



# Trade News Bulletin

12 June 2009  
Issue 163

Hubs and Spokes Project, Commonwealth Secretariat  
[www.thecommonwealth.org](http://www.thecommonwealth.org)

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## Trade Policy in Crisis: Implications for Development

**9th June 2009 | Address by Commonwealth Deputy Secretary-General at World Trade Week UK, London**

The global economy has entered uncharted territory. We are in an era of both multiple and serial crises – environmental, food, fuel, financial, and now the worst global economic crisis in eighty years.

You are familiar with the data. There is a lot of it around and it is hard to keep up. One is tempted to observe that while the crisis has been hard on bankers and assorted occupations, such as freight forwarders, it has been much less so on economic statisticians and various others who crunch numbers for a living. Only last week the UN Department of Economic and Social Affairs projected that the global economy would contract by 2.6% in 2009, the most pessimistic projection yet, and a mild recovery could not be expected before 2010. Another report released jointly last week by the UN Commission for Africa and the African Union Commission projects that Africa's real GDP growth will fall by three percentage points to 2% in 2009 with negative growth rates in Southern Africa and a rate of less than 2% in Central Africa.

The transmission mechanisms for the crisis are well known. These include trade, investment, tourism, credit and transfers. The efficiency of these transfer mechanisms is reflected in the fact that following expansion of nearly 4 percent in the three preceding years and expansion that exceeded 2% in 2008, the world economy will suffer the worst decline in global output in more than thirty years. For the purposes of our discussion today, it is particularly relevant to note that trade has been amongst the most efficient transmitters of the crisis. It is relevant to ask whether trade policy is therefore not itself in crisis. And even if it is not, is it not legitimate and necessary to explore and inquire into the implications of the crisis for trade policy. I certainly think this is a necessary dialogue and we are grateful to ODI for initiating it and of course to the UK Government for organising and hosting this series of very interesting and important events that constitute World Trade Week UK.

But before I offer some thoughts on the relationship between the crisis and trade policy, let me share very briefly with you the impact of the crisis on Commonwealth developing countries. The Commonwealth, we like to think, is a microcosm of the developing world. It includes amongst its 53 members 32 small states and 15 LDCs. Eight of the LDC members are also small states, thus almost forty members are either small states or LDCs. The impact of the crisis on Commonwealth developing countries is a good proxy for its impact on the small and the poor of the global community. If we in the Commonwealth are able to identify implications for trade policy, these would have wider relevance.



Analysis undertaken by the Commonwealth indicate that the relatively poor of the 53 countries are either small states or LDCs, and that our members are disproportionately dependent on key transmission factors such as trade, tourism, and remittances. Of the Commonwealth's 53 members, fully half (26) will experience either negative or no growth in 2009. This encompasses high income members as well as members at lower levels of development and it encompasses countries in every region. Analysis by the Commonwealth Secretariat estimates that a fall in OECD import growth by 9 percentage points - comparable to current WTO predictions - leads to a reduction in average GDP growth in small, vulnerable countries by 2.43 percentage points. Given that the long term annual growth rate for small, vulnerable countries is about 3 percent – lower than the average for developing countries – this points to a perilous situation for these countries.

We believe that the Commonwealth experience is pointing to the fact that countries with a high degree of openness and dependence on external trade for growth are the most seriously affected by the economic downturn. Singapore is likely to have one of the largest national GDP contractions in 2009. Singapore, Seychelles and Botswana are the Commonwealth countries with the projected largest declines in GDP for 2009 - about 10 percent. It is also worthy of note that Singapore's export to GDP ratio in 2007 was over 230 percent and that of Seychelles over 130%. While these ratios are of course at the far end of the spectrum, the fact is that developing country dependence on external markets has grown rapidly over the past decade and a half – import GDP ratios doubling from 26% in 1995 on average to 51% in 2007. Of course, many small economies reflect not so much high merchandise export to GDP ratios, but when their services exports - primarily tourism and financial services are taken into account - and, in many cases, high dependence on remittances, then there is extremely high dependence on external flows. In fourteen Commonwealth countries, remittances account for five percent or more of GDP, with Lesotho, Guyana and Jamaica being among the most dependent. It is thus readily evident that while the crisis did not begin in the Commonwealth, or amongst developing countries, the primary modes of transmission – trade, travel, remittances – are the vital lifeblood of many Commonwealth countries.

I might add that the situation of Commonwealth developing countries, especially the small vulnerable economies and the LDCs, is compounded by deteriorating fiscal balances. Of forty (40) HIPC/MDRI countries, only 10 are Commonwealth countries who, as a consequence, have benefitted from debt relief. A very large number of Commonwealth developing countries would have therefore entered the crisis with very limited fiscal space. And given the openness of many of these countries, their high import propensity, and fiscal pressures, it is not surprising that some countries have had little alternative but to engage in pro-cyclical action in the midst of a downturn, such as raising interest rates to protect their currencies. Regrettably, some of these measures will inevitably serve to ensure that the crisis will persist much longer among the poorest and most vulnerable developing countries than in the developed world where it all began.

What are some of the lessons for trade policy?

- I would say that first and foremost, autarky is still not an option. The intensity of the trade impact of the current crisis is itself a result of the integration of the global economy and in particular the pervasiveness of integrated production structures and networks. Amongst developing countries the trade impact is being felt most strongly in East Asia, and among other countries with high export to GDP or high trade to GDP ratios.

- These countries include some of the most successful developing members as well as some that can be classified as vulnerable. The lesson therefore should be not that integration into the global trading system is not beneficial, but that the terms of integration are very important. Trade policy and flanking measures should focus more on strengthening productive capacity in vulnerable countries. For example, while MDG 8 (Global Partnerships for Development) calls for addressing the special needs of the least developed countries, landlocked developing and small island developing states, important measures, such as Duty Free/Quota Free Access, have yet to be agreed in the WTO, and Aid for Trade remains inadequate.
- A critical development policy challenge of today is the need for measures in poor and vulnerable countries that can contribute to competitiveness and economic diversification. This is now made even more necessary by the fact that developed and relatively advanced developing countries have introduced stimulus packages that will contribute to the competitiveness of their own enterprises and industries.
- Given the high dependence on trade of many developing countries - as was indicated earlier - protectionist measures will affect them disproportionately. These measures proliferate during economic downturns. Developing countries must increase their capacity to identify and take appropriate action in the face of such measures.
- Although some measures that are taken may be formally permissible under WTO rules, it would nevertheless be an error to underestimate the value of the multilateral framework of rules and the measure of protection it provides to all countries, but especially those who lack economic leverage. In my view, it is not fanciful to surmise that in the worst downturn in eighty years protectionist measures would now have been much more numerous and far-reaching without the existence of the framework of rules built up over eight Trade Rounds since 1947.
- It is important to recognise that the impact of the downturn while severe and global is not the same in all countries and markets. This underscores the importance of diversification, including promoting South/South trade. Integrated value chains need not terminate in the North!
- It has long been recognised that mode IV holds the promise of significant benefits to developing countries. This is reinforced by the relative resilience of remittances in previous and in the current crisis, although it is recognised that this could change as unemployment, a lagging variable, increases. Notwithstanding this, it is increasingly evident that remittances, unlike private capital flows, can be relatively stable.
- I will conclude with concluding Doha. This is very important, although not necessarily because of the stimulus impact it will have. Whether it is 150 billion or 250 billion dollars worth of global welfare gains, this is insignificant in a global economy of 60-70 trillion dollars. Such a stimuli amounts to .21 percent. It is more important to conclude the Round so as to entrench and strengthen the key role of the WTO as the custodian in chief of the global trading system, and by extension, of global trade – all 16.6 trillion dollars of existing trade in goods and services. It is particularly important to ensure a development oriented outcome, which means addressing and resolving issues that directly will benefit developing countries. Finally, it is most crucial to continue to build through the Doha Round the vital framework of rules and obligations – as well as opportunities – from which all countries potentially can benefit, and from which the small and poor will benefit, much more so than in the past, if the development dimension is meaningfully incorporated.

## Making CARICOM less 'at risk'

11<sup>th</sup> June 2009 | By Sir Ronald Sanders\*



Jamaica's Prime Minister Bruce Golding says that the Caribbean Community and Common Market (Caricom) is "at risk". He is right and regional leaders should shoulder the blame for this sad development in an area of small countries that need to hold together as the only means of retaining their identity, their culture and some semblance of autonomy.

Mr Golding is also right when he says of himself and his fellow leaders: "I do not believe that any of us can believe that we are going to be better off trying to swim in this Caribbean sea on our own, but it is time for us to stop playing games, for us to stop mouthing integration and professing our commitment to this process when the pragmatic demonstration of that commitment is so often not being brought to the fore".

It would be very helpful indeed if the Heads of Government were to sweep away their usually long agenda for the next Summit meeting in Guyana in July in order to spend a day talking about nothing else except: "Do we want Caricom? And, if so, how do we make it work for the benefit of the people of Caricom?"

If they – or any of them – feel that the 41-year old regional project (the Caribbean Free Trade Agreement started in 1968) is of little or no use to them and they can do better on their own or in alliances with other countries, they should end the relationship now. For, the Caricom undertaking will continue to be frustrated by reluctant participants, and reluctant participants will themselves be frustrated by their nagging belief that they would be better-off elsewhere.

The "elsewhere" should be carefully considered. Caricom is unique because it is largely made up of countries whose people's culture, history, political development and identity were brewed in the same pot. At the bottom line, while trade within the region is important and must be developed, it is not the most important element in the integration project. More vitally important are: the retention of Caribbean autonomy over the region's economies; maintaining Caribbean dignity and pride in ownership, management and production; drawing on the qualified strength of the entire region to bargain for countries individually and collectively in a highly competitive world; and keeping the identity that brands us as a people.

These things are not only endangered, they are more likely to disappear if countries "go it alone" or seek alliances with nations that have resources greater than theirs.

In today's globalised world – and with the ambition of European, North American and Asian firms to have a global reach - it is not beyond possibility that Caribbean indigenous companies, including media, could be swallowed-up. It does not require large Corporations to show an interest. Any medium sized European, North American or Asian Company is larger and better resourced than the largest firms in the region.

The situation might have been better if Caricom had implemented the allocation of industry scheme to which it was committed in its early years, and if it had backed such a scheme by a deliberate policy of integrating production. In other words, using the capital and skilled labour of some countries to develop the natural resources - or competitive advantage - of others for the benefit of all. The companies that emerged from such a process would have had a better chance to survive.

If per chance, regional leaders continue to feel that Caricom - and the development of a Single Market and Economy – has merit, it will not be sufficient for them to issue yet another Communiqué or Declaration espousing the importance of integration.

People all over the region have become unconvinced by Communiqués and Declarations. This is why many of the Caribbean press buried in their inside pages the statements coming from the last Caricom Summit in Trinidad in May. Few made the Summit statements a front-page story. As Mr Golding said, they will have to “stop mouthing integration” and bring to the fore “the pragmatic demonstration of that commitment”.

### **How could they do so?**

At the level of people, one very important way would be for all immigration and customs officers at border entry points to be instructed to treat Caricom nationals with the same high regard they accord to European and North American tourists. This is not to say that they should not be watchful for violators, but the assumption should not be that the majority are.

Another way would be to cease the use of Police for the expulsion of Caricom nationals who may be suspected of overstaying. This should become the responsibility of the immigration department and, when such people are discovered, they should be subject to due process under the law.

Residence and nationality qualifications should also be applied in a non-discriminatory manner and consistent with the law. They ought not to be denied at the discretion of one or two persons.

At the level of trade, non-tariff barriers should end once and for all subject only to genuine health and safety requirements. Caricom is either a common market moving to a single market or it is not. No Caricom producer should still have to think twice about sending goods to other Caricom countries. And, where a dispute arises, machinery should be in place for swift resolution without the need for Ministerial intervention and media involvement.

The critical problem of transportation of goods within Caricom should also be addressed in a practical manner. For instance, Jamaica might improve its level of exports to other Caricom countries if better transportation existed. Governments might usefully address the incentives that could be given to encourage private entrepreneurs to establish such transportation by sea and air.

On production integration, governments might also consider establishing a Caribbean team to help the private sector to access funds from the multilateral financial institutions to develop Caricom wide businesses on a limited allocation of industries scheme to start with.

And, on governance, a Caribbean Commission, along the lines of the European Commission manned by persons with political-savvy, continues to cry out for establishment, even as individual national sovereignty remains intact.

Caricom might be less “at risk” for actions of this kind.

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## Three Southern African Nations Sign Interim EPA with EU

10<sup>th</sup> June 2009 | From Bridges Weekly



Three members of the Southern African Development Community (SADC) - Lesotho, Swaziland, and Botswana - signed an interim economic partnership agreement, or EPA, with the European Union on 4 June. The deal will give the SADC countries access to EU markets while the parties negotiate a permanent EPA. Mozambique has also expressed its intention to sign the agreement but was not present at last week's meeting in Brussels.

The EU and the SADC did not reach consensus on controversial issues - notably the EU's 'Most Favoured Nation' status and definition of the parties to the agreement - before last week's meeting. As a result, three members of the African regional group - Angola, Namibia, and South Africa - opted not to sign.

This decision is least consequential for Angola, which enjoys duty-free, quota-free EU market access under the EU's 'Everything But Arms' (EBA) initiative for Least Developed Countries. Namibia's decision will not affect its current access to the European market, according to an EU trade official. Namibia, which does not have LDC status, has an open invitation to sign the interim EPA.

South Africa negotiated the Trade, Development, and Cooperation Agreement (TDCA) with the EU a decade ago, which already gives the country open access to EU markets. But South Africa took issue with the agreement's implications for its Black Economic Empowerment (BEE) drive, an initiative that supports local infant industries.

Divergence among the African parties may have wider implications. South Africa has been quick to assert that this interim deal undermines the Southern African Customs Union (SACU). By signing this deal with the EU, SACU members Swaziland and Lesotho have broken rules that prevent the bloc's members from entering into individual trade agreements with other countries. If this dispute is not resolved, it could mean the end of the century-old customs union.

Some analysts have interpreted this assertion as a veiled threat and criticised South Africa's obstructionist role in the talks. South Africa already benefits from the TDCA, while the other parties are under pressure from the WTO to reach a deal since a waiver on the Cotonou agreement - which gives former colonies preferential EU market access - expired in December 2007.

But South Africa's Department of Trade and Industry (DTI) responded Monday that it was merely voicing real legal issues and not intending to threaten any SACU party. "It is a question of the legal requirements to manage the way the union functions. This is not a political issue, these are legal requirements in order to protect our markets," DTI deputy director-general **Xavier Carim told reporters.**

Either way, a glitch with SACU will have major implications. Lesotho earns about 60 percent of its national revenue, and Swaziland 70 percent, through the SACU revenue-sharing scheme. If SACU is dissolved, Lesotho could lose up to a quarter of its GDP overnight, and Swaziland 20 percent. The economic fallout from the breakup of SACU would likely spill over into neighbouring South Africa.

## Globalisation & trade opening can promote human rights

**5th June 2009 | Speech by WTO Director-General Pascal Lamy**



*The University of Geneva conferred the title of doctor honoris causa on Director-General Pascal Lamy along with Dr Lyndon Rees Evans, Mrs Mary Robinson and Archbishop Desmond Tutu. In his speech, Mr Lamy said “globalization and the opening up of trade can work in favour of universal human rights, by which I mean civil and political rights as well as economic and social rights”. This is what he said:*

By conferring on me the title of doctor honoris causa, in this place and on this day of celebration, the University of Geneva does me a great honour. To share this distinction with those who are more illustrious than myself touches me deeply.

By assigning me the task of expressing my views on human rights in the globalizing world while at the side of Archbishop Desmond Tutu, a man I consider a hero of modern times, shows a boldness and daring befitting a great university.

Perhaps your boldness was inspired by the legacy of William Rappard, twice Rector of your University, a man who devoted his life's work to the pursuit of peace, and a man whose name graces the headquarters of the World Trade Organization.

Notwithstanding the illustrious patronage, your boldness verges on the reckless! Is not the World Trade Organization for many the symbol of a globalization in which mercantile pursuits have precedence over human beings, the market over individuals, and might over right?

It is for me, then, to try and show that you are right: globalization and the opening up of trade can work in favour of universal human rights, by which I mean civil and political rights as well as economic and social rights. And I say “can” advisedly, because in my view this is true only in certain conditions that need to be specified and that are far from being fulfilled everywhere.

First, globalization. Globalization is commonly understood to be an historical phase in the evolution of market capitalism whose development is essentially technological in nature. Similar to what was witnessed in the nineteenth century at the time of the industrial revolution. Janus globalization: with a pleasant, smiling face, portraying economic dynamism, innovation, connection, proximity, from the perspective of the universal city. And the forbidding, grimacing face, that of fracture, imbalance, contagion. The face of environmental degradation, which dispossesses, uproots and tramples underfoot the identities and cultures that compose human dignity.

I believe that the good of globalization can outweigh the bad.

Provided each of us recognizes that we need to belong as much as we need our freedom.

Provided we accept that such belonging and such freedom are exercised in a universal and collective framework, a globalization which is harnessed and regulated by policy and law.

Provided we endorse the idea that the democratic principle needs renewal if it is to go beyond the local and penetrate the global — this is what we call global governance.

Provided we acknowledge that this implies fundamental changes to the

“Westphalian” principle whereby international governance remains the monopoly of Nation States, including in the area of human rights, which know no borders.

Provided we forge a global governance that blends political drive, democratic legitimacy and technical excellence. Perhaps we are seeing this emerge in the triangle now taking form in pursuit of a solution to the current economic crisis, the first truly global crisis. Between the “G 20” pole, the United Nations General Assembly pole, and the pole of the specialized international agencies including the World Trade Organization, the International Labour Organization, the World Bank and the International Monetary Fund, to name but a few.

Provided all these conditions are met — and there is much work to be done here — globalization can embody the promise of a universal set of values common to so many philosophies or religions, and to which human rights belong as they now belong to “jus cogens”. These are norms which cannot be transgressed and which are accepted on that basis by the entire international community.

It is in such a universal framework that the contribution of trade liberalization to the promotion of human rights can and must find its place both in law and in practice.

Jurists debate at length whether the WTO is bound to respect human rights, but in my eyes the answer is a clear yes. Human rights has its place in international law first, because these rights are incumbent on the members of the Organization and because they themselves are bound to fulfil the obligations incumbent on them at international level.

Next, because the case law of the WTO dispute settlement mechanism acknowledged that international trade law could not be interpreted “in clinical isolation” from international law in general. And, incidentally, how could the WTO — created in 1994 by an international legal instrument — be immune to the rules of the general international law from which it derives its mission and its very existence?

But what is the place of international trade law in promoting human rights in practice? I would argue that opening international trade creates efficiency for raising standards and conditions of living and in this way can contribute to implementing rights which require more than mere proclamation if they are to be respected. This is particularly true in the case of those whom Amnesty International calls the “prisoners of poverty”. As an example, I cite Article 11 of the International Covenant on Economic, Social and Cultural Rights, which concerns the right to food and advocates “taking into account the problems of both food importing and food exporting countries, to ensure an equitable distribution of world food supplies in relation to need”.

Here again, the benefit of trade opening for human rights is not automatic. It presupposes rules that are both global and just. Rules of the kind that prompted Lacordaire to say that “between the weak and the strong, poor and the rich, liberty is the oppressor and the law is freedom”. Negotiating and implementing such rules is the WTO's basic mission, and its primary vocation in so doing is to regulate and not to deregulate as is often thought.

It also presupposes the existence of social policies, whether to secure redistribution or provide safeguards for the men and women whose living conditions are disrupted by changes in the international division of labour.

This is what I have called, in a context somewhat different from the heart of Protestant Rome where we have been received this morning, the “Geneva Consensus”, under which the opening up of trade is necessary to our collective well being, but does not suffice in itself.

It does not suffice unless it is accompanied by policies designed to correct the imbalances between winners and losers; and the greater the vulnerability of economies, societies or individuals, the more dangerous the imbalances. It does not suffice unless it goes hand in hand with a sustained international effort to help the developing countries to build the capacity they need to take advantage of open markets.

If by way of conclusion I had to pinpoint one principle governing the conditions in which globalization and the opening up of trade must help to promote and ensure respect for human rights, I would say that it is coherence:

Coherence is the political commitment of citizens, of civil society, of trade unions, between the local and the global. Today the world needs more coherence in the organization of governments between national and global, more coherence between the different islands making up the archipelago of international governance.

I would add that much of this coherence remains to be built, and I see this as a vocation for the University of Geneva, whose ambition, as in centuries past, is perhaps to add a stone to the intellectual edifice and contribute to the dialogue on which our understanding of this world depends, to ensure greater harmony, and to give greater meaning to the notion of global public good.

By cultivating the fruit of this interdisciplinary approach, which unites you in the search for a truth that is common to the science of matter, of the body and of the mind;

By working to build the bridge that etymology inspires us to build between the *universitas magistrorum et scholarium* and the *universus mundus*;

By honouring the tradition of international Geneva, of the city that has taken in so many great minds, that has hosted so many institutions engaged in the common pursuit of peace.

By awarding me this distinction today, dear friends, you have added to my responsibilities. It is for me, now, to propose that in future, we share this responsibility by working to build an international order in which, to quote Jean Jacques Rousseau, “The stronger is never strong enough to be forever master, unless he transforms his force into right, and obedience into duty”. To which Simone Weil added, on a more personal and meditative note: “It is a duty for every man to uproot himself in order to attain the universal, but it is always a crime to uproot others.”

Thank you for your attention.

## The promise and peril of independence

Jun 11th 2009 | From *The Economist* print edition

*In 2011 Africa is set to get a new country. But South Sudan could well start life as a pre-failed state.*



MAJOR JOHNSON GUCH of the Sudanese People's Liberation Army (SPLA) sits outside a grass hut at the edge of Nasir, a missionary post in Nuerland that in time became a dismal town (see map). Dressed in a tracksuit, he gives the air of a local warlord. A Nuer himself, Mr Guch is commander of a joint integrated unit (JIU) of southern and northern Sudanese soldiers mandated to keep the peace in Nasir. He says he has 150 southern soldiers, each with a small tin of bullets. But he is dismissive of the northern soldiers. He does not know how many there are. He says he does not care. It is not, in any sense of the word, a joint command.

The commander of the northern troops, Captain Osman Mustafa, is more gracious, but also more disingenuous. His tent is a walk across a black wasteland pocked by the twisted wreckage of vehicles blown up in the war and little piles of human faeces left by the locals, who eschew latrines. A Muslim from the Nuba mountains, Mr Mustafa says he has 300 soldiers, enough guns and, of course, very good relations with the southerners.

Together with a hopelessly inactive UN peacekeeping force dug in on the other side of Nasir, the JIU stood by and did nothing when one group of Nuer attacked another last month, slaughtering 71 people in the nearby village of Torkej. The Lou-Nuer targeted a cattle camp tended by women and children from the Jikany. Those sleeping outside under mosquito nets were shot point blank. The Lou sprayed the huts with bullets. They drove older children into the river, where they drowned. The Lou took the cattle and Torkej's other meagre possessions. Fifty seven wounded were taken to a Médecins Sans Frontières hospital.

The Jikany insist it is unheard of for cattle raiders to target women and children. They are furious that they had no guns to defend themselves. Under South Sudan's patchy disarmament programme, the Jikany gave up their guns, the Lou kept theirs. Jikany elders say the Lou are working for the northern government of President Omar al-Bashir in Khartoum. They believe the north supplied at least 1,000 machineguns to the Lou in recent months. They say the Lou have been attacking their neighbours on all sides, including the Murle to the south, at the behest of Mr Bashir's government. For their part, the Lou say it is the Murle who are proxies of the northern regime.

Whatever the truth, the episode is a sign of a wider breakdown of peace across southern Sudan. In the past month or so hundreds of people have been killed in violent clashes similar to the one in Torkej, as nomadic groups compete for the best cattle and grazing land. Conflict is normal, but it is not normal for so many to be killed in this way—at least in recent years. The UN says that more people are now being killed in the south than in Darfur, Sudan's troubled western region.

Under the terms of a peace agreement with the northern government of Mr Bashir signed in 2005, the south is expected to vote for secession in a referendum in 2011. The prospect of gaining a new country, South Sudan, raised hopes of an end to Sudan's civil war between the predominantly Muslim north and the Christian and animist south, which lasted on and off for the best part of 50 years. At last, the flattened south would rebuild itself.



Now, however, even many southerners, let alone their fiercely partisan foreign backers, worry that the region's progress towards independence is going awry. Not only is there the increasing rate of intertribal violence and the hostility of the north to contend with. But the south's woes have been added to by the incompetence and corruption of the Government of Southern Sudan (GOSS), mainly composed of former guerrilla fighters in the SPLM, the political movement of the SPLA. They have managed to spend about \$5 billion in oil revenues over the past four years with very little to show for it, apart from weapons. At the present rate, South Sudan will fail before it has even been born.

There is no doubt that Mr Bashir's northern government has played its part in the violence and turmoil in the south. The north has been slow to honour many of its pledges under the 2005 peace agreement with the south. In delineating the border line between the two territories, which directly effects its ownership of the country's oil reserves, the north has refused to co-operate. This has bred deep distrust between the two sides. JIUs, therefore, like the soldiers at Nasir, are "joint" in name only, and unable to keep order in the disputed border regions.

Yet it is wrong to blame the north alone. The World Food Programme says the malnutrition rate in South Sudan is 16%, which signals a permanent humanitarian emergency. Over the past four years, despite billions of dollars in revenues, the GOSS has failed to build a single paved road outside Juba, the capital. In many towns, let alone the remoter areas, the putative government of the state of South Sudan has made barely any impression at all; most new clinics or schools have been built by churches or foreign charities. Increasingly, the mess is being blamed on the south's own politicians.

The widespread perception is that the GOSS is corrupt, especially at the lower levels. The army chief was removed in a recent reshuffle after he failed to account for missing salaries. Foreign governments are reluctant to pump much-needed cash into the southern government's coffers for fear that it will be squandered.

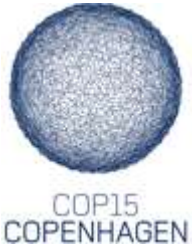
After the sharp fall in the price of oil last year, the GOSS suffered a collapse in its oil revenues, which make up 98% of its income. Although the government cannot be blamed for the fall in oil prices, many question why it remains so beholden to the vagaries of one commodity. Oil output is not forecast to increase in 2010 and prices, though far off their lows, may now rise only slightly.

The government needs money. The GOSS has spent over half of its income on paying its old soldiers and buying new weapons. The SPLA argues that this is an insurance against the north in case it tries to prevent secession in 2011, but the policy leaves little cash for anything else. The government has been unable to pay salaries for months at a time and teachers recently threatened to go on strike. Some argue that the south is now bankrupt, although one person familiar with the budget process says that is an exaggeration: "It's bad, but not a disaster."

This week saw the first sign of an internal rebellion against the perceived misrule in Juba. The influential former foreign minister, Lam Akol, is founding his own party to challenge the SPLM. "Why did the SPLM fail to govern South Sudan even though it had all the money and 70% of the power?" he asked. Mr Akol will probably fight the SPLM in the national elections due next year. Given the SPLM's poor record in office so far, he may do rather well.

## The countdown to Copenhagen: climate change, agriculture and global food security

11<sup>th</sup> May 2009 | International Food and Agricultural Trade Policy Council



*Speech to IFATPC Seminar Salzburg by Mariann Fischer Boel, Member of the European Commission and Responsible for Agriculture and Rural Development.*

Let me first thank the IPC very warmly for inviting me to today's seminar. To begin, I have a question. When it comes to the issues of food production and climate change, in the words of the old proverb, are we "caught between the devil and the deep blue sea"?

In other words, are we forced to make an impossible choice between one kind of disaster and another? The "devil" in this context is the fear that, a few years from now, we will no longer be able to feed ourselves.

We're told that food production must double by the year 2050 to keep up with expected population trends and changing diet. And over the last two years, we've seen how anxiety about food can seriously disrupt public order. On the other side of us, the "deep blue sea" in this case is climate change. While we raise agricultural production, we must bring climate change under control – otherwise, in a very literal sense, the deep blue sea will indeed swallow up parts of the world.

This means cutting greenhouse gas emissions. And unfortunately, as we know, agriculture is an emitter of greenhouse gases. So we have a dilemma. Of course, our problem is actually more complex and more difficult than this simple dilemma – because farming not only *contributes* to climate change but will also be very seriously *affected* by it. As you know, the European Commission recently published a report on the subject, which I believe will stir up healthy further discussion with European Union Member States and stakeholders.

The picture for Europe is complex, and it varies from region to region. But overall the picture is dark, especially in the long term. Extra heat waves, droughts, storms, floods and pests will all make life difficult for our farmers. So will the added unpredictability.

And of course, the impact of climate change on agriculture may well be much more severe in some parts of the world other than Europe. Clearly, we have some policy problems on our hands! At least our policy responses are not starting from scratch. My area of responsibility — the European Union's Common Agricultural Policy (CAP) — has already evolved to better reconcile food security and environmental security, and that evolution is continuing.

If we want an adequate food supply for a growing population, farmers must be free to produce more in response to price increases. Direct payments which are decoupled from production give them this freedom. It has also been helpful to remove obstacles to production like compulsory arable set-aside – as we have done through the CAP Health Check.

On the other hand, both direct payments and our remaining market instruments give farmers a safety net. This means that, during times of real crisis, they are less likely to be driven out of production. This is positive for our food security. For many years, through rural development policy, the CAP has also offered support for farming

practices or projects which help to combat climate change or adapt to it 3 – for example, by preserving carbon stocks in soils, or using fertiliser more efficiently.

And as you know, through the CAP Health Check, more money is coming on-stream explicitly to support our response to climate change, along with certain other challenges. So in terms of policy – in agriculture, and in other areas – we've jumped over some important hurdles.



But food security and climate change are global challenges that need global solutions. So there's a really big hurdle coming up fast. That's the United Nations Climate Change Conference which will take place in December in Copenhagen.

In the run-up to this key test, we've still got some footwork to get right. After all, the issues are complex, and we need results in a number of areas:

- We need commitments from developed countries to cut greenhouse gas emissions – and from all but the poorest developing countries, commitments at least to slow down the rate of increase in emissions.
- We need national strategies for adapting to climate change from all developed and developing countries. (And of course, this work will be easier if we're ambitious about mitigating climate change.)
- We need details about how technology will be transferred to help the adaptation efforts of emerging and developing countries.
- And we need money on the table to support both adaptation and mitigation. Independent estimates put the cost for mitigation alone at around €175 million per year in 2020. Clearly, we'll need to be innovative to make the right funding available from public and private sources. And we'll have to get top value for every euro spent.

So, as I said, a big hurdle is coming up in Copenhagen. We must not fall at this hurdle: we must get a result. This is not “just another negotiation”.

The European Union has taken a strong lead by agreeing to cut our greenhouse gas emissions by 20 per cent – or by 30 per cent in the context of a new international agreement. But “leading” from the front is only “leading” if others follow. We need to feel other runners right behind us – not just see spectators around us.

This is because greenhouse gas emissions from the European Union account for only 10.5 per cent of the global emissions covered under the UN framework convention.

Thankfully, there are very encouraging signs that the US administration is warming up (if I can use the phrase) to the value of action over climate change. Many of the emerging countries are preparing to follow, according to their capacities. And a clear sense is emerging of what can be done in developing countries – especially if we halt deforestation and foster climate-friendly sustainable growth for agricultural production.

But as the great poet Dante once wrote: “The road to hell is paved with good intentions.” Intentions are a good start. But at this stage, despite the positive and constructive mood, everything remains to be done. We need to make sure – right now – that the road we're on is the road to success!

As I said, success in Copenhagen will have a price tag. And there are already voices calling for us to delay taking on any more bills in relation to climate change policy

until the economic outlook is brighter. These voices will get louder in the coming months, as the true cost of climbing out of recession becomes clearer. We can't afford to listen to these voices. On the contrary, as the last G20 meeting underlined, part of the growth that we need for recovery is "green growth". Pushing ahead with new technologies and building a low-carbon economy will pull us up economically, not push us further down.

In any case, the costs of climate change are already growing fast. The longer we delay, the more the interest will grow, and the larger the total bill will be when we finally pick it up from our front-door mat. We must start managing our payments now!

When we agree in Copenhagen to stabilise and cut greenhouse gas emissions, this will be excellent news for the future of farming, which is under such serious threat from climate change.

On the other hand, the farm sector will have to contribute to those efforts at stabilisation and reduction. Of course, for European farmers the need to cut emissions won't be a surprise, because certain objectives are already implied by last December's European Union agreement on climate change.

Apart from new targets for emission reductions, it's also relevant to farmers that a deal in Copenhagen will probably include clearer rules on accounting for the climatic effects of land use, land use change and forestry (what experts call LULUCF).

It's true that, when it comes to land use, halting deforestation is the priority. Year by year, global deforestation causes more greenhouse gas emissions than the total for all sources of emissions in the European Union! So by not cutting down trees, we can make deep cuts to emissions.

Obviously, we need to find the right incentives for the countries concerned in Asia, South America and Africa. Doing so would make economic sense, given the tremendous cost of new and alternative ways of capturing and storing carbon.

But let's come back to farming. New accounting rules for LULUCF could create incentives for carbon-conscious soil management in agriculture. That would be positive in two ways. It would be positive for the climate – because globally, managing carbon in the soil accounts for about 90 per cent of the contribution that agriculture could make to mitigating climate change.

And it could potentially be positive for productivity. Carbon-rich soil holds water and nutrients better than carbon-poor soil. It's more fertile and it resists erosion better. At this stage, the European Union doesn't yet have a position on whether this accounting should become compulsory in any new international climate change agreement – and I'm certainly not going to take a position today. We first have to see how the technical discussions evolve and how the accounting rules should be formulated.

But in any case, the "win-win" principle which I just outlined applies more generally: a move towards more climate-friendly farming doesn't have to work against the search for higher productivity. In the European Union, over the years we have raised our output of food per hectare and per head of livestock – at the same time as cutting our greenhouse gas emissions per unit of production. Despite this progress, even in the European Union there's still room for improvement – and much more in some other parts of the world, with the right investment and

technological development. With all these points in mind, Copenhagen could boost sustainable farming on the global level and work in line with our need for food security - if we take the right approach to supporting farmers' efforts through policy, in the European Union and worldwide.

Of course, "support" is not the same thing as trying to "regulate our way" to solutions at European or national level. More than once, people have written to me with suggestions of a "cow tax" in Europe, for example. But measures like this would only drive production outside the European Union – so that we would then import the products, creating higher emissions of greenhouse gases (without increasing our food security!).

More positively – and very briefly – what do we need?

- First, within the European Union, the CAP will remain a powerful tool. Beyond 2013, it will probably still need to provide a market-friendly safety net for farmers, to help safeguard food security. It must also make a strong contribution to our efforts to put the brakes on climate change and adapt to it.
- Secondly – on a global level – we must invest in climate-friendly productivity increases. In many cases, these will come through research. But we also need to dismantle unhelpful barriers to production in developing countries, by improving infrastructure, knowledge, and access to inputs and credit. This is one of the aims of the European Union's so-called "Food Facility", which is providing € 1 billion over three years.
- Thirdly, we must set the right multilateral framework for global trade. Trade opportunities stimulate production; excessive trade restrictions discourage it and make food markets nervous.

As a final point, I would say that, if there is a need for changes in the way we produce, we also have to change in the way we consume. The European Group on Ethics tells us that the food discarded each year in Italy could end hunger in Ethiopia. At the same time, according to the British government's waste agency, the volume of greenhouse gases used to produce and transport the food thrown away in the UK is the equivalent of 20 per cent of the emissions from the British car fleet.

So food security and environmental security are not just about grand policy initiatives – the individual can make a difference! I end where I began. Are we caught between the devil and the deep blue sea? Food security and climate change confront us with testing problems to solve. But we're not forced to accept either starvation or ecological disaster. We can both feed ourselves and start to bring climate change under control.

Copenhagen is the next stop on our map for doing this. Let's make sure that we don't get stuck there. Let's meet, take stock, plan – and then accelerate away with real purpose!

Thank you.

## Doha Talks Get New Energy at Cairns Group Meeting

10<sup>th</sup> June 2009 | From Bridges Weekly



Trade ministers meeting on the sidelines of a summit of the Cairns Group of agricultural exporters have breathed new life into the Doha Round of trade talks, which many had declared dead after a collapse in high-level negotiations in Geneva last summer. But officials emerging from this week's meetings, which brought together the top trade representatives from India and the US, as well as WTO Director-General Pascal Lamy, appear to have set themselves a new deadline for bringing the negotiations to a successful close: the end of 2010.

"What I saw is Ron Kirk and Anand Sharma clearly engaging in a process that should lead to the conclusion of the round sometime next year," Lamy told journalists on Tuesday, referring to the US Trade Representative and the Indian trade minister, Agence-France Presse reported. The Director-General met with trade ministers on Monday to brief them on the latest developments in the talks back at WTO headquarters in Geneva.

David Walker of New Zealand, who chairs the Doha negotiations on agriculture, was also in Bali for the meetings, as were high-level trade officials from China, Japan and the EU, which, like the US and India, are not official members of the Cairns Group.

The discussions between Kirk and Sharma, which marked the first face-to-face meeting between the two officials, sparked particular interest within the trade community. The US and India were central players in the stalemate that brought down the talks last July. Both countries have since appointed new trade ministers and one has undergone a change in administration.

With the new cast set, this week's meetings, which were held at the Nusa Dua beach resort on the island of Bali, Indonesia, seemed to offer a new start for the two countries' Doha talks.

"I had a very good meeting with Ron Kirk. We did not discuss specifics, only the broader aim to take the process forward. We didn't discuss positions, we discussed the principles," Sharma, who just took up his post last month, told Reuters on Monday.

Sharma added that it was time to "pick up the pieces from where they are and move forward."

"There are no obstacles which are insurmountable," he said. "We have to create an understanding and trust. There have to be adaptations and adjustments, that is what negotiations are meant for."

But Kirk, in a statement released after the close of the meeting, stressed that the work already completed should not be discarded, but negotiators will need to think creatively about how the talks should proceed. The US has previously indicated that what is now on the table in the talks is unacceptable; it wants to gain more market access for its exports.

The Indian minister will visit Washington later this month to follow up on his consultations with Kirk.

"We are not looking at the difficulties, we are looking at the possibilities, to do our best and take this process to its culmination," Sharma told AFP.

### **Cairns Group backs Doha, slams export subsidies**



The Cairns Group ministers also threw their support behind Doha, calling a successful outcome to the talks "within our grasp."

The group roundly condemned the export subsidies that the US and the EU have recently re-introduced to protect their domestic agriculture producers, saying that they were "deeply disappointed" by the protectionist shifts.

But the EU's ambassador to the WTO, Eckart Guth, defended the European subsidies in an interview over the weekend.

"The export subsidies are considered as a tool which should be eliminated under the Doha Round and we have taken a commitment to eliminate these export subsidies in 2013 and not before," Guth told Reuters.

The Cairns Group consists of Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Pakistan, Paraguay, Peru, the Philippines, South Africa, Thailand, and Uruguay.

### **Where to go from here?**

Although no official Doha-centred ministerial summit is in the works, further progress in the Round could come soon. Indeed, Lamy has indicated that the Doha Round will be on the agenda at several major upcoming meetings. OECD ministers will gather in Paris later this month, the G8 is slated to meet in Italy in early July, and trade ministers from the Asia-Pacific Economic Co-operation group will convene in Singapore two weeks later. Each of those gatherings could add to the Round's momentum, Lamy has said.

The next meeting of the G20 group of major economic powers, which is set to take place in the industrial US city of Pittsburgh in September, will also be a major focus for negotiators.

A full WTO ministerial has been scheduled to take place in Geneva in late autumn. Although Doha is not officially on the agenda there, ministers would no doubt have the opportunity to discuss the Round on the sidelines of the summit.

### **Flickering lights: Cuba brings in austerity measures**

**Jun 4th 2009 | From *The Economist* print edition**

*Cubans' misery grows amid moves to reduce their isolation*

THE vote on June 3rd by the Organisation of American States (OAS) to lift Cuba's 47-year suspension from the regional block did little to lift the island's weary population, who face deeper hardships from an austerity programme their government began this week. Cuba faces the return of the frequent power cuts that were common in the 1990s after the fall of the Soviet Union, its hitherto paymaster.

Buses and trains have been cut. State-run shops have been told to switch off their refrigerators for two hours a day. Bakeries must not bake in the evening, when power consumption peaks. Foreign firms wanting to take more than a few hundred



Would the last person to leave Havana please switch off the lights?

dollars out of the country now need the central bank's permission. These and other leading export earner, has slumped. The global downturn has hit tourism. Oil production remains plagued by inefficiency.

Raúl Castro began his presidency with something of a spending spree. Second-hand Chinese-made buses have replaced most of the lorries that once served as public transport in Havana. A bulk order of dark-blue paint has been applied to official buildings. But the younger Castro's hoped-for economic reforms have so far been limited to agriculture—farmers have been allowed to take over fallow state land and buy their own tools. Other businesses, such as tourism, have been pulled back into central control, with formerly semi-autonomous outfits such as car-hire agencies and marinas now run by ministries.

"I am out of here," said Yuni, a musician in his 20s, as he began the tortuous process of obtaining an exit permit. Emigration has soared in economic crises, notably in 1980 and 1994 when tens of thousands set off for the United States in rafts. Both countries' governments seem keen to avoid a repeat of this. On May 31st the United States said agreement had been reached to restart migration talks, which were broken off by George Bush in 2004.

Three days later the OAS, at a summit in Honduras, voted unanimously to let Cuba rejoin. The United States agreed to this on condition that any re-entry talks took into account the regional block's pro-democracy principles. Shortly before the vote, however, Cuba's revolutionary leader, Fidel Castro, reiterated his country's long-held line that it did not want to be in what it calls an imperialist grouping. Like Marx (Groucho, not Karl), he would not join any club that would have him as a member.

## Russia Abandons Unilateral Bid to Join WTO

10<sup>th</sup> June 2009 | From Bridges Weekly



Russian Prime Minister Vladimir Putin threw a curveball to the trade community yesterday with his announcement that Russia will abandon efforts to join the WTO as a single nation. Instead, Russia will seek entry as a new customs union with Belarus and Kazakhstan, to be launched 1 January 2010. Russia has been negotiating its terms of entry into the global trade body since 1993, but the process has repeatedly been tripped up by disputes over politics or trade measures.

This announcement comes as a surprise after Russia generated strong political support for quick WTO accession during high-level meetings last week. EU Trade Commissioner Catherine Ashton and US Trade Representative Ron Kirk, who met with top Russian trade officials on the sidelines of the Saint Petersburg International Economic Forum, said they both remain committed to Russia's entry to the WTO.

"We have agreed that WTO accession should be completed by the end of the year," Ashton told Reuters following a meeting with Russian Economy Minister Elvira Nabiullina last week. "We have a common understanding on the gaps that need to be bridged now." Kirk also told reporters that Russia had a strong chance of joining the WTO soon, although entry this year "may be a bit premature."

Despite the vote of confidence by the EU and US, Russia still needed to resolve critical issues with its trading partners prior to accession. Moscow had more luck with Brussels than Washington on this front during last week's meetings. The EU is seeking to reduce or eliminate Russia's export duties on timber, which harm the

timber industry in Finland. In a change of course last week, the parties initiated dialogue on altering the tariff.

US-Russia negotiations have stalled in recent months over Russia's ban of US pork. Russia's Federal Consumer Protection Service stated that the US pork ban is intended to prevent the spread of the H1N1 'swine flu' virus, despite a report by the World Health Organization last month that the virus is not transmitted through food. "We continue to hold out hope that Russia will move as quickly as possible to lift the ban," Kirk said at a news conference, following talks with Russian trade officials.

Some analysts posit that Russia's new move is a strategy designed to fast track Russia's accession to the WTO. "He's saying 'If you don't let us in, you'll have to deal with a customs union'," Nikolay Mizulin, a Russian trade lawyer, told the Wall Street Journal.

Others think the move is a genuine tactical shift. "It's a sign of frustration on the Russian side, but it's also recognition that WTO membership is no longer such a priority," Roland Nash, chief strategist at investment bank Renaissance Capital, told Reuters.

Nevertheless, Putin's announcement is puzzling in light of the recent progress in the 16-year negotiations. "[T]here is a good window of opportunity [for Russia to join the WTO] at the moment - probably the best in recent years," Maxim Medvedkov, head of the Russian delegation negotiating Russia's accession to the WTO, to the Rio Novosti news agency at the conclusion of last week's meetings. "So if we don't use this opportunity it would be a shame."

## As Global Slump is Set to Continue, Poor Countries Need More Help

11<sup>th</sup> June 2009 | The World Bank



Washington — The world economy is set to contract this year by more than previously estimated, and poor countries will continue to be hit hard by multiple waves of economic stress, said World Bank Group President Robert B. Zoellick today.

Even with the stabilization of financial markets in many developed economies, unemployment and under-utilization of capacity continue to rise, putting downward pressure on the global economy.

According to the latest Bank estimates, the global economy will decline this year by close to 3 percent, a significant revision from a previous estimate of 1.7 percent. Most developing country economies will contract this year and face increasingly bleak prospects unless the slump in their exports, remittances, and foreign direct investment is reversed by the end of 2010.

"Although growth is expected to revive during the course of 2010, the pace of the recovery is uncertain and the poor in many developing countries will continue to be buffeted by the aftershocks," Zoellick said ahead of the Group of Eight finance ministers meeting in Italy. "Waves of economic pain continue to hurt the developing world's poor, who have less cushion to protect themselves. There is much more we need to do in the coming months to mobilize resources to ensure that the poor do not pay for a crisis that is not of their making."

Zoellick noted that, according to revised Bank estimates, the overall financing gap for developing countries will be between \$350 billion to \$635 billion in 2009, down somewhat from earlier estimates due to improved current account outturns, but still huge amounts.

“Low-income countries that have limited borrowing capacity due to low reserves and drained national budgets will face particular difficulties in getting sufficient finance in the next few years,” Zoellick said. “Because of this, lending from the World Bank, the IMF and other sources will become increasingly important as the crisis rolls across low-income countries.” Zoellick added: “There is not enough public sector money to solve the global crisis, so the recovery strategy needs to encourage private business and financing too.”

The crisis implications for poor countries are stark, and driving expanded use of World Bank resources. Requests for assistance are up at the International Development Association (IDA), part of the World Bank Group that focuses on the 78 poorest countries. For fiscal year 2009, which ends on June 30, IDA grants and interest-free loans are expected to total more than \$13 billion, a record high, and an increase on last year’s \$11.2 billion. Anticipating the needs of the poorest countries, the World Bank created a fast track facility in December to provide rapid funding for social safety nets, infrastructure, education, and health.

Demand has also grown rapidly at the International Bank for Reconstruction and Development (IBRD), the part of the World Bank Group that supports creditworthy low and middle-income countries. Loan volume is expected to increase to around \$33 billion this fiscal year, compared to \$13.2 billion last year.

Zoellick said it was important that the G8 meetings this month and in July follow-up on the promises made at the Group of 20 meeting in London in April to restore domestic lending and the international flow of capital.

Zoellick said some of the main risks still remaining included the need to clean up the balance sheets and recapitalize banks, address the unique financial risks in Central and Eastern Europe, guard against a rise in protectionism, and roll over large amounts of private sector debt in developing countries.

The World Bank Group actively monitors global economic figures. On June 22, the Bank will release *Global Development Finance 2009: Charting a Global Recovery*.