor people in 2015 than it did in 1990.

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Download the full  
Policy Brief [here](#).

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Public spending is one of the most direct and effective instruments that governments can use to promote agricultural growth and poverty reduction, yet public agricultural spending in Africa has historically been very low compared with that in other developing regions. In recent years many Sub-Saharan African countries have pledged to increase government support to agriculture in order to achieve the goal of 6 percent annual agricultural growth, set by the New Partnership for Africa's Development (NEPAD) through CAADP. As part of the Maputo Declaration of 2003, African heads of state agreed to allocate 10 percent of their national budgets to agriculture. Yet many African governments are operating in an environment of scarce public resources, and so far only a few states have met these growth and spending targets.

As African governments work to increase agricultural spending and boost agricultural growth, they face a dearth of information about which types of public investments contribute the most to development goals. How should scarce resources be allocated across different sectors of the economy—such as agriculture, infrastructure, health, and education—for maximizing development outcomes? Within agriculture, how should resources be allocated among, for instance, agricultural research, extension, irrigation, and input subsidies? In some cases African countries have clear principles on how to prioritize their scarce public resources, but they often lack the information needed to operationalize these principles. Drawing mainly on case studies from Africa, but also from Asia, this brief provides insights on the contributions of different types of spending to poverty, growth, and welfare outcomes in a variety of circumstances. These circumstances include, for example, Ethiopia's relatively large share of public spending allocated to agriculture, Nigeria's rich natural resource endowments, Ghana's relatively sound governance environment, Uganda's past success in economic growth and poverty reduction, and Tanzania's rapid transition from a planned to a market-driven economy.

## Whom can we rely on?

7<sup>th</sup> May 2009 | From *The Economist* print edition

A STRIKING feature of the worldwide economic crash is what hasn't happened. While rich countries agonise about whether Anglo-Saxon capitalism should be replaced by the French version (and the French flirt with revolutionary socialism), emerging markets have stayed angst-free. Arvind Subramanian, an Indian economist, says there has been "no serious questioning of the role of the market."

That may sound like an exaggeration. As in rich countries, the state's role in many poor ones has increased as a result of the recent global meltdown. China's 4 trillion yuan (\$587 billion) stimulus package last year will benefit state-owned enterprises. Its sovereign-wealth funds have been buying stakes in publicly-traded companies and (as in America and Europe) state subsidies have been flowing to loss-making industries, such as carmakers.

In India, critics of liberalisation have gained ammunition. They have long cautioned against giving foreign banks freer rein or allowing pension funds to invest more money in stockmarkets, leading one prominent magazine to ask, "did the left save India?" Some economists called the central bank timid last year for resisting attempts to let international capital flows dictate the value of the rupee. It now feels vindicated. Depositors have also been shifting away from private banks—former stars of the new Indian economy—towards once-unfashionable state-owned ones. While private banks retrench, state ones are expanding their lending vigorously.

Yet such state intervention is driven not by ideology but, mostly, by pragmatism. In China the Adam Smith-toting prime minister, Wen Jiabao, argues that his country "would rather speed up reforms" to combat the crisis and should "give full play to market forces in allocating resources". Whereas American and European countries have re-regulated business, China, set on meeting its 8% growth target, has continued to liberalise. This year, for example, it removed some barriers that curbed the yuan's use in international trade.

Few if any serious attempts have been made to restore state ownership. When Embraer, a formerly state-owned aircraft manufacturer in Brazil, laid off thousands of workers, unions demanded its renationalisation—in vain.

In other words, emerging markets have adopted different policies, as well as ignoring the rich world's philosophical agonising. But why?

The first reason is that the global crisis originated in America and Europe and inflicted itself on the rest of the world. So emerging-market governments see little reason for painful self-examination in response to other people's problems. Moreover, the largest emerging markets are beginning to see hints of recovery. China's output was 6% higher in the first quarter of this year than it had been in the same period in 2008. Chinese and Indian manufacturing output rose in April, pushing Asian stockmarkets up sharply. Though these are merely short-term gains, they are enough to deflect navel-gazing for the moment.

Second, in many emerging markets, the state is fairly large already, especially in banking. The current demarcation between state and market commands broad public support and the main issue, as Mr Subramanian puts it, "is how to continue reducing [the state's] role in a gradual and pragmatic manner." So even if the

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Poor countries are not fretting about the boundaries between state and market.

Instead, they are debating whether to rely on domestic or foreign demand.

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demarcation line shifts statewards in rich countries, emerging markets are well beyond that point already, and see little advantage in moving the line any farther.

### Tricks of the trades

Yet the global crisis has provoked anguished disagreement about an equally fundamental matter: how much to rely on exports and how much on domestic demand. At this month's annual meeting of the Asian Development Bank, minister after minister said countries should rely more on each other and less on selling to America. Thirteen Asian countries also agreed to create a \$120 billion fund—part of a nine-year-old system of swap agreements called the Chiang Mai initiative—from which they can (in theory) draw when financial pressures become acute.

How this would work in practice is uncertain. But the impetus behind it is clear: pooling risk expresses Asian fellow feeling and common Asian caution about both the International Monetary Fund and further fallout from America's crisis. Emerging countries concluded from the financial crises of the 1990s that they could not rely on fickle foreign capital. Now the collapse of international trade is causing them to wonder whether they can rely on fickle foreign customers.

## New Doha Approach Floated as Delegates Consider Late-Autumn Ministerial

6<sup>th</sup> May 2009 | From *ICTSD Reporting*

Trade officials in Geneva are considering a new approach to the Doha Round that would bypass the negotiation of modalities - the broad outlines of a deal that WTO Members have been struggling to forge for more than seven years - and move directly into scheduling countries' specific commitments on cutting tariffs and reducing subsidy levels.

Trade officials told Bridges that the Canadian ambassador to the WTO, John Gero, first suggested the idea among roughly a dozen trade delegates about two weeks ago, but only informally. Although no delegation, including Canada, has officially proposed the idea, it seems to have attracted some support.

But several developing countries have signalled some discomfort with the idea of abandoning the negotiations on modalities, on the grounds that such an approach could allow the US and other major developed countries to extract extra concessions from them. In the absence of a solid development-centred framework to guide the line-by-line negotiation of tariff cuts, some of the WTO's poorer Members fear that the existing draft modalities texts could become the starting point, rather than the endpoint, of their ultimate liberalisation commitments. Without modalities to guide the process, they worry that they would have nothing to fall back on to counter developed countries' pushes for greater market access.

One developing country trade official stressed that skipping the modalities phase is "completely outside the mandate" of the Doha Round. Such a jump could risk erasing the delicate balance that has been painstakingly built up in negotiations thus far, the delegate said.

"We don't like the idea," one developing country trade official said.



The new approach could also allow developed countries to exploit unresolved issues in the negotiations and give less ground than they otherwise would, one delegate said.

But a jump straight into scheduling could present some real advantages, one trade source said. The new approach could accelerate the process of implementing the cuts to tariffs and subsidies that would be embodied in a world trade deal. Secondly, exporting countries could quickly determine how products of concern to them would be treated.

Some developing countries say they would then need at least a year to schedule all of their commitments; the WTO secretariat, which would likely run the scheduling process for Least-Developed Countries, or LDCs, says it would need at least six months to complete the work. If that lengthy process could begin sooner rather than later, then all the better, one insider said.

At this point, though, the new approach is still in an 'exploratory phase', as one delegate put it. Whether the idea will eventually be turned into an official proposal remains to be seen.

#### **Ministerial tentatively set for late autumn**

In other WTO news, the organisation's director-general, Pascal Lamy, suggested in an address to delegates at last week's General Council meeting that a high-level WTO summit could be coming up soon.

"We have not had a Ministerial meeting since 2005 and my own sense is that we should not close 2009 without one," Lamy said.

WTO rules call for a Ministerial conference once every two years, but three and a half years have passed since the most recent such meeting was held in Hong Kong. Other Ministerials have been held in Cancun (2003), Doha, Qatar (2001), Seattle (1999), Geneva (1998) and Singapore (1996).

One trade official said that a tentative proposal has been made to hold such a meeting at WTO headquarters in Geneva from 30 November to 2 December of this year. Delegations will have the chance to discuss the proposed dates at the next meeting of the General Council, which is set for 26 and 27 May.

But the next Ministerial could have quite a different feel from past gatherings. Unlike previous summits, the proposed Ministerial would focus on the WTO's 'regular work', not its trade negotiations, Lamy told delegates last week.

"We should de-dramatise Ministerial meetings, make them a more regular exercise, where WTO activities are reviewed across the board, to ascertain the level of satisfaction of members with the running of WTO activities and to address priorities at a political level," the director-general told the General Council.

"A regular Ministerial meeting is one thing; Ministerial involvement in negotiations is another. We should not confuse the two," he added.

One trade delegate told Bridges that not all delegations were happy with the notion of downplaying the Doha Round at a potential Ministerial meeting, but another said

that the lack of emphasis on the negotiations could simply be a ploy to lower expectations for the high-level summit.

But even if Doha is not explicitly listed in the agenda of the proposed Ministerial, the Round will not necessarily be put on the backburner for good this year, delegates said. Several trade officials noted that progress on the Doha Round could come on the sidelines of upcoming high-level meetings in other forums. Ministers from the Cairns Group, a coalition of agricultural exporters, will be meeting in Bali from 7-9 June; less than three weeks later, the Organisation for Economic Co-operation and Development (OECD) will be holding its annual ministerial meeting in Paris. And then in early July the world's major economic powers will gather at a G8 summit in Italy. Trade ministers meeting on the sidelines of these summits could jumpstart progress in the Doha Round, sources said.

But even with the many opportunities for sideline negotiations, a gathering of ministers at WTO headquarters to achieve a breakthrough in the Round is "not likely" to come before the end of the summer, one delegate said.

#### **USTR Kirk to visit Geneva next week**

Progress on the DDA could get a boost next week, as US Trade Representative Ron Kirk is said to be planning his first visit to WTO headquarters in Geneva. Although the trip has yet to be formally announced, a trade source suggested that Kirk is likely to meet with Lamy.

Many Geneva-based trade officials complain that the US has not been clear on its objectives with regard to the Doha Round talks. This lack of clarity from a major player has effectively stalled negotiations in Geneva, they say. Some delegates expressed hope that Kirk's pending stopover at the WTO could shed some light on Washington's stance in the talks.

"Everyone is waiting for the US," one trade official said.

### **TANZANIA: Waiting for that great leap forward**

**7<sup>th</sup> May 2009 | From *The Economist* print edition**



THE country already gets 40% of its government budget in aid, but now it wants even more foreign cash to help it through the economic downturn. How much is enough? Tanzania's president, Jakaya Kikwete, smiles grimly. "We're trying to bring down our dependency, but we're grateful for what we receive."

With 44m people, Tanzania has often been given the benefit of the doubt simply for being the gentler twin of harsher Kenya, which has 40m. What it lacks in dynamism it makes up for in placidity and a common national identity. It is unlikely to fall apart at elections or any other time.

Its founding party of independence, Chama Cha Mapinduzi (CCM, the Party of the Revolution), formerly the Tanzanian African National Union, known as TANU, still suffocates the country's ragtag opposition parties with its size and ponderous propaganda. Mr Kikwete is a CCM man; his breakthrough job was as the youthful head of political indoctrination for Tanzania's armed forces. He will almost certainly be returned to office with a big majority in elections next year. He still charms would-be investors with his sales patter.

Yet those who set up shop in the country are often disappointed. Tanzania, many complain, is a “slow” or even “terrible” place to do business—and “ungrateful” for foreign aid or investment. Even its boosters admit it is wrapped in red tape and lacks skilled workers. Almost everyone says Mr Kikwete is spending too much time burnishing Tanzania’s image abroad and not enough fixing problems at home. Last year he chaired the African Union.

In any event, he hopes that aid will keep Tanzania afloat long enough for its economy eventually to make a great leap forward. Shiny new buildings even in provincial towns, along with new roads and water projects, signal optimism. Politics are stable. A rowdy separatist movement in the island of Zanzibar is quiet for now.

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Worries about one of  
east Africa’s steadier  
economies.

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By Tanzanian standards there is a new sense of urgency. The energy ministry says it wants tenders “immediately” for a power station to cover a paralysing shortfall in electricity. Mr Kikwete turns up unannounced at state-owned outfits such as the port and the railways to demand efficiency and rail against corruption. He has also lambasted the country’s “Wabenzi” (those who drive a Mercedes-Benz).

But Mr Kikwete turns mournful when he spells out the effects of the global recession: missed government revenue targets; a cancelled sovereign-bond issue; projects for a nickel plant and a vast aluminium smelter put on hold; revenue from coffee down; cotton hit even harder; tourism suffering as well. An exception is gold, with new finds still to be exploited and the price holding up fairly well.

Tanzania may already, in some respects, be falling behind. A recent Chinese state visit failed to bring much investment. The government in Beijing thinks Kenya, not Tanzania, is the gateway to the mineral wealth of Congo. Tanzania’s two main railways are rickety. The port of Dar es Salaam failed to pinch business from Kenya’s port, Mombasa, when Kenya was in turmoil a year ago. No one seems to know how Tanzania’s main port will hit its target of a tenfold increase in goods traffic by 2030. Tanzania is not even spending all the aid it is given. Last year, \$2.4 billion of pledged funds were not disbursed.

Tanzania must also decide whether to integrate more closely into the East African Community (EAC), which includes neighbouring Burundi, Kenya, Rwanda and Uganda. It has dragged its feet over opening its borders and moving towards a common currency, though it recently insisted that a common market would get going next year. It suspects Kenya of using the EAC as a way of grabbing arable Tanzanian land on the cheap. And the country’s tiny middle class fears being swamped in a common market by better-qualified Kenyans and Ugandans. Moreover, the world crisis may bolster old socialists in the CCM who want a return to *ujamaa*, a failed model of rural collectivisation propounded by Tanzania’s founding president, Julius Nyerere. That would set it back even further.

## WIPO Committee Sees Movement on Development Agenda Implementation

7<sup>th</sup> May 2009 | From *ICTSD Reporting*



Discussions on the implementation of the WIPO Development Agenda (DA) concluded on a positive note last week as delegates succeeded in adopting a new thematic approach to implementing proposed activities that are meant to integrate development concerns into the organisation's work. The third session of the Committee on Development and Intellectual Property (CDIP), held from 27 April to 1 May and chaired by Ambassador Trevor Clarke, from Barbados, was marked by greater momentum than the previous two sessions of the Committee.

At the outset of the meeting, many developing countries expressed their concern over the slow pace of implementation of the DA. The Director General of WIPO, Mr. Francis Gurry reiterated his commitment to the successful implementation of the WIPO DA, stating the DA is a "wonderful opportunity for WIPO to integrate development activities into the posture of the organisation," and assured that all sectors of WIPO would contribute to ensuring that the recommendations are mainstreamed into the organisation's activities.

The WIPO Development Agenda was an initiative launched by developing countries in 2004 to integrate the development dimension into all of WIPO's activities in accordance with its status as a UN agency. After two years of intense discussions, the WIPO General Assembly adopted 45 recommendations in 2007 to achieve this goal and addressing work of the organisation in areas ranging from norm setting, to technical assistance and including technology transfer and access to knowledge.

A major feature of the discussions was the new thematic project approach that was proposed by the Secretariat with the aim of helping to prevent inefficiencies and avoid the duplication of activities that might be required for multiple recommendations. Each project has a project manager who is to report to the CDIP on the implementation of the project. The themes for the projects included ones such as "IP and Public Domain," "IP and Competition," "Technology Transfer," "Patent Information," "Open Collaborative Projects" and "IP and the Brain Drain."

While there was support for this new methodology, several delegations expressed some hesitation over the approach. Nigeria welcomed the methodology but cautioned that it should be accompanied with an effective assessment and monitoring mechanism to ensure that recommendations are not 'lost' under this approach. Brazil also added that the thematic approach requires guidelines to ensure that the implementation of each recommendation is a member-driven process and that no recommendation is overlooked.

Many countries, particularly developing countries, underlined that projects should not be seen as an end in themselves and that any modifications to the projects that countries might like to should be reflected in the project document. Egypt emphasised that if a project is completed, this does not mean that the recommendation is concluded.

Ultimately, delegates at the meeting agreed to proceed on the basis of set guidelines to ensure a balanced approach in the implementation of recommendations. These guidelines direct members to first discuss each recommendation and agree on the

activities for implementation, then to bring together, where possible, under a single theme recommendations that deal with similar or identical subjects, and to structure the implementation in the form of projects and other activities, as appropriate.

In this context, there was 'broad agreement' on the activities for implementing thematic projects related to Public Domain and Competition Policy and IP, Information and Communication Technology (ICTs) and the Digital Divide.

Delegates agreed that the implementation of these projects would begin in January 2010, with the understanding that agreed modifications would be incorporated to reflect the changes requested by the Committee.

On the issue of the public domain, India, Brazil and Egypt expressed concern that the term 'public domain' is still rather vague and that there has not yet been any international consensus towards a precise definition of the term. Pakistan opined that the public domain is not only important for access to knowledge but for fostering creativity and innovation. There was also concern echoed by these countries about the activities in relation to the public domain and traditional knowledge.

Also with regard to the public domain, Brazil informed the secretariat of a submission it had made to another WIPO body on Amazonian biodiversity names that it considers public domain or common communal heritage.

Brazil suggested the secretariat consider this list with the "possibility of developing a database of names related biodiversity," adding that such a process could serve as a "concrete activity that can be implemented toward the preservation of the public domain." The intervention by Brazil stemmed from the country's concern that biodiversity names specific to the Amazon region are increasingly being misappropriated by third countries.

But the US interjected that the process of Brazil's submission was objectionable under WIPO's rules of procedure, which require proposals to be submitted 30 days prior to the meeting. The DG interjected, after a lively exchange between the two countries, offering that it was the task of the secretariat to implement the requests of the member states on the development agenda and that all proposed projects are subject to the approval, modification and elaboration by member states. Ultimately, discussions on the Brazilian proposal reflected some discomfort about the effective ability of countries to introduce their own suggested activities for the implementation of the recommendations.

#### **Stalemate on coordination mechanism for the implementation of the WIPO DA**

There was also substantial discussion on potential coordination mechanisms and modalities for monitoring, assessing and reporting on the implementation of the WIPO DA recommendations. Proposals on this issue were submitted by Pakistan, the African group, and the Latin American and Caribbean Group. The Pakistan proposal, which attracted the most support, proposed that chairs of WIPO committees report to the annual General Assemblies on how their bodies have implemented the Development Agenda recommendations. The African group proposal, which included the creation of a working group, raised concerns for some members who thought that the establishment of a new body would be cumbersome. Members were divided as to the likelihood of reaching an agreement on this issue in this session and therefore decided that interested member states should submit their proposals to the secretariat by the end of June. These submissions, along with the

proposals made in this session of the committee, would then be compiled by the secretariat and presented at the fourth session of the CDIP for further discussion on the subject.

On the issue of a roster of consultants emanating from Recommendation 6 (CDIP3/2), there was a request for the methods of selection for the experts to be disclosed. Bangladesh said that there was a need to include those intellectual property experts who have previously worked with LDCs. Brazil in turn stressed the need for balance and transparency in the process, adding that the roster should be constantly updated and perhaps posted on the WIPO website.

### **NGOs voice their concerns**

Over the course of the week, non-governmental organisations voiced their concerns and comments over the proposed new thematic methodology. There was general concern among the NGOs over the need to ensure that the project proposals reflect the essence of the recommendations. Sanjeeta Shashikant, from the NGO Third World Network, emphasised that the development agenda should reflect a “change in culture” at WIPO “The hard work by member states should not be reduced to various projects,” Shashikant said. The International Federation of Libraries Association (EFLA) warned that past WIPO activities were being retrofitted by adding the term ‘development’ to the title but in fact “are activities which were in place before the development agenda.”

The next meeting of the CDIP is scheduled for 16-20 November 2009.

*From ICTSD reporting; and “WIPO members move ahead on Development Agenda implementation,” IP-WATCH, 4 May 2009.*

## **African Economic Outlook 2009**

**11<sup>th</sup> May 2009 | From OECD**

The 2009 edition of the [African Economic Outlook](#) (AEO) launched at the at the Centre d’Accueil de la Presse Étrangère in Paris covers 47 African countries, up from 35 last year.

The report finds the region gravely affected by the global economic downturn. Following half a decade of above 5 per cent economic growth, the continent can expect only 2.8 per cent in 2009, less than half of the 5.7 per cent expected before the crisis.

The AEO’s authors anticipate growth rebounding to 4.5 per cent in 2010. Growth in oil-exporting countries is expected to fall to 2.4 per cent in 2009 compared to 3.3 per cent for the net oil importers. The collapse of commodity prices and plummeting demand from OECD countries will have an adverse effect on Africa’s budget balances, with the regional budget deficit for 2009 predicted to be around 5.5 per cent of GDP compared to a surplus of 3.4 predicted in the AEO one year ago. Foreign direct investment decreased by about 10 per cent in 2008.

The 2009 AEO also finds that while official development assistance (ODA) increased in 2008, there are concerns over downward pressure on donor aid budgets due to the ongoing economic crisis. For most of the 1970s and 1980s, growth in Africa was largely constrained by internal factors.

Decades of reform addressed most of the internal factors. Combined with a favourable external environment, Africa enjoyed half a decade of growth rates above 5%. The financial crisis has now become an economic crisis; it has eroded benefits accumulated over the years of reform. With a projected growth rate of only 2.8%, and a bias on the downside, many people will fall back into poverty. This is a setback beyond the control of Africans and is likely to be protracted. Using an updated methodology, the Outlook reports that only a handful of African countries are on track to meet the target of halving the share of the population living on less than one dollar a day by 2015.

“However, we should not despair,” says Louis Kasekende, Chief Economist of the AfDB, “the decade of reform has introduced efficiency in macroeconomic management and made African economies more competitive. Countries should therefore desist from implementing policies that restrain further integration of the continent into the global trading and financial environment.”

On a positive note, the 2009 AEO notes that Africa is better positioned to weather the crisis than it was ten years ago. Many countries have undergone prudent macroeconomic reforms in the past few years which have strengthened fiscal balances and reduced inflation to single-digit levels. Many have also benefited from substantial debt relief, with the result that debt service/export ratios are low in most countries.

Javier Santiso, Director and Chief Development Economist of the OECD Development Centre notes that “Asian and Latin American emerging markets have become increasingly important trade and development partners, which also reduces the continent’s vulnerability to the economic performance of OECD countries.”

The 2009 AEO has a special focus on innovations in information and communication technologies (ICTs). It concludes that despite low penetration rates for new technologies, innovative applications of ICT have been proliferating to areas such as e-banking, e-payments, e-agriculture, e-trade, e-government and e-education. Many of these new tools are helping to shape an improved business environment by contributing to market development, overcoming traditional infrastructure constraints and reducing business costs. “These enterprising uses of ICT show that African countries can pursue growth based on greater domestic investment and consumption, in turn reducing the impact of exogenous shocks and crises,” adds Santiso.

The annual AEO is published jointly by the African Development Bank (AfDB), the OECD Development Centre and the United Nations Economic Commission for Africa, with support from the European Commission.

### **Regional Overviews**

Economic growth in Southern Africa registered at 5.2 per cent in 2008, down from 7 per cent in 2007. It is expected to slow dramatically in 2009 to 0.2 per cent before recovering to 4.6 per cent in 2010. In South Africa, growth is expected to fall to 1.1 per cent due to the impact of the global economic crisis on demand for its mineral exports compounded by a contraction in private consumption and investment.

In Angola, the economy is expected to contract by 7.2 per cent in 2009 on the assumption that the reduction in quotas by OPEC countries will translate into a

reduction of oil production. In 2008, Madagascar and Malawi benefited from strong growth in agriculture, and large investments in the mineral sector in the former.

Average GDP growth in North Africa is expected to improve slightly from 5.3 per cent in 2007 to 5.8 per cent in 2008. It is then expected to slow significantly in 2009, to 3.3 per cent before increasing to 4.1 per cent in 2010. All North African countries will grow more slowly in 2009, due to cutbacks in oil production and tourism receipts. Morocco and Tunisia have more diversified production and exports that make these countries less vulnerable to the reduction in demand resulting from the crisis, but growth will slow there as well.

Real GDP growth in West African countries is projected to slow to 4.2 per cent in 2009, from 5.4 per cent in 2008 and 2007, before strengthening to 4.6 per cent in 2010. Projections for 2009 indicate a slowdown in Nigeria's growth rate to 4 per cent, as a result of the OPEC quota on oil production and declining investment. Most of the other countries in the region are also expected to experience slower growth in public and private investment associated with lower commodity prices and remittances. Liberia and Sierra Leone, however, are expected to continue to enjoy high growth rates as output recovers after years of conflict.

In 2008, average GDP growth in the seven countries of Central Africa registered at 5 per cent, up from 4 per cent in 2007. In 2009, GDP growth is expected to slow sharply to 2.8 per cent and increase to 3.6 per cent in 2010. Reduction in demand for oil and minerals will undermine growth in resource-rich countries.

The average growth rate for East Africa is projected at 7.3 per cent in 2008, down from a very strong 8.8 per cent in 2007. The region's performance is expected to slow to 5.5 per cent in 2009 and remain about the same in 2010. Ethiopia, Rwanda, Sudan, Tanzania, and Uganda – which were the fastest growing economies in East Africa in 2008 -- are projected to maintain moderately robust growth in 2009 and 2010 because demand for their major agricultural and horticultural exports is less sensitive to the effects of the crisis. Burundi, The Comoros, and Seychelles are expected to continue stagnating; the latter two experiencing depressed tourism due to the global recession and, in the case of The Comoros, civil unrest.

Growth in Djibouti, which registered at 5.9 per cent in 2008, is projected to accelerate in 2009 and 2010 to about 6.6 per cent in this period. Kenya is expected to exhibit strong growth in 2009 (5 per cent) due to the recovery of domestic demand following the sharp slowdown in 2008.