



# Trade News Bulletin

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## World Economy: U, V or W for recovery

21<sup>st</sup> August | From *The Economist* print edition

IT HAS been deep and nasty. But the worst global recession since the 1930s may be over. Led by China, Asia's emerging economies have revived fastest, with several expanding at annualised rates of more than 10% in the second quarter. A few big rich economies also returned to growth, albeit far more modestly, between April and June. Japan's output rose at an annualised pace of 3.7%, and both Germany and France notched up annualised growth rates of just over 1%. In America the housing market has shown signs of stabilising, the pace of job losses is slowing and the vast majority of forecasters expect output to expand between July and September. Most economies are still a lot smaller than they were a year ago. On a quarterly basis, though, they are turning the corner.

This is good news. The first step in any recovery is for output to stop shrinking. But the more interesting question is what shape the recovery will take. The debate centres around three scenarios: "V", "U" and "W". A V-shaped recovery would be vigorous, as pent-up demand is unleashed. A U-shaped one would be feeble and flatter. And in a W-shape, growth would return for a few quarters, only to peter out once more.

Optimists argue that the scale of the downturn augurs for a strong rebound. America's deepest post-war recessions, they point out, were followed by vigorous recoveries. In the two years after the slump of 1981-82, for instance, output soared at an average annual rate of almost 6%; and this time round, output has slumped even further, and for longer, than it did in the early 1980s.

Pessimists, meanwhile, think this downturn's origins favour a weak recovery or a double-dip. Unlike typical post-war recessions this slump was spawned by a financial bust, not high interest rates, and when overindebted borrowers need to rebuild their balance-sheets and financial systems need repair, growth can be weak and easily derailed for years. Japan's 1990s banking crisis left the economy stagnant for a decade; a premature tax increase in 1997 plunged it back into recession.

### V for vulnerable

Neither of these parallels is exact, because today's global slump combines several types of downturn and an unprecedented policy response. In formerly bubble economies, it is largely a balance-sheet recession. Debt-fuelled consumption has been felled. But the scale of collapse was broadened and deepened by the freezing up of the machinery of global finance, a dramatic collapse in confidence and stock-slashing. It was then countered with the biggest stimulus in history. The shape of the recovery depends on how these forces interact.



In the short term that shape could look beguilingly like a “V”, as stimulus kicks in and the inventory cycle turns. In emerging Asia, the unfreezing of trade finance, a turnaround in stocks and hefty fiscal stimulus are powering a rebound. Government support, especially employment subsidies and incentives to a buy new cars, has cushioned demand in Germany and France. With export orders rising and confidence growing, the next few months could be surprisingly buoyant. Even in America, the fiscal stimulus is kicking in, the “cash for clunkers” scheme is a big, if temporary, prop to output and firms will, sooner or later, stop cutting inventories.

Yet a rebound based on stock adjustments is necessarily temporary, and one based on government stimulus alone will not last. Beyond those two factors there is little reason for cheer. America’s housing market may yet lurch down again as foreclosures rise, high unemployment takes its toll and a temporary home-buyers’ tax-credit ends. Even if housing stabilises, consumer spending will stay weak as households pay down debt. In America and other post-bubble economies, a real V-shaped bounce seems fanciful. Elsewhere, it will happen only if vigorous private domestic demand picks up the baton from government stimulus. In Japan and Germany, where joblessness has further to rise, that seems unlikely any time soon. The odds are better in emerging economies, especially China. But even there an array of reforms, from a stronger currency to an overhaul of subsidies, is needed to boost labour income and encourage consumption. Until that shift takes place, the global recovery will be fragile and probably quite feeble. A gloomy U with a long, flat bottom of weak growth is the likeliest shape of the next few years.

## Africa Pushes for Trade Reforms at AGOA Forum

5<sup>th</sup> August | From *Bridges Weekly* online edition



African leaders are urging reform of the African Growth and Opportunity Act (AGOA) - a trade agreement between 39 sub-Saharan African countries and the United States - at this week’s eighth annual AGOA forum. The meeting, which began on Tuesday and will conclude on Thursday, provides a regular opportunity for leaders from the member states to discuss strategies for improving inter-regional trade.

The bill, which was signed by then-US President Bill Clinton in 2000, gives sub-Saharan Africa trade preferences for over 6,400 products, granting African producers duty- and quota-free access to US markets. Its goal is to stimulate trade and investment between the regions and facilitate the expansion of Africa into the global economy.

AGOA expands on the Generalised System of Preferences, a set of formal exceptions from the WTO’s ‘Most Favoured Nation’ principle, which allows developed countries to offer developing countries lower tariff rates on specific goods. The agreement was originally supposed to expire in 2008 but was extended by former US President George W. Bush until 2015.

### Africa Wants to Diversify Exports

African leaders argue the agreement should be restructured to promote diversity among African exports, given the region’s development challenges. “Sub-Saharan exports to the US continue to be largely dominated by energy-related products, and efforts to diversify the range of products are yet to be fully realised,” explained Uhuru Kenyatta, Kenya’s Deputy Prime Minister, in a speech on Monday.

"Exports from the region continue to face enormous challenges such as lack of competitiveness, supply capacity constraints, weak infrastructure base, low flow of private investments from the US, lack of access to finance, and low technical capacity, among other factors," he added.

According to data from the US International Trade Commission, 90 percent of goods and services trade last year under AGOA went to four countries: Nigeria, Angola, South Africa and Gabon. Exports from three of those countries - all but South Africa - are dominated by energy-related products, namely oil and gas. African exports of natural resources, such crude oil, precious metals, and oil seeds, have grown under AGOA while exports of manufactured goods like motor vehicles, computer machinery, consumer electronics, and apparel have dropped.

African Union Deputy Chairperson Erastus Mwencha of Kenya called on Washington to help African countries diversify their exports, which would enable them to further penetrate the US market. He also said AGOA needed to be more investment friendly. "This element is lacking in the act and that is an area that we could try to reinforce in AGOA," he said in a speech Tuesday. "Many investors will always be hesitant to embark on AGOA programs especially when they don't know that they will be eligible."

Mwencha suggested that the parties transform AGOA into a permanent trade agreement to further strengthen relations between the US and sub-Saharan Africa. African textile producers seconded the call. "We would like to see AGOA as a more permanent trade agreement, similar to the European Economic Partnership," Jaswinder Bedi, chairman African Cotton and Textile Industries Federation, told Reuters. Bedi explained that potential investors are scarce because AGOA is set to expire in six years, leaving the textile industry's future uncertain.

### **Washington Responds**

The Obama administration has signaled strong support for African development, but Washington may not sign on to all of the suggestions made by its African partners. Anticipating some criticisms of AGOA ahead of the forum, US Trade Representative Ron Kirk indicated that "[t]he answer is not expanding the list of AGOA products," but instead "increasing the utilisation of AGOA."

"As President Obama said [during his recent trip to Ghana], what we are trying to achieve with our African partners is 'more than growth numbers on a balance sheet'," Kirk wrote in an op-ed that ran in several local Kenyan newspapers on Monday. "We are working to create opportunities, new jobs, and brighter futures for Africans and Americans alike."

Kirk is expected to tell African textile producers that the US can only cut cotton subsidies as part of a larger agreement that sees emerging economies like China and India agree to open their markets to more US cotton exports.

US Secretary of State Hilary Clinton also addressed the forum, stressing that good governance in Africa is critical for economic growth. "True economic progress in Africa will depend on responsible governments that reject corruption, enforce the rule of law, and deliver results for their people," Clinton said on Tuesday. Clinton's presence has been taken as a signal of the Obama administration's commitment to the trade agreement, Kenya's Daily Nation reports.

“Investors will not be attracted to states with failed or weak leadership, crime and civil unrest, or corruption that taints every transaction and decision,” she said. But her message was not all doom and gloom. “You know that too often the story of Africa is told in stereotypes - about poverty, disease and conflict,” Clinton told delegates. “Such notions are not only stale and outdated, but are wrong. Africa is ripe with opportunities - some waiting to be seized together.”

AGOA is only available for countries that have established or are making progress toward developing certain policy objectives, including market-based economies, the rule of law, minimal trade barriers, intellectual property protection, anti-corruption policies, poverty alleviation, health care and education, and protection of human rights. Thirty-nine out of the 48 sub-Saharan African countries are now eligible for benefits under AGOA.

Despite the legislation, trade between the US and the AGOA countries remains limited. Goods from sub-Saharan African countries represented 3 percent of all US imports in 2008, and just over 1 percent of US exports were shipped to the region that year.

## **Clinton: A New Gender Agenda**

**18<sup>th</sup> August 2009 | From the New York Times online edition**



Hillary Rodham Clinton staked her claim as an advocate for global women’s issues in 1995, when, as first lady, she gave an impassioned speech at a United Nations conference in Beijing. As secretary of state, she pushed to create a new position, ambassador at large for global women’s issues, and recruited Melanne Verveer, her former chief of staff, to fill it. And she has drawn attention to women at nearly every stop in her travels, most recently on an 11-day visit to Africa, during which, among other things, she went to eastern Congo to speak out against mass rape. Hours before leaving on that trip, Clinton discussed women’s issues and the Obama administration’s foreign policy for 35 minutes in her elegant seventh-floor office at the State Department. What follows is a condensed and edited version of our conversation.

**Q:** *In your confirmation hearing, you said you would put women’s issues at the core of American foreign policy. But as you know, in much of the world, gender equality is not accepted as a universal human right. How do you overcome that deep-seated cultural resistance?*

**Clinton:** You have to recognize how deep-seated it is, but also reach an understanding of how without providing more rights and responsibilities for women, many of the goals we claim to pursue in our foreign policy are either unachievable or much harder to achieve.

Democracy means nothing if half the people can’t vote, or if their vote doesn’t count, or if their literacy rate is so low that the exercise of their vote is in question. Which is why when I travel, I do events with women, I talk about women’s rights, I meet with women activists, I raise women’s concerns with the leaders I’m talking to.

I happen to believe that the transformation of women’s roles is the last great impediment to universal progress — that we have made progress on many other aspects of human nature that used to be discriminatory bars to people’s full participation. But in too many places and too many ways, the oppression of women

stands as a stark reminder of how difficult it is to realize people's full human potential.

**Q:** *I'm curious about what priorities you're setting. Will the Obama administration have a signature issue — sex trafficking or gender-based violence or maternal mortality or education for girls — in the way that H.I.V./AIDS came to symbolize the Bush-administration strategy?*

**Clinton:** We are having as a signature issue the fact that women and girls are a core factor in our foreign policy. If you look at what has to be done, in some societies, it is a different problem than in others. In some of the societies where women are deprived of political and economic rights, they have access to education and health care. In other societies, they may have been given the vote, but girl babies are still being put out to die.

So it's not one specific program, so much as a policy. When it comes to our global health agenda, maternal health is now part of the Obama administration's outreach. We're very proud of the work this country has done, through PEPFAR, on H.I.V./AIDS [the President's Emergency Plan for AIDS Relief was begun by George W. Bush in 2003]. We've moved from an understanding of how to deal with global AIDS to recognizing it's now a woman's disease, because women are the most vulnerable and often have no power to protect themselves. And it's increasingly younger women or even girls.

But women die every minute from poor maternal health care. You know, H.I.V./AIDS, tuberculosis, malaria — those are all, unfortunately, equal-opportunity killers. Maternal health is a woman's issue; it's a family issue; it's a child issue. And for the United States to say to countries that have very high maternal mortality rates, "We care about the future of your children, and in order to do that, we care about the present of your women," is a powerful statement.

**Q:** *Do you have a point of view about what should come first: Do you empower women economically and then hope that they seize a political role for themselves? Or do you seek to give them more legal and political standing and hope that they can win a place in the economic sphere?*

**Clinton:** That's a great question, because I think the historical record would show both routes have worked. Women were not particularly economically empowered when we finally included the right of women to vote in our Constitution. So women's rights were expanded in 1920, and that opened up a lot of doors to women to see themselves in different roles, including economic roles, outside the home.

India's been a democracy for 60 years, and remarkably extended the vote to everyone, every caste, to both men and women equally. So women have been given the right to vote, but without economic empowerment, they didn't have the influence that their votes should have brought, which is why the government of India has made such a big point of extending economic and political opportunity equally to women. And when we visited SEWA, the Self-Employed Women's Association [in India], those women had the vote before they were born, but being economically empowered, being able to stand up for themselves inside their families, on the streets of their villages, is giving them a sense of autonomy and authority that just their vote couldn't have.

**Q:** *In your travels as secretary of state, you've focused heavily on the role of microlending. Is there a reason in these early days that you've tended to emphasize the economic over the political?*

**Clinton:** It's interesting: it's partly because of where I've gone. It's also because I've worked on microcredit since 1983, going back to Arkansas and projects that I worked on with my husband there.

I am also struck by every international public-opinion poll I've ever seen, that the No. 1 thing most men and women want is a good job with a good income. It is at the core of the human aspiration to be able to support oneself, to give one's children a better future. Microenterprise is uniquely designed to empower women because — through the trial and error of its development, going back to Muhammad Yunus's invention of it in Bangladesh — women are much greater at investing in future goods than the men who have participated in microcredit have turned out to be. And they are also very reliable in paying back, because they are so eager to have that extra help and recognition that microcredit provides.

So, I don't make a distinction between economic empowerment and political, social empowerment; I think it's fair to say both need to go hand in hand.

**Q:** *There are counterterrorism experts who have made the observation that countries that nurture terrorist groups tend to be the same societies that marginalize women. Do you see a link between your campaign on women's issues and our national security?*

**Clinton:** I think it's an absolute link. Part of the reason I have pursued it as secretary of state is because I see it in our national security interest. If you look at where we are fighting terrorism, there is a connection to groups that are making a stand against modernity, and that is most evident in their treatment of women.

What does preventing little girls from going to school in Afghanistan by throwing acid on them have to do with waging a struggle against oppression externally? It's a projection of the insecurity and the disorientation that a lot of these terrorists and their sympathizers feel about a fast-changing world, where they turn on television sets and see programs with women behaving in ways they can't even imagine. The idea that young women in their own societies would pursue an independent future is deeply threatening to their cultural values.

**Q:** *Many of the countries where the abuses against women are most prevalent are also countries that have a vital strategic importance to the United States: Pakistan, Saudi Arabia, India. How can you aggressively advocate for women without jeopardizing those strategic relationships?*

**Clinton:** Well, in a number of these strategic relationships, there's a commitment to advancing the roles and rights of women. In India, the changes that have been made are remarkable. There are still tens of millions of very poor women, but women have assumed more and more responsibility; they are seen in public positions and increasingly economic ones, where their stature is accepted by society.

When I meet with the Chinese leadership, as I just did in the Strategic and Economic Dialogue, they have women who are part of their leadership team, and women who are assuming greater and greater economic and political roles.

Obviously, there's work to be done in both India and China, because the infanticide rate of girl babies is still overwhelmingly high, and unfortunately with technology, parents are able to use sonograms to determine the sex of a baby, and to abort girl children simply because they'd rather have a boy. And those are deeply set attitudes. But at the governmental level, there is a great deal of openness and commitment that I am seeing.

In other societies where we have strategic security interests, it's a challenge to move the agenda forward in a way that includes women's issues. When we did our strategic review on Afghanistan, we said very clearly, We can't be all things to all people in Afghanistan. We have to focus on a few critical concerns. But one of them was the role of women, and women's participation in society.

*Q: Let me ask you one question about India, where we've just concluded a Strategic Dialogue agreement. I didn't notice too much emphasis on sex trafficking on your trip, even though it's clear India remains the world capital of sex trafficking. Can you make that case strenuously with the Indians at the same moment that we're trying to do so many other things with them?*

**Clinton:** Absolutely, and in fact, we do it every year with our annual report on trafficking in persons. It's a very high priority to me, and it is raised as part of the ongoing discussions that we have with many countries. In a democracy like India, there is a challenge of getting the word down to the local jurisdiction — the local police, the local judges, the local authorities. But I have no doubt about the seriousness with which their government takes this issue.

*Q: Could some of the billions of dollars the United States has spent on military aid to Pakistan since 9/11 have been better spent on education and health care for girls and women?*

**Clinton:** Yes. The answer is yes, and in my meetings with then-President Musharraf in '03, '05, '07, in this country as well, I raised it all the time.

I remember visiting a village about 45 minutes outside of Lahore, when I was in Pakistan as first lady, and we met with a group of mothers and grandmothers in the village. And they wanted very much to have a school at the secondary level for their daughters, the way their sons did. But the school for their sons was not in the village, so the sons had to travel. No one could even imagine the daughters travelling outside their village to continue their education.

And when I think about the extraordinarily accomplished Pakistanis in the professions, in medicine, in education, I think it is certainly the case that if Pakistan had invested more in the education of children so that poor families would not have sent their boys off to be educated by extremists, it might well have made a difference. And it still can, because that's part of our approach now.

*Q: Because it's also a question of how we allocate our resources.*

**Clinton:** That's right, and with the Kerry-Lugar/Berman bill[s] that provide aid for these kinds of purposes in Pakistan, we hope to try to make up for lost time. [These Senate and House bills are currently being finalized in Congress.]

**Q:** *Gender-based violence is an enormous issue in much of Africa, and in places like Congo, rape, as you know, is an instrument of war. How can you, or anybody else, hope to combat that?*

**Clinton:** President Obama and I and the United States will not tolerate this continuation of wanton, senseless, brutal violence perpetrated against girls and women. We don't know exactly what we can do, but we are going to be delivering some aid and some ideas about how to better organize the communities to deal with it. We're going to sound the alarm that this is not all just unexpected and irrational.

These militias, which perpetrate a lot of these rapes and other horrific assaults on girls and women, are paid well, or realize the spoils of guarding the mines. Those mines, which are one of the great natural resources of the Congo, produce a lot of the materials that go into our cellphones and other electronics. There are tens of millions of dollars that go into these militias that, in effect, get translated into a sense of impunity that is then exercised against the weakest members of society.

The ambassador for war crimes, Steve Rapp, has the distinction of being among the first international prosecutors to win a case on gender violence, and I specifically wanted him to take on this role, because I want to highlight this issue.

**Q:** *I've been at more than a few women's events with you overseas where the men in the audience drift off to their BlackBerrys or into a snooze after a few minutes. How do you change the mind-set, not just overseas but at home and in this building, that tends to view women's issues as a pink ghetto?*

**Clinton:** By making the arguments that I am making here — that so-called women's issues are stability issues, security issues, equity issues. The World Bank and many other analyses have proved over and over again that where women are mistreated, where they are denied equal rights, you will find instability that very often serves as an incubator of extremism.

A woman who is safe enough in her own life to invest in her children and see them go to school is not going to have as many children. The resource battles over water and land will be diminished. This is all connected. And it's an issue of how we take hard power and soft power, so called, and use it to advance not just American ends but, in advancing global progress, we are making the world safer for our own children.

**Q:** *Last month in New Delhi, a young woman asked you an interesting question: How would you view the progress of women in both India and the United States? She pointed out that India elected a woman as prime minister within three decades of independence, while the U.S. had yet to elect a female president. Is there any lesson from your own presidential campaign that you can use to take to women elsewhere in the world?*

**Clinton:** Well, you've heard me talk about this in a lot of settings, from Japan to South Korea to Indonesia to India to Latin America [*laughs*]. It is one of the most common questions I'm asked, along with the question about how I can now work for and with President Obama, since he and I ran so vigorously against each other. It is clearly on young women's minds. And I find that both exciting and gratifying.

My campaign for many millions of reasons gave a lot of heart to many young women. It is still the most common comment that people make to me: "your campaign gave me courage" or "your campaign made a difference in my daughter's

life” or “I went back to school because of your campaign.” So, it is unfinished business, and young women know it is unfinished business.

The vast majority of them will never run for political office in any country. But they may decide to seek an education that their family doesn't approve of, or move away for a job that is a little bit frightening to them, but which they feel they've got the skills to do. Or, you know, stand up and speak out against an injustice they see. And it is all of that ripple that is building and building — and is unstoppable.

I live for those moments where I see this woman stand up in SEWA — this poor, uneducated woman — and say, “I am the president of SEWA; 1.1 million women voted.” I mean, what a great statement that was from her. So, I get a lot of joy out of doing this work. I think it is so critically important, but it is also incredibly moving to see these individual lives changed because of some event or speech that you have no idea why it made an impression on them.

## Ethiopia: Not Guilty

Aug 20th 2009 | From *The Economist* print edition



### A former president is cleared of corruption charges

AMONG the dog-eared exhibits on the upper floor of Lusaka's National Museum is a faded 1991 poster for Frederick Chiluba's Movement for Multiparty Democracy, asking “How long must we live off the crumbs of corruption?” At the time Mr Chiluba represented great hope for change in Africa, as his country became one of the first on the continent to embrace competitive multiparty politics. Although he was a diminutive former bus-driver, he ousted the independence leader, Kenneth Kaunda, in a landslide at the ballot box.

Mr Chiluba went on to liberalise the economy, but during and after his decade in office more commonplace tendencies in African governance began to emerge. He tried, and failed, to change the constitution to enable him to stand for a third term. Two years ago the High Court in London found, in a civil suit brought by the government of his hand-picked successor, Levy Mwanawasa, that he had stolen \$46m from the state while in power.

This week, after a six-year process, criminal proceedings against him in Zambia itself for the theft of government money finally reached a verdict. It was the first time that an African former head of state had faced a credible trial in his own country for such offences. The case concerned a secret bank account that also featured in the London hearings, yet on August 17th Mr Chiluba was cleared of all six charges against him.

The prosecution argued that state money transferred to the account had been paid to beneficiaries who included Mr Chiluba's children. The defence, though, argued that more than \$8.5m of private “gifts” to the president, some as large as \$1m, had also gone through the same account, and that these were for Mr Chiluba to spend as he wanted. In the event, the court ruled that the prosecution had failed to prove that the \$500,000 of disbursements at issue had come from government funds rather than out of Mr Chiluba's own money.

Mr Chiluba's spokesman, Emmanuel Mwamba, explained that “our law doesn't limit gifts to the president. In America, for example, the president can't receive more than \$75. In our country, it is limitless how much Dr Kaunda received, how much Dr

Chiluba received, or President Mwanawasa or [the incumbent] President Rupiah Banda,” before pointing out that your correspondent could donate \$100 if he so wished. “He will be very grateful.”

Mr Chiluba denounced the trial as the work of “imperialists” in Britain. He says the charges were politically motivated. Anti-corruption campaigners were disappointed. “The case has proven that in Africa to fight corruption is very complicated,” said the executive director of the Zambian chapter of Transparency International, an anti-graft watchdog.

Several factors make it so. Zambia’s anti-corruption drive was started by Mr Mwanawasa but under Mr Banda the impetus from the top appears to be waning. As well as that, there is the traditional deference to leaders across Africa. A businessman in Lusaka lamented the way that government contracts are allocated, but added of Mr Chiluba: “It’s an insult to involve him in such things [prosecutions]. He was head of state and we need to give respect to that position.”

## EU, Papua New Guinea Ink Trade Pact

5<sup>th</sup> August | From *Bridges Weekly* online edition



The European Union and Papua New Guinea signed a deal on 30 July that will immediately allow the Pacific country to export all of its goods duty free to the European market. In return, PNG will remove tariffs on 88 percent of imports from the EU over the next 15 years.

The EU and Papua New Guinea, joined by Fiji, initialled the accord in 2007, and the agreement has been in effect ‘provisionally’ since 1 January 2008. Fiji has yet to sign the deal, but its exports will also enter the European market duty free from now on; in exchange, the country will cut tariffs on 87 percent of European imports over 15 years.

The EU Trade Commission said in a statement that Fiji “decided to sign [the agreement] at a later stage.”

EU Trade Commissioner Catherine Ashton called the deal “an important step towards a strong and lasting EU-Pacific trade and development partnership.”

“We have already seen how the initialling of the agreement has delivered results, with new investment flowing into the fisheries industry, supporting development in Papua New Guinea and creating jobs,” Ashton added.

But the agreement is not without its detractors. The European fishing industry frets that the deal could push their fleets out of the Central and Western Pacific Ocean. And some members of civil society in the Pacific countries say that reducing barriers to the flow of European goods will undercut their domestic producers, perhaps costing jobs and threatening livelihoods.

Total trade between the EU and Pacific ACP countries totalled roughly €1 billion last year. The 27-nation EU exports mainly machinery, vehicles, and oil to the Pacific countries, which in turn export primarily animal and vegetable oils, sugar, coffee, tea, spices, and copper to the European market. Goods from Papua New Guinea and Fiji account for 83 percent of the EU’s total trade with the Pacific region.

The deal, which is officially being billed as an Interim Economic Partnership Agreement (EPA), is meant to replace a system of preferential trade rules that the EU has long granted many of its former colonies. Those preferences became illegal at the end of 2007, when a WTO waiver that allowed the temporary continuation of the schemes - which violated world trade rules - expired.

Brussels has since been working to negotiate replacement deals (the EPAs) with regional groupings of developing countries, a process that has proven quite difficult. To date, only one full-fledged EPA has been negotiated - between the EU and the CARIFORUM coalition of Caribbean countries. However, several bilateral agreements, like that between the EU and PNG, have been struck. But even as that 'interim' EPA takes effect, Brussels is continuing its push to negotiate a full-fledged, region-to-region EPA with PNG, Fiji, and 12 other developing countries in the Pacific region.



## First shoots of Haiti's agricultural renaissance

20<sup>th</sup> August 2009 | FAO Newsroom Rome

### \$10.2 million FAO/IFAD seed scheme yields results

A \$10.2 million scheme to distribute and multiply quality seeds in Haiti has significantly increased food production in the Caribbean nation providing cheaper food for the population and boosting farmers' incomes.

Requested by the Haitian government, financed by a loan from the International Fund for Agricultural Development (IFAD) and implemented by FAO, the programme was introduced to combat high international food prices.

The situation was made more urgent by a series of deadly tropical storms that hit Haiti exactly a year ago in which farmers lost seeds and crops. With this year's hurricane season now underway, the programme has also helped boost FAO seed stocks in Haiti so the country will have more quality seeds at hand to distribute should farmers lose their stocks again.

### \$5 million worth of beans in one season

Almost 250 000 smallholder and landless farmers have or will receive adapted quality seeds through the programme, which although only half way completed has already paid for itself many times over.

FAO estimates that the quality bean seeds from Guatemala procured and distributed to poor and vulnerable farmers for the 2008 winter planting season for \$300,000, has produced \$5 million in bean crops.

"We are extremely encouraged by the results we are seeing in this programme which, along with favourable weather, has been an important factor in increasing the amount of food available to poor people in Haiti," said FAO Haiti Representative Ari Toubou Ibrahim.

### Hurricanes wash away seeds

Haiti is one of the countries worst hit by rising food prices, which in April 2008 triggered riots in the capital Port-au-Prince. Four successive and devastating hurricanes in August and September 2008 meant the seeds poor farmers had saved were either washed away or eaten because people were so hungry. In any case,

often there are no quality seeds available for poor farmers and they have no choice but to plant grain, hoping that some will grow.

The Haitian Ministry of Agriculture identified the lack of suitable quality seeds as a major obstacle to increasing local food production and reducing dependence on imports susceptible to price fluctuations.

New and better adapted varieties of seeds are also required to meet the challenges of shifting agro-ecological systems caused by climate change and deforestation. The government and IFAD chose FAO as a partner because the UN agency has more than ten years experience in seed multiplication in Haiti and a strong emergency programme since 2004.

### **Tools and training**

Apart from beans, the project also includes the multiplication of maize, sorghum as well as the propagation of cassava, sweet potato and banana plants. Five hundred tonnes of good quality rice seed produced locally is also to be distributed under the project.

The farmers also receive basic tools and advice or training via written material and radio broadcasts on best cultivation techniques. The programme initially covers three planting seasons in Haiti — winter 2008 and spring and summer 2009 — and has seed multiplication partners in all of the country's ten administrative departments ranging from farmers' associations in hard-to-reach rural areas to a handful of larger peri-urban agri-businesses.

The government would now like to extend the project to the upcoming winter season to build on the programme's excellent results and to continue support in the aftermath of the soaring food prices. Farmers can not recover their livelihoods in a few months but need more sustained assistance of at least a year.

### **Agriculture a priority**

More than a half of Haitians — between five and six million people — live in rural areas and around 85 percent of the rural population practice some agriculture and farming accounts for around 26 percent of Haiti's economic output, making agriculture by far the country's biggest employer.

According to Haitian government figures, agricultural production rose by 25 percent in the 2008 spring planting season compared to 2009. The number of food insecure people fell from 2.4 million in April 2008 (just before last year's food price peak) to 1.9 million in June 2009.

FAO experts say NGO, government and UN schemes to rehabilitate the country's irrigation channels and roads following last year's floods and storms have also helped increase agricultural production.

"Reviving agriculture in Haiti is a priority in the fight against hunger and for the development of rural areas where the rate of extreme poverty is three times higher than in urban areas," said Ibrahim.

"Food production is a pre-requisite to any other economic activities, even tourism, because to bring in tourists and then import food to feed them when more than two million Haitians are still food insecure is a recipe for resentment," he said.

### **Fruit trees against hurricanes**

When food production includes fruit trees such as mangos, avocados, bananas and coffee agriculture can be part of the reforestation process, as poor people are less likely to cut them down for firewood.

Despite the massive depletion of its natural resources and land degradation due to mismanagement of the land and extreme poverty over the past couple of decade Haiti was formerly an important agricultural producer.

“Haiti still has many excellent agronomists and its farmers have retained the knowledge base to produce food which is why we must keep up the focus on agriculture,” said Ibrahim.

### **FAO Initiative on Soaring Food Prices**

The double whammy of high food prices and the economic meltdown has pushed more than 100 million people into poverty and hunger.

Although international prices have come down from their record highs in 2008, they have yet to drop to their levels before the food crisis, and the risk of volatility continues. Average food prices in May 2009 were about 24 percent higher than they were in 2006.

And, in many developing countries, the cost of basic food staples is stubbornly high. Unemployment and reduced wages, remittances and government services – by-products of the economic slump – threaten to add to the woes of the world’s poorest people, who already spend between 60 and 80 percent of their income on food. Smallholder farmers, many of whom are women, are caught in a double bind, unable to afford quality inputs to grow more crops to feed their families and improve their incomes.

### **International response to the food crisis**

As early as July 2007, FAO warned of the then developing food price crisis. In December 2007, it launched its Initiative on Soaring Food Prices – known as the ISFP – to help small producers raise their output and earn more.

FAO contributed significantly to the work of the [UN High-Level Task Force on the Global Food Crisis](#), which was created in April 2008. One outcome was the [Comprehensive Framework for Action \(CFA\)](#), a global strategy and action plan designed to soften the immediate blow of high food prices while addressing longer-term measures to achieve sustainable food security.

FAO’s initiatives to help increase smallholder farmer food production and build longer-term resilience are in line with the CFA’s short- and long-term goals.

### **FAO action to date**

FAO is engaged in over 90 countries, helping to boost food production through the supply of improved seeds, fertilizers and other agricultural inputs and technical assistance.

Thanks to a significant contribution from the European Union in May 2009, FAO has begun carrying out projects in 25 countries in Africa, Asia, Latin America and the Caribbean in support of small farmers affected by the global food crisis. These projects fall under the [EU € 1 billion Food Facility](#).



From 2008 to 2009, a series of inter-agency assessment missions and rapid appraisals within the framework of the EU Food Facility were carried out in nearly 60 countries, which are summarised in [\*Responding to the food crisis: synthesis of medium-term measures proposed in inter-agency assessments.\*](#)

FAO has provided policy advice to governments. An overview and analysis of different policy responses to high food prices is featured in [\*Guide for immediate country-level action\*](#), while [\*Country responses to the food security crisis\*](#) looks at the preliminary implications of policies pursued.

FAO has also scaled up its monitoring of food prices at consumer and wholesale level, degrees of food insecurity in vulnerable countries and the impact of rising food prices at the global, regional and country level through its [\*Global Information and Early Warning System on Food and Agriculture \(GIEWS\)\*](#).

### **Moving towards long-term food security**

It is clear that efforts need to be ramped up at all levels to improve food and nutrition security over the long term and help build the resilience of vulnerable farmers to future shocks, including market volatility and climate change.

To this end, FAO is supporting governments' efforts to increase the food production of smallholder farmers through sustained access to quality inputs, improved rural infrastructure, better management of natural resources and greater access to technical assistance, capacity building, credit and markets.

FAO is also advocating for increased investment in agriculture – from Official Development Assistance (ODA) to public spending and private investments – as a way to get agriculture back on track in the fight against poverty, hunger and malnutrition.

### **Funding**

Many of the emergency measures have been supported through FAO's own funding, in the form of Technical Cooperation Programme projects, totalling USD 37.3 million. The European Union contributed USD 283 million to FAO through the EU Food Facility.

Other donors to the ISFP include: Austria, Italy, the Netherlands, Spain, Sweden, the United Kingdom, the United States, the UN's Office for the Coordination of Humanitarian Affairs (OCHA), the International Fund for Agricultural Development (IFAD) and the World Bank.

The total funding envelope stands at USD 385 million.

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