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Building the capacity of ACP Countries in Trade Policy Formulation, Negotiations and implementation ("Hub and Spokes") Project

EU warns China to open up trade or face protectionism

The European Union warned China on Monday that it must redouble market reform efforts and its commitment to economic openness or face a protectionist backlash. "We will only be able to maintain the case for openness in Europe if China shares reciprocal openness and readiness to play by the rules of trade," EU external affairs commissioner Benita Ferrero-Waldner and trade commissioner Peter Mandelson wrote in The International Herald Tribune. "If not, we could see in Europe the growing defensiveness and protectionism that is becoming evident in some quarters in the United States." The EU's executive arm, the European Commission, is on Tuesday to set out its new political and trade policy for China, which is to call on Beijing to fully implement its commitments to the World Trade Organisation if it wants to enjoy balanced trade relations with its number one commercial partner. Ferrero-Waldner and Mandelson argued that Europe should continue to offer open and fair access to Chinese exports and adjust to the competitive challenge.

But they called on China to "reinforce these efforts by strengthening its commitment to economic openness and market reform." It should improve legal protection for foreign companies and reject anticompetitive trading practices and policies," they wrote. The commissioners acknowledged that Europe can't call for free trade without practicing it. "When we use antidumping measures, they must only be directed against unfair trade, not used to deflect fair competition," they wrote. They said the Commission's new China initiative would signal the responsibilities of both China and Europe, and its first goals would be striking a new comprehensive partnership and cooperation agreement, and the updating of trade and investment agreements.

The 25-member European Union is China's leading commercial partner, accounting for 19 per cent of Chinese foreign trade. China today is the primary source of imports on the EU market. But with a middle class increasingly attracted to European products, China is also a key market for the EU, which saw its exports to the Chinese market soar 69 per cent between 2000 and 2005, a much more rapid expansion than with the rest of the world.

Mandelson travels to China early next month, when he is expected to deliver the openness message contained in the new policy document that will be presented Tuesday in Strasbourg. "For the relationship to be politically and economically sustainable, China needs to demonstrate its commitment to open markets, fair competition and responsible leadership," the document will say, according to a European source. But it will also warn that in Europe "there is a growing perception that incomplete implementation of WTO obligations and new barriers to market access are preventing a genuinely reciprocal trading relationship between Europe and China."

Expanding access to the Chinese market for European goods and investment will be a key

objective in negotiations for a new EU-Chinese cooperation accord. The EU is looking in particular for better access -- even beyond Beijing's WTO commitments -- to the Chinese public sector. Another area of keen concern to the European Union is securing greater protection for industrial property rights in China, a leading source of counterfeit goods. The EU also wants China to halt subsidies in the form of grants to businesses and to reform its banking system to eliminate soft loans, offered at low rates of interest, and other forms of non-profit credit. Europe in addition is urging China to allow market forces to determine the outcome of trade in raw materials and energy products such as coal and coke.

Source: AFP, Paris 23 October 2006

EU, ACP trade pact date may be reviewed

Negotiations on a new trade pact between the European Union and the African, Caribbean and Pacific (ACP) countries on market access may extend beyond the January 2008 deadline.

The proposed trade pact promises to maintain the existing preferential market access to the ACP countries though they would be required to open their economies to imports from the EU. The EU Trade Commissioner Mr Peter Mandelson hinted that the deadline could be extended but only with approval from other members of the World Trade Organisation (WTO). "Our deadline to negotiate Economic Partnership Agreements (EPAs) is January 2008 when the Cotonou waiver expires, Mandelson said in a statement released by the EU offices in Nairobi. "We can be flexible - after all development is our goal, not deadlines."

He however warns the 79 ACP countries that they risked losing more as they seek a waiver from the WTO members. Kenya is among 16 African countries negotiating for EPAs under the East and Southern African block. During the first waiver granted by WTO in the late nineties, the EU was forced to initiate the 'Everything but Arms' clause that offered duty and quota free access to all poor countries.

The clause reduced export volumes from ACP countries and especially from Africa as competition from other countries intensified. We should not flaunt the deadline, but equally we have no magic alternatives to offer, and it is politically unrealistic to think that WTO members would agree to extend the current waiver, and certainly not without a hefty price," warns Mandelson. He said the EU was keen to fulfill all promises contained in the Cotonou agreement as well as abide by WTO rules. Other WTO members have challenged the Cotonou agreement that has governed trade between the ACP countries and the EU for over 30 years.

The agreement has been found to discriminate against other countries exporting goods and services to the EU.

Source: East African Standard, South Africa, 24 October 2006

WTO Report Says Vietnam Ready to Join As I50 Member.

Vietnam has succeeded in introducing the reforms necessary for it to join the World Trade Organization and become the world body's 150th member, according to a WTO draft report obtained Monday by The Associated Press. Vietnam is Asia's best performing economy after China. The Asian Development Bank last month projected Vietnam's economy would expand by 7.8 percent this year. With a population of 84 million, Vietnam is the second most populous country behind Russia still outside the WTO. Hanoi has been seeking membership since 1995.

The 263-page report by a group of diplomats involved in the communist country's negotiations with the Geneva-based body said they had examined Vietnam's foreign trade policies and concluded it should be invited to accede to the Marrakech Agreement establishing the WTO. "This report, dated Oct. 19, will be addressed at a meeting later this week. The panel is expected to recommend the WTO's 149 members call a November meeting to formally invite Vietnam to join. Once Vietnam's membership has been approved, the country has to ratify the deal. Vietnam can then become a full member after 30 days, meaning it could join as early as December, but still not in time for when it hosts the Asia Pacific Economic Cooperation forum in mid-November. Eirik Glenne, the Norwegian ambassador who chairs the group of diplomats, could not be reached for comment. Messages left with his deputy, Stiro Henning, also went unanswered. Glenne said earlier this month that a final deal was close to completion. Minor points such as trade in spirits were believed to have been the last sticking points. Vietnam cleared a major hurdle in May when it finished final bilateral market-access negotiations with the United States, even though the U.S. Congress has yet to vote on granting Vietnam permanent normal trading relations. However, it is expected that Washington will allow Hanoi to join the WTO, with the country only enjoying the full benefits of trade with the U.S. once Congress has passed the measure. Under the trade body's rules, each member had the right to seek its own trade deal with a candidate before approving that candidate's membership. The bilateral deals negotiated by individual members are eventually consolidated so that all members trade with the new member under the same conditions.

One topic thought to have been outstanding on the multilateral front was Washington's insistence that labor rights be included in the terms of accession. The report, however, does not refer to working standards. As a WTO member, Vietnam would benefit from the removal of quotas that limit textile exports to Europe and the United States. But industries would also lose subsidies and tax breaks, putting pressure on them to raise their standards without government protection. On the other side, American textile groups

have warned lawmakers that allowing Vietnam into the WTO will lead to a flood of cheap clothing into the United States and the loss of American jobs. The European Union earlier this month decided to impose antidumping duties on Vietnamese shoe imports, alleging that Hanoi was unfairly subsidizing shoe manufacturers, leading to a flood of below-cost goods in Europe.

Source: Associated Press, Reuters, Geneva, WTO, 24 October 2006

India, others back EU to check inflated US dumping margins

Thailand, Brazil and Japan have decided to back the European Union (EU) in its fight against the US for continuing use of the faulty 'zeroing methodology' for calculating dumping margins — resulting in inflated anti-dumping duties. For instance, the US imposed anti-dumping duties on Indian shrimps last year based on margins calculated using the zeroing methodology.

In a communication submitted to the World Trade Organisation's dispute settlement body (DSB), India has expressed interest in participating in the consultations on the issue requested by the EU. India has claimed that it has substantial trade interest in the discussions as some exports from the country to the US were also subject to measures similar to those cited by the EU.

The margin of dumping is calculated by the US by comparing the average normal value of the investigated products and the individual export prices. When adding up the results of these comparisons to determine the total amount or margin of dumping of the product, it puts at zero any negative amounts of "dumping" (hence the name zeroing). As a result, the United States calculates a margin of dumping and collects an amount of anti-dumping duty in excess of the actual margin of dumping practiced by the companies concerned.

The EU, in its representation, pointed out that the US uses this methodology systematically in all its annual reviews of anti-dumping orders and so-called administrative reviews. The EU added that the WTO's Appellate Body had ruled on an earlier occasion that the US' use of zeroing in its administrative reviews was inconsistent with the anti-dumping agreement of the WTO. The Appellate Body also confirmed that the United States Department of Commerce employed a "zeroing methodology" in calculating the margin of dumping in its administrative reviews.

Speaking to ET, official sources said that India wanted to particularly discuss the issue of zeroing being used in the calculation of anti-dumping duties on Indian shrimps by the US. India also wants that the US should be persuaded to give up the faulty technique altogether so that future imports to the country do not get unduly affected.

Source: Times News Network, 24 October 2006

Russia Approaches the WTO via Iran

Condoleezza Rice Discusses a Package Deal between Russia and the US

Yesterday United States Secretary of State Condoleezza Rice concluded a visit to Moscow, completing the final leg of a weeklong tour that has taken her to Tokyo, Seoul, and Beijing. The main goal of her trip was said to be to put increased pressure on North Korea, but the Korean problem turned out not to be at the top of the agenda. Ms. Rice's trip to Moscow resembled a trading fair, where a whole variety of problems, from Iran to Russia's WTO accession, were discussed. The Kremlin's position on every topic was harsh in the extreme. However, Kommersant has learned that Russia is proposing to finally decide all of the questions on the table at the meeting between presidents Putin and Bush in November at the APEC summit in Hanoi.

Condoleezza Rice spent less than twenty-four hours in Moscow: she arrived in the Russian capital at noon on Saturday and left for Washington early yesterday morning. After starting her visit with a meeting with Russian Foreign Minister Sergey Lavrov, Ms. Rice spent two hours in negotiations with Russian President Vladimir Putin, and yesterday she had dinner with Deputy Prime Minister and Defense Minister Sergey Ivanov. In addition, on Saturday evening Ms. Rice met in the Marriott Hotel with journalists from "Novaya Gazeta." In her remarks opening the meeting, Ms. Rice expressed her condolences to slain journalist Anna Politkovskaya's son Ilya, who was attending the meeting, and spoke of the importance of preserving freedom of the press in Russia.

The fact that Ms. Rice was not in the Russian capital only to talk about North Korea, which had been the main topic of her trip around Asia, was no secret either in Washington or in Moscow. Both sides were aware that, although the negotiations would be complicated, it was imperative to move forward with them. "We have many questions, and the Americans also have many questions for us. This meeting will be a good reason to synchronize our watches," said Russian Deputy Foreign Minister Sergey Kislyak, explaining the idea behind Ms. Rice's visit to Moscow, which was undertaken on Washington's initiative.

A "Repentant" Kim Jong-il Aids Moscow

Under the circumstances of the escalation of the North Korean nuclear crisis, it was inevitable that the Korean question would grab the position of top item on the agenda.

Part of Condoleezza Rice's task was to attempt to convince Moscow to continue to exert severe pressure on Pyongyang by implementing UN Security Council resolution #1718 concerning North Korea.

However, Ms. Rice's already difficult task was unexpectedly further complicated by North Korean leader Kim Jong-il. On the eve of her arrival in Moscow, the Chinese representative, fresh from a meeting with Kim Jong-il, announced the sensational news that the North Korean leader had supposedly promised to not carry out any more nuclear tests, apologized for carrying out North Korea's first test on October 9, and even expressed his readiness to return to the table for the six-sided talks. If, of course, the US would make concessions to Pyongyang in return.

Kim Jong-il's initiative threatened to seriously undermine Ms. Rice's hand. However, in her reaction Ms. Rice rose to the occasion and confirmed her reputation as an experienced diplomat. Upon arrival in Moscow, she immediately attempted to present the news as a replay of the North Korean leader's previous broken promises, stating that she doubted the sincerity of Pyongyang's intentions to renounce further nuclear tests. "I am not certain whether Kim Jong-il actually talked about that," she said in response to the latest move by North Korea. Ms. Rice made it clear that this may simply be the latest of "Kim Jong-il's jokes."

Nevertheless, the news of the "repentant" Kim Jong-il noticeably lightened the task facing the Russian side, which, according to Kommersant's sources, was aimed at recommending to the United States that it not rush into taking further harsh measures against North Korea. According to sources, during the negotiations Moscow proposed that Washington give Kim Jong-il time to think over the signal sent by the UN Security Council and suggested that the US block the introduction in the UN General Assembly (GA) of an anti-Pyongyang resolution authored by Japan (the Japanese side has already given the accompanying text to the GA's First Committee).

Moscow's main suggestion to Washington on the Korean question was that the US agree to direct talks with Pyongyang, a move which, according to the Kremlin, would allow the situation on the Korean peninsula to be extracted from the current deadlock.

Moscow Helps Tehran

Iran was another pressing question in Ms. Rice's talks in Moscow. Despite the differences between the two nuclear crises, the Russian side made sure that Ms. Rice understood that in neither case does Moscow intend to blindly fall in line with America's call to punish Iran using whatever weapons can be found in the UN's arsenal. Moscow also stressed that the degree of its further support of a future UN Security Council resolution on Iran, as was the case with the resolution on North Korea, will be contingent upon the concessions that the US is prepared to make to Russia.

One of the concessions that Moscow is counting most on is an immediate repeal of sanctions imposed by the American side against the chiefs of the Russian companies "Rosoboronexport" and "Sukhogo," which have been accused of being in cahoots with Iran. In particular, according to Kommersant's sources, the question of sanctions against Russian companies was discussed in detail during the meeting between Ms. Rice and Vladimir Putin. The sanctions were introduced soon after Mr. Putin's July meeting with George Bush in Saint Petersburg, which many observers called "effective."

Meanwhile, as in the situation with Pyongyang, Ms. Rice's arrival in Moscow coincided with a new "peaceful initiative" from Tehran, which announced that it may impose a moratorium on its work on the enrichment of uranium, but only after a new round of talks with the "group of six." And although the novelty of this initiative was far from indisputable, Moscow profited by the opportunity to present the Iranian initiative to Ms. Rice as a result of explanatory work carried out by Russian Security Council head Igor Ivanov during his recent visit to Tehran. Seizing on the "Iranian initiative," Moscow reminded Condoleezza Rice that sanctions against Iran should not be an end in themselves and that if the question of imposing them should arise, then they will be carefully meted out in stages and will chiefly involve bans on Tehran acquiring nuclear technology.

Moscow Demands a Ticket into the WTO

According to a statement released on Saturday by presidential press secretary Aleksey Gromov, during their meeting Vladimir Putin and Condoleezza Rice discussed "future Russian-American contacts on the highest level." According to Kommersant's sources close to the Kremlin, the discussion involved the organization of a "full-scale meeting" between Putin and Bush during the Hanoi talks scheduled for November 18-19 as part of the yearly APEC summit. According to Moscow's design, the next meeting between the leadership of the two countries should remind the world of several forgotten successes of the G8 summit that took place last July in Saint Petersburg.

However, for that to happen, several agreements that have not been being discussed recently in relations between Russia and the US will have to be brought back to the table. According to Moscow, the first such agreement should be the elimination of the last obstacles on Russia's path of accession to the WTO. In the opinion of the Russian side, the conclusion last week in Geneva of a two-sided consultation on two unresolved questions – the defense of intellectual property rights and the conditions for the import of beef and pork into Russia by the United States – shows that a joint WTO protocol can be signed by the beginning of November. In conjunction with this, during the upcoming summit in Hanoi Moscow intends to remind Washington again of the necessity of immediately repealing the Jackson-Vanick amendment. Moscow is convinced that keeping the "anachronistic amendment" will preclude the WTO from fulfilling its basic purpose of ensuring the most advantageous trading regime. The Kremlin has made it known that if Washington removes the objections that are keeping Russia out of the WTO, Moscow will be prepared to make several concessions on the problems that are the biggest thorns in America's side: North Korea and Iran.

Source: Turkish Press, Mostak Press, Moscow, 20 October 2006

Switzerland looks to free trade accords after WTO failure

Switzerland is looking to boost its free trade accords with other countries following the collapse of world trade talks, the country's top economics official said on Sunday.

With the stalemate of the Doha Round of global trade talks, Switzerland has to consider bilateral free trade agreements as the "second best solution," Jean-Daniel Gerber, head of the State Secretariat for Economic Affairs (Seco), said in a newspaper interview.

The Doha Round collapsed in July after the breakdown of negotiations in Geneva between the six leading members of the World Trade Organization.

Analysts said the last-ditch talks between the European Union, the United States, Japan, Brazil, Australia and India failed due to the intransigence of Washington and Brussels to give ground on agriculture.

Switzerland, which has a strong farmers lobby, has always rejected WTO calls to lower farm subsidies and import tariffs on agricultural products, but has pushed for liberalization of services and lower tariffs for industry.

In an interview in the German-language *SonntagsZeitung*, Gerber said the impasse at the WTO had prompted Seco to reconsider its foreign trade policy. "Now we have to strive for the second best solution and that is free trade agreements," he told the newspaper.

Seco has restarted negotiations with Canada on the issue and is hoping to conclude an accord by early next year, he said.

Earlier this year, hopes of serious negotiations on such a Swiss-U.S. free trade accord were dashed over differences on agriculture.

Gerber added that Switzerland was also working with Thailand, Egypt and members of the Gulf Cooperation Council - United Arab Emirates, Bahrain, Kuwait, Oman and Qatar - to find free trade solutions. Japan is also on the agenda.

Source: Xinhua, China, 20 October 2006.

China auto parts row set to intensify at WTO: US official

An uncompromising China is on collision course with the United States and other trading partners in a WTO row over auto parts, a US trade official said.

The case is likely to become the first involving China to wend its full way through the World Trade Organisation's dispute settlement process, Deputy US Trade Representative Karan Bhatia said.

Bhatia was to visit China next week to press a raft of US trade demands, including an end to Chinese subsidies that he argued protect state-owned industries from foreign competition.

China last month blocked an attempt by the European Union, the United States and Canada to seek a WTO ruling on the legality of Beijing's tariffs on foreign auto parts.

However, WTO members can only use the blocking tactic once and arbitration panels are usually created at the next session of the Geneva body's dispute settlement body. "We've had no indications from the Chinese that they're prepared to address this area to our satisfaction and so I fully do expect the panel will be formed," Bhatia told reporters. The auto case was "symptomatic of policies in other areas, where we're concerned we're seeing signs that China, either through subsidies or through policies that favour domestic industries, are distorting the playing field". Bhatia was to meet Ministry of Commerce and other Chinese officials in Beijing at the end of next week, after starting his visit Tuesday with stops in the cities of Dalian and Shenyang.

He described the visit as a routine update on bilateral trade headaches, and said the talks would feed into a new "strategic economic dialogue" announced during a visit to China last month by Treasury Secretary Henry Paulson. The top-level dialogue is expected to convene for the first time in Beijing in December.

The auto parts complaint is only the second against China since it joined the WTO at the end of 2001. In March 2004 the United States took China to the WTO over tax breaks for Chinese computer chip

makers. But the two sides negotiated an end to the dispute four months later, and the WTO did not need to be called in.

China must abide by its trade promises, both to the WTO and bilaterally to the United States, Bhatia said. "Needless to say that we believe it's critically important that commitments made be commitments honoured," he said.

Source: AFP, Washington, 20 October 2003.

Adhere to WTO and enjoy trade balance, EU set to tell Chinese

The European Union, in a statement to be issued tomorrow, will call on China to adhere fully to its WTO commitments if it wants to enjoy balanced trade relations with its number one commercial partner. "For the relationship to be politically and economically sustainable, China needs to demonstrate its commitment to open markets, fair competition and responsible leadership," the EU is to say in a political orientation note, according to a European source. It is also the message that EU Trade Commissioner Peter Mandelson will take to the Chinese government when he visits Beijing in early November.

The statement, to be issued by the EU executive commission in Strasbourg, will recall that "China is probably the single-most important challenge for EU trade policy in the years to come. "The 25-member European Union is China's leading commercial partner, accounting for 19% of Chinese foreign trade. China today is the primary source of imports on the EU market. But with a middle class increasingly attracted to European products, China is also a key market for the EU, which saw its exports to the Chinese market soar 69% between 2000 and 2005, a much more rapid expansion than with the rest of the world. Tuesday's statement will urge Europe "to develop and consolidate areas of comparative advantage in high-value and high-tech design and production."

But it will also assert that in Europe "there is a growing perception that incomplete implementation of WTO (World Trade Organisation) obligations and new barriers to market access are preventing a genuinely reciprocal trading relationship between Europe and China." The note will reaffirm the EU's preference for resolving trade disputes "through dialogue and negotiation" but will also make clear that it "will not hesitate to make use of the WTO dispute settlement mechanism," as it has done in disputes with China over its exports of shoes and textiles.

Expanding access to the Chinese market for European goods and investment will be a key objective in negotiations for a new EU-Chinese co-operation accord. The EU is looking in particular for better access - even beyond Beijing's WTO commitments - to the Chinese public sector. Another area of keen concern to the European Union is securing greater protection for

industrial property rights in China, a leading source of counterfeit goods. “China must implement its WTO obligations both in law and on the ground and provide effective deterrence against counterfeiting,” the EU statement is to say. The EU commission wants China to halt subsidies in the form of grants to businesses and to reform its banking system to eliminate soft loans, offered at low rates of interest, and other forms of non-profit credit. Europe in addition is urging China to allow market forces to determine the outcome of trade in raw materials and energy products such as coal and coke. The EU commission in its Tuesday statement will say it intends to “make a major effort to assist EU companies doing business with China.” The panel is undertake a feasibility study on the opening in Beijing next year of a ‘European Center’ and will extend until 2010 a programme to teach Mandarin Chinese to EU officials.

Source: AFP, Brussels 23 October 2006

Small Vulnerable Economies group achieves milestone at WTO

The OECS Technical Mission to the World Trade Organisation (WTO), working with the Small Vulnerable Economies group, has won a symbolic victory for small States. This victory has been realised with the General Council endorsing a package of proposals that seeks to accommodate the needs of small States in the implementation of obligations arising out of membership in the WTO.

The acceptance by the General Council, the highest decision-making body at the WTO, of this package of proposals, now provides legal certainty to donors, that where practicable, multilateral agencies could target regional bodies for the disbursement of technical and financial assistance. While the option of direct multilateral support to regional bodies has always existed, explicit recognition by the WTO of this option will

greatly assist regional bodies in attracting multilateral technical assistance. In this regard, the proposals endorsed, seek recognition with respect to the following WTO agreements:

The Agreement on Sanitary and Phytosanitary Measures (SPS) - this relates to food safety as well as animal and plant health;

The Agreement to Technical Barriers to Trade (TBT) – this agreement seeks to ensure that technical procedures, testing and certification procedures, do not create unnecessary obstacles to trade in industrial goods, and

The Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) – which deals with intellectual property law in international trade.

Elliott Paige, Chargé d'affaires of the OECS Technical Mission in Geneva says the successful adoption of the proposals marks the first time that the WTO has agreed to a specific package of measures put forward by the Small Vulnerable Economies group. The OECS Technical Mission to the World Trade Organisation serves the independent members of the OECS “It’s very timely from the point of view that not a lot has been happening and not a lot has happened in a positive way for small countries and for small countries to really have a sense that the WTO is also for them. They can grow. Being members of the WTO, they need to get something out of it and this is one start. It helps to build the confidence of small countries recognizing that being a member of the WTO also has some value... It’s important for the credibility of the multilateral trading system that we are all indeed treated equally.. The WTO does not normally recognize differentiation among developing countries,” Paige said.

From the inception of the WTO, small developing Members have argued that the rules of the multilateral trading system do not adequately reflect the peculiar vulnerabilities of small States like those of the OECS. To this end, small States continue to demand that the legal architecture of the WTO be made more responsive to the sensitivities of its smallest and most vulnerable Members.

While WTO rules differentiate between developed and developing Member States, those rules do not provide for further sub-categorisation of small vulnerable economies

Source: Reuters, Castries, St Lucia 23 October 2006

Suspension of WTO talks hampers US efforts to fight AWB

The suspension of World Trade Organisation (WTO) talks is making it harder for US farmers and trade officials to take action to try to end AWB's monopoly for exporting Australian wheat. The last Doha round draft called for banning or phasing out single-desk monopolies, like AWB, by 2013. But with WTO talks suspended since July, American Farm Bureau trade adviser Dave Salonsen says there is no way for the US to fight AWB. "If they are operating according to WTO rules, as they exist now and you can't see that

they're somehow not following them, there's not much opportunity, potentially, to go through a dispute settlement," Mr Salonsen said.

Australia agreed in its bilateral free trade deal with the US to address single desk trading in the WTO round. Mr Salonsen agrees internal dissent from Australian producers over prices and selling restrictions may now be the only way to achieve reform.

Source: Reuters, Australia, 23 October 2006

US Upset at China subsidies

The United States said Friday it would urge China to inform the World Trade Organization of all its subsidy programs and take action to remove those that are prohibited under global trade rules.

Stephen Norton, a spokesman for the U.S. trade representative's office, said the United States would make its request to China at a WTO review next week of Beijing's efforts to comply with its WTO obligations. "We will be urging China to provide information on the subsidies that have so far not been reported," Norton told The Associated Press in a telephone interview from Washington. "We will be urging China to withdraw immediately any prohibited subsidies that it maintains."

Earlier this week, the U.S. expressed its disappointment in China for failing to come clean on substantial subsidy programs Washington maintains are in violation of WTO

rules. It said China has withheld information on government support programs in sectors such as textiles, automobiles and semiconductors. As China's record trade surplus with the United States widens during a midterm election year, the administration of U.S. President George W. Bush has been increasingly demanding tighter WTO scrutiny of what it says are Beijing's unfair practices to gain advantage in international commerce.

China is supposed to respond at a meeting of the subsidies committee on Oct. 26. Officials at China's mission to the WTO in Geneva were not immediately available to comment. The U.S. statement was circulated to the WTO's 149 members on Monday, just a week before the global commerce body is scheduled to launch its first legal investigation into Chinese trade practices since admitting the communist country in December 2001.

The complaint — filed by Canada, the 25-nation European Union and the United States — alleges that China is breaking trade rules on tariffs it applies on foreign auto parts. The investigation could last months and even years before a final judgment, but eventually could result in punitive tariffs being imposed on Beijing. Washington's six-page document on subsidies addresses an April submission by China to the WTO in which it was required to list government handouts in all industries. China "notified several subsidies that appear to be prohibited, but without making any commitment to withdraw them," the U.S. said.

At the same time, Washington accused Beijing of failing to acknowledge at all other support programs that seem to be illegal. "The United States is concerned because the notification is incomplete, as it omits substantial subsidies that China maintains," the statement said.

The U.S. list of questions notes that China told the WTO in April it provides no subsidies to textile and apparel companies. These comments were at odds with specific information the U.S. said it had on export-linked support given by city authorities in Ningbo, a city south of Shanghai in Zhejiang province.

The United States also drew from a media report citing China Cotton Association secretary-general Gao Fang referring to "excessive lending to the textile industry" and statements by China's finance and commerce ministries outlining different support programs for Chinese clothing brands exporting to foreign markets.

China, the world's largest textile and clothing exporter, said in its April submission, "The government has no policy whatsoever that provides direct subsidy to textile and apparel companies." Washington also criticized China for failing to provide information on eight cities reportedly designated as special zones for overseas sales of cars and auto parts, with favored companies receiving preferential loans and export tax rebates.

On semiconductors, the U.S. cited a report in the International Herald Tribune that authorities in the city of Wuhan were planning to spend between US\$1.5 billion and US\$3 billion (€1.2 billion to €2.4 billion) to build a new plant. Washington asked Beijing to provide more information.

In addition, the U.S. said China's four major state-owned banks need "more fundamental reforms," reiterating concerns it has previously voiced over possible subsidies in the country's banking sector.

Washington also criticized Beijing's failure to respond openly to U.S. questions. "Transparency is one of the fundamental principles underlying the WTO agreement," the statement said. "Without sufficient transparency, the ability of members to assess China's compliance with its obligations under the subsidies agreement is compromised."

The U.S. trade deficit with China soared to US\$202 billion last year, the highest ever with a single country.

Source: Reuters, Geneva, 19 October 2006

WTO leader says agriculture is Doha 'stumbling block'

WTO Director-General Pascal Lamy says agriculture holds the key to the resumption of the Doha Round negotiations, and, until agriculture's issues are resolved, he expects little progress toward reaching a new global trade agreement.

An article on the Bloomberg.com Web site says Lamy told European Parliament members in Brussels today that he is trying to get the five-year-old negotiations restarted by meeting with countries and groups of countries to find a solution to the impasse in the Round. "We are going to try to exert more pressure so negotiations can restart," he was quoted as saying. "We want to support the tacit work that's being done, by whichever group, whichever coalition."

Lamy suspended the talks after it became apparent that negotiators for the United States, the European Union and Brazil were unable to find common ground in disputes over agricultural subsidies and tariff rules during a meeting in Geneva July 24.

The Bloomberg article said the collapse came after the United States refused to make further cuts in agricultural spending, according to Brazil, the European Union and Japan.

It did not mention the latter's refusal to reduce tariffs on agricultural imports by more than token amounts, which U.S. officials have blamed for the breakdown.

Since July, U.S. Trade Representative Susan Schwab and Agriculture Secretary Mike Johanns have met with negotiators for a number of countries to try to find a way to restart the talks. "There is no way this negotiation will resume if the agricultural stumbling block remains," the Bloomberg article quoted Lamy as saying. "If it happens, the whole train of the negotiation will restart. But we are in a political situation and, whether we like it or not, agriculture has taken precedence."

Although no official deadline has been set, WTO leaders have said a general agreement must be reached before President Bush's trade promotion authority expires next July. Under TPA, Congress must consider trade agreements on an up-or-down vote without amendment.

Most analysts believe Congress cannot pass such legislation without the trade promotion authority rules. Some also say they believe trade promotion authority will not be extended beyond the July 2007 expiration if the Democrats gain control of one or both Houses of Congress next month.

Source: farm press, 23 October 2006

Trade policy groups to discuss WTO biofuels issues

Questions are being raised as to how biofuels and its feedstocks fit in as they take a more prominent role on the world's stage. An international trade policy group is offering its recommendations for how biofuels should be treated.

The International Food & Agricultural Trade Policy Council (IPC) is releasing a paper on international biofuels trade issues Oct. 27 in Washington, D.C. Members of the Renewable Energy and International Law Project partnered on the publication. The paper will discuss how international trade rules apply to the biofuels sector, according to IPC. Items include whether biofuels and their feedstocks should be classified as agricultural, industrial or environmental goods. It also discusses which WTO rules apply to government mandates and support policies to promote the production of biofuels.

Source: Reuters, Washington, 23 October 2006

Need for a global trade pact: WTO

Poor nations will lose out if major global trade players opt for bilateral deals, including a prospective deal between India and the EU, instead of working toward a global trade pact, WTO director general Pascal Lamy said on Wednesday. "Most (WTO nations) cannot afford to ride two horses," Lamy told a conference organised by UNICE, a major EU business lobby, warning that spending time negotiating bilateral deals can hurt the current push towards a global WTO agreement. "All efforts (should be) on getting a multilateral deal. In the case of a failure, the poorest will be hit the hardest," Lamy said.

The EU and India last week agreed to push ahead with negotiations next year for a bilateral deal. The EU also is looking for free trade deals with South Korea, Russia and nations in South America and the Middle East to keep trade links open if a WTO deal proves impossible in the short term. EU Trade Commission Peter Mandelson insisted the EU was not the only one involved in talks on bilateral agreements, saying the United States was negotiating about 14 such deals. But Lamy said most developing countries have more problems with issues that needed to be tackled at WTO level, rather than bilaterally. "Most developing countries have more problems with subsidies, with anti-

dumping than they have with tariffs. These are systemic issues," he said. Talks on a new WTO deal have stalled in July over a dispute on farm subsidies, amid accusations of self-interest by the major players.

Source: Associated Press, 20 October 2006

Developing countries complain at WTO about EurepGAP

Developing countries have complained at the World Trade Organisation (WTO) about the standards for supermarket suppliers, such as EurepGAP. Those standards, for example for pesticides, are not required by governments.

The complaining countries, Egypt, Argentina, Indonesia, South Africa, Belize, Cuba, the Dominican Republic, Kenya and the Canarian island Saint Vincent, claim that the small growers in their countries are the victim of the standards. They also claim this is the government's responsibility.

Within the WTO, agreements have been made about the standards. Therefore, countries can't abuse regulations to disturb the trade in other countries. The European Union's opinion is that the EurepGAP standards are the result of customer demands.

Source: Zibb.nl, Reuters, 23 October 2006

WTO's Lamy Warns About Bilateral Deals

Poor nations will lose out if major global trade players opt for bilateral deals instead of working toward a global trade pact, WTO director general Pascal Lamy said Tuesday. "Most (WTO nations) cannot afford to ride two horses," Lamy told a conference organized by UNICE, a major EU business lobby, warning that spending time negotiating bilateral deals can hurt the current push towards a global WTO agreement "All efforts (should be) on getting a multilateral deal. In the case of a failure, the poorest will be hit the hardest," Lamy said. The EU and India last week agreed to push ahead with negotiations next year for a bilateral deal. The EU also is looking for free trade deals with South Korea, Russia and nations in South America and the Middle East to keep trade links open if a WTO deal proves impossible in the short term.

EU Trade Commission Peter Mandelson insisted the EU was not the only one involved in talks on bilateral agreements, saying the United States was negotiating about 14 such deals. But Lamy said most developing countries have more problems with issues that needed to be tackled at WTO level, rather than bilaterally. "Most developing countries have more problems with subsidies, with anti-dumping than they have with tariffs. These are systemic issues," he said. Talks on a new WTO deal have stalled in July over a dispute on farm subsidies, amid accusations of self-interest by the major players. Only an ambitious WTO pact can guarantee a real opening of global trade that can drag poor countries out of poverty. Mandelson said the draft deal on the table in July was "not the highest level of ambition, but reasonable," and criticized the United States for blocking an agreement on farm subsidies. Amy and EU officials reiterated no headway in the negotiations is expected before the U.S. legislative elections in November. "After that we will try to inject fresh dynamism by the early months of next year. Otherwise, short delays may turn into long ones," said EU Agriculture Commissioner Mariann Fischer Boel.

Source: The Associated Press, Brussels, 17 October 2006

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Source: Associated Press, Geneva, 18 October 2006

Bilateral trade talks distracting from Doha: WTO

The World Trade Organisation (WTO) has warned that a growing number of bilateral and regional trade talks risk distracting from attempts to clinch a long-elusive global deal. WTO head Pascal Lamy says smaller countries cannot focus on both the global approach to trade, such as the WTO's Doha round, and a new focus by powers such as the EU and the US on bilateral trade deals. Australia has a free trade agreement with the US. "Most of my members... cannot afford to ride both horses," Mr Lamy said in a discussion on international trade with Europe's trade chief, Peter Mandelson, and European businessmen. "There is a resource diversion problem, given the limited number of competent trade negotiators on the surface of this planet."

Mr Lamy suspended the WTO's Doha round of trade negotiations in July, nearly five years after it was launched to reduce barriers to trade, because of stubborn differences between leading WTO members, mostly over agriculture. Trade officials warn the suspension could last several years if there is no breakthrough early next year, a major

setback to the multilateral approach that is widely considered the best way to boost global trade and economic growth.

Mr Mandelson and other trade negotiators say resuming the Doha talks is their priority. The US has continued to work on bilateral deals with countries, many of them in Asia. Mr Mandelson has said the EU will also focus on trade and investment agreements with India, South Korea and south-east Asian countries.

Source: Reuters Brussels, 23 October 2006

APEC summit a chance to revive Doha: ex-WTO chief

World leaders should use an upcoming summit in Vietnam to break a stalemate in the Doha Round of world trade talks, the former head of the World Trade Organization said on Monday.

The November 18-19 summit of leaders from the Asia Pacific Cooperation bloc offers a real chance to try to revive the Doha round, Supachai Panitchpakdi, who stepped down last year as director-general of the WTO, told a trade conference in Washington.

Instead of discussing Asian economies or political ties around the Pacific, Supachai said APEC officials need to understand that "the only thing on the agenda is the round. They should be talking about how to revive the round." The meeting in Hanoi will gather leaders from the 21-member bloc, which includes the United States, China and Russia.

Together, APEC nations produce 56 percent of global economic output and account for 48 percent of world trade.

Supachai successor at the WTO, France's Pascal Lamy, said the entire world community lost in July when trade negotiators failed to break an acrimonious impasse. The Doha Round had been moving forward since 2001 but ground to a halt this summer when the United States, the European Union, and developing nations sparred over tariffs for farm goods and agricultural subsidies.

The United States say other nations have failed to lower tariffs and free agricultural trade; developing countries insist that Washington do more to curb the subsidies it pays to its own farmers. Supachai, now head of the United Nations Conference on Trade and Development, said countries should be prepared to sweeten the trade offers they've made previously. "Without a movement in any position, it is just redundant to keep talking," said the former Thai politician.

Source: Reuters, Hanoi 18 October 2006.

Aid-for-trade deals can end WTO stalemate: IFPRI

Concerned over the continuing stalemate in the WTO negotiations, the inter-governmental body, International Food Policy Research Institute (IFPRI) has suggested that developed countries should commit a development package for the least developed countries (LDCs).

According to IFPRI, the LDCs are the main losers getting a meagre benefit of 2% from the present \$55-billion global trade. A rational package by the developed countries to the LDCs, therefore, can result in a forward movement in the WTO negotiations. IFPRI is one of the 15 affiliated organisations of the Consultative Group on International Agricultural Research (CGIAR). Speaking to FE, IFPRI director-general Joachim von Braun said, "The OECD countries, global finance institutions and the World Bank should come out with a sizeable

package of aid-for-trade to the LDCs for meeting the requirements of structural changes. They should also provide increased market access to the products from LDCs. If these two things happen, the benefit from trade to the LDCs would increase to 10% from the existing 2%.”

Braun said developing countries like India, Brazil and China should also take the initiatives in breaking the present stalemate. Half of the opening up in global trade could be achieved if the developing countries open up to one another, he said.

“A free and fair global trade would benefit consumers and producers alike. If there are any adjustment problems for farmers, some adjustment period can be negotiated. Greatest losers in the free and fair trade would be the powerful agri-business corporations in the developed world and, hence, there is lack of willingness to open up agricultural markets in the OECD countries,” he said.

Braun also criticised the developed countries’ protection regime in the form of heavy subsidies. He said there was a consensus on phasing out export subsidies, but the trade-distorting effect of export subsidies was minimum.

Source: Reuters, New Delhi, 18 October 2006

Antigua-Barbuda consults with other parties to WTO Internet gaming case against the US

Antigua and Barbuda's delegation to the World Trade Organisation (WTO), led by Ambassador, Dr. John Ashe, and including Mark Mendel, Legal Adviser, and Elliott Paige, Minister Counselor, OECS Technical Mission to the WTO; held consultations in Geneva on Tuesday with representatives from the European Commission, Japan and China, who are third parties to its Internet gaming case against the United States.

Briefing Sessions were also held with representatives from Brazil, Barbados, Jamaica and Trinidad and Tobago. "Now that both sides have filed their respective submissions to the WTO Panel that will hear our case against the US claim that it is 'in compliance' with the

rulings and recommendations of the WTO's Dispute Settlement Body, and with the October 23 deadline for submissions by third party Members of the WTO, these consultations with the third parties provide us with an important opportunity to address all aspects of our case," said Dr Errol Cort, who, in his capacity as Minister of Finance and the Economy, has substantive responsibility for this issue.

WTO Ambassador, Dr John Ashe, echoed these sentiments when he noted that: "As one of the smallest WTO Members, economically and geographically speaking, my delegation is pleased with the ongoing interest and participation in this issue from two of the largest economic trading partners of the United States, namely Japan and the European Union." Kaye MacDonald, Director of Gaming, expressed her satisfaction with the involvement of third party WTO Members and praised their continued involvement in the uphill struggle against the United States. "Given the importance of the industry to our overall economy, we are pleased that the third parties, having examined the merits of our case, have decided to stay the course," she said "From the outset, the US action in this case leaves a lot to be desired and recent US Congressional actions have, in my view, further compounded the apparent disregard for the WTO's dispute settlement mechanism," said the delegation's Legal Adviser, Mark Mendel. "Firstly, the US ignored the rulings and recommendations of the DSU. Then they argued for more time to implement the same recommendations they were ignoring. And finally, after been given a total of eleven months and two days to implement these rulings and recommendations by a WTO Arbitrator, they concluded that they were 'in compliance' all along," he said. "Moral issues notwithstanding, the systemic issues raised by this case go to the fundamental *raison d'etre* of the WTO's existence," said Elliott Paige of the OECS Technical Mission to the WTO. "It would indeed be a very sad day for the WTO if the rulings and recommendations of its dispute settlement mechanism on matters of considerable economic importance to its smallest members, are completely ignored by its larger and more economically powerful members," he added.

In addition to next week's submissions by the third parties, the Panel is also expected to receive a rebuttal by Antigua and Barbuda on the US submission in three weeks' time. This will be followed by a rebuttal by the US some two weeks later. The Panel will then convene its first hearing sometime in November and issue its final ruling in January/February 2007.

Source: Reuters, Geneva, Antigua News, 20 October 2006

SME Complains about Procurement rules.

Small business leaders are urging the UK's EU commissioner, Peter Mandelson, to press for an exemption to global trade rules which they claim are squeezing small firms out of the public procurement market.

The Forum of Private Business (FPB), a lobby group which represents around 25,000 UK small firms, claims that their members should be able to benefit from an exemption to international trade rules, which forbid the favouring of small firms in procurement tendering.

Small businesses in other countries such as the United States, Japan and South Korea, are already exempt from the World Trade Organisation's (WTO) agreement on public

procurement, as a result of arrangements already negotiated by their governments. The FPB now wants Mr Mandelson, who also serves as the EU's trade commissioner, to negotiate a similar exemption for the UK and other European countries ahead of a WTO deadline in November. Speaking at a roundtable event today on the access of small firms to the public procurement process, FPB European spokesman Martin Smith said it was imperative that small businesses in the UK and the EU were able to enjoy the same advantages as their counterparts in other areas of the world. Mr Smith told those attending the Brussels meeting, organised by French trade minister Christine Lagarde, that Mr Mandelson had to "stick up" for smaller businesses at the WTO. "We need the EU to put forward a proposal to the WTO, before November, to revise the agreement. Then, we need Mr Mandelson to make sure the proposal is accepted," he added.

Mr Smith added that the UK government would subsequently need to ensure that any agreed exemption was implemented by "actively engaging smaller firms in the procurement process". "This is vital to ensure that smaller firms grow and succeed in the way they do in the US," he warned.

The FPB representative stressed that current procurement practices discriminated against small businesses and also urged the UK government to work with EU officials to try and tackle the problem. Mr Smith said that the EU should revise its own rules which prevent the use of quotas for small businesses in public tenders, claiming that they would correct, rather than cause, discrimination. "The whole expensive, bureaucratic, non-transparent public procurement process excludes smaller businesses to such an extent that a quota would actually correct, rather than create, discrimination," he said.

Source: Reuters, UK, 19 October 2006

WB chief calls for better terms for poorest WTO nations



World Bank President Paul Wolfowitz on Tuesday called on World Trade Organisation members to ensure that the poorest countries get improved terms in deadlocked talks on breaking down trade barriers.

"Whatever else comes out of Doha, there should be something special that deals with the poorest countries," Wolfowitz told a meeting of parliamentarians from around the world in Geneva.

The head of the global development bank also indicated that one of the few successes in the five-year talks, a deal struck at a WTO meeting in Hong Kong in December 2005 to grant some concessions to least developed countries, should go further.

Industrialised countries, and some developing nations, promised to give duty-free and quota-free access to "at least 97 per cent" of goods from the world's least developed countries from 2008.

Wolfowitz told the assembly of the Inter Parliamentary Union, which groups mps from 146 countries, that trading nations should "expand" on the deal on customs duties for the 32 poorest nations in the WTO.

They should be "much more generous" on preferential treatment for the poorest nations, he added in response to questioning from parliamentarians which was dominated by concern about the deadlock in the WTO talks.

In Hong Kong, some rich nations such as Japan opposed full duty free access for all goods from the poorest nations. Existing WTO agreements include some provisions granting the poorest nations "special and differential treatment" -- dispensation from some free trade measures such as extra time to implement agreements.

Source: Reuters, Geneva, 17 October 2006.

U.S. objects to Brazil's request for WTO compliance panel

U.S. cotton farmers got a reprieve when the United States blocked the formation of a WTO panel to review U.S. compliance with an earlier panel's ruling on the U.S. cotton program.

The respite is likely to be short-lived, however, because Brazil is expected to again request the panel when the World Trade Organization's dispute settlement body has its next meeting in Geneva Sept. 28.

Few doubt the WTO would balk at another public “spanking” for U.S. cotton farmers who have become the poster boys – and girls – for a campaign that appears to be aimed at trying to “level the playing field” for cotton farmers in least developed, third world countries by destroying the U.S. cotton program.

The Government of Brazil has been threatening to request a compliance panel almost since the moment USDA made the first changes to the U.S. export credit guarantee program required by the initial ruling in July 2005. “With respect to some of the recommendations and rulings, the United States has adopted no implementation measures at all,” the Brazilian government said in its request for a compliance panel Sept. 1. “The implementation measures it has adopted fall far short of compliance.”

Brazilian officials said they believe the United States has not sufficiently changed the export credit guarantee program that the WTO panel ruled contained illegal export subsidies. They also faulted the United States for not moving to eliminate cotton’s Step 2 program until the end of the 2005-06 marketing year July 31.

The WTO dispute panel had set a deadline of September 2005 for discontinuing the Step 2 payments to merchants and mills. But the National Cotton Council argued the payments should not be discontinued in the middle of the cotton-marketing year, and Congress agreed.

Brazil also claimed that the United States has failed to address the finding that the U.S. cotton program had caused “serious prejudice” against Brazilian farmers since Congress has made no changes to the U.S. marketing loan or counter-cyclical payment programs. “Given the significant – and, frankly, difficult – steps that the United States has taken to implement the recommendations and rulings, it is particularly disappointing that Brazil alleges in its panel request the ‘nonexistence of measures taken to comply,’” the United States said in its response to Brazil’s request. “The facts also fail to support Brazil’s claims,” it said. “Accordingly, the United States considers that Brazil’s request for a compliance panel is unnecessary and without basis.”

Brazil made at its request at the regular monthly meeting of the WTO’s trade dispute settlement body Sept. 1. The United States could block the first request for a compliance panel but cannot prevent its establishment if Brazil asks for it again, which it is expected to do on Sept. 28.

Gretchen Hamel, spokeswoman for U.S. Trade Representative Susan Schwab, said the United States has made several attempts to resolve the issues Brazil raised, “but Brazil did not accept our offers.”

If a compliance panel rules in Brazil’s favor, the latter could ask for permission from the WTO to impose retaliatory duties on U.S. exports. Most of those would fall on the U.S. manufacturing and services sectors since Brazil imports few farm products from the United States. When it first began threatening retaliation in July 2005, Brazil said reserved the right to impose trade sanctions of \$3 billion against the United States. Later, it said it would seek only \$1 billion.

On the day the United States blocked the initial Brazilian request on Sept. 1, Oxfam America, the U.S. arm of the British-based Oxfam International charity organization, issued a statement accusing the United States of failing to make sufficient reforms to its

cotton program. The group said the United States is still paying billions of dollars in trade-distorting subsidies to its cotton farmers, despite losing the WTO case brought by Brazil in 2005. “Trade distorting subsidies are not just unfair, they are illegal,” said Gawain Kripke, senior policy advisor for Oxfam’s Make Trade Fair campaign. “With the farm bill expiring next year, Congress has the opportunity to ensure that supporting U.S. farmers does not undermine the livelihood of millions of poor farmers in Africa and other developing countries. “It should be little surprise that a new global trade agreement – the Doha Round – has stalled considering that the United States has failed to abide by the rules of the last agreement,” he said. “Brazil is certainly within its rights to pursue sanctions, especially since the U.S. refused to negotiate serious reforms to U.S. cotton subsidies.”

The Oxfam spokesman conceded the United States has made changes to the export credit guarantee programs and has eliminated Step 2. “But these programs represent only 10 percent of the U.S. cotton, and some of the most trade distorting programs were left untouched.”

Source: Farm Press, 23 October 2006

Brazil To Discuss WTO Action Against EU Chicken Tariffs

Brazil's Foreign Trade Council, Camex, will meet Tuesday to discuss opening a dispute panel in the World Trade Organization against the EU’s tariffs on Brazilian chicken, a Camex spokesperson said.

The E.U. is increasing tariff increases on imported Brazilian processed poultry meats. The E.U. accounts for 87% of Brazil's processed chicken meat exports, up from 76% in 2005, according to the Brazilian Association of Chicken Producers and Exporters, or Abef. Brazil exported 355,000 metric tons of chicken to the E.U. between January and August, including processed chicken meat, according to Abef.

Representatives from Abef and local exporters have met with E.U. negotiators twice in September, but have not been able to reach an agreement on quotas and other trade concessions required by the General Agreement on Tariffs and Trade.

Camex is a Brazilian government committee comprised of different government ministries that meets to discuss international trade regulations.

Brazil is the world's leading chicken exporter. Abef said in a press release that it will release September trade figures and discuss E.U. trade talks on Wednesday in Sao Paulo.

Source: Dow Jones Newswires Sao Paulo, 20 October 2006.

Antigua Consults With Gaming Allies At The WTO

Tiny Caribbean state Antigua and Barbuda, trying to defend Internet gaming - one of its few economic success stories - against the mighty United States, consulted this week at the WTO in Geneva with the EU, Japan and China, who have joined its WTO dispute as third parties.

Although the WTO ruled more or less in favour of Antigua last year, and required the US to amend its legislation to permit Antiguan gaming operations to offer their services to US citizens on a level-playing field, the opposite has happened, with the US not only stubbornly refusing to do any such thing, but now passing legislation to criminalize banks or payment processors who assist in e-gaming across state or international borders.

Antigua, with the agreement of the US, has asked for a 'dispute resolution panel' at the WTO, which will rule on the US' compliance - or otherwise - with the WTO's decisions. The assistance of the third parties will be seen as crucial to Antigua's chances of success, although it seems to be shooting for the moon to suppose that the US will easily put aside its recent legislation. "This baldly protectionist legislation, tacked on to a major security bill at the last possible minute, is as contrary to the decision of the WTO in our case as can possibly be imagined," said lawyer Mark Mendel, who leads Antigua's WTO legal team. "Expanding domestic remote gambling while at the same time further impeding our operators the right to provide these services - which the United States committed to do under the WTO agreements - is almost impossible to comprehend." Perhaps things will look different after the upcoming mid-term Congressional elections. "Now that both sides have filed their respective submissions to the WTO Panel that will hear our case against the US claim that it is 'in compliance' with the rulings and recommendations of the WTO's Dispute Settlement Body, and with the October 23 deadline for submissions by third party Members of the WTO, these consultations with the third parties provide us with an important opportunity to address all aspects of our case," said Dr Errol Cort, Antigua's Minister of Finance and the Economy.

Caribbean Net News reports that Kaye MacDonald, Director of Gaming, expressed her satisfaction with the involvement of third party WTO Members and praised their continued involvement in the uphill struggle against the United States. "Given the importance of the industry to our overall economy, we are pleased that the third parties, having examined the merits of our case, have decided to stay the course," she said. "From the outset, the US action in this case leaves a lot to be desired and recent US Congressional actions have, in my view, further compounded the apparent disregard for the WTO's dispute settlement mechanism," said the delegation's Legal Adviser, Mark Mendel. Antigua-based operators are thought to account for 25% of the estimated \$12 billion wagered online by American punters every year. Apart from the new legislation, Antigua has been alarmed by other recent developments such as the June 1st indictment against BetonSports, effectively shutting down the company which ran its US internet business from Costa Rica and Antigua, and the attempted extradition levelled at the chairman of Sportingbet, Peter Dicks, by the Louisiana authorities, who accused him of "gambling by computer", thereby violating the state's morality laws. Costa Rica, Alderney, Gibraltar, Malta and the Isle of Man will be among the e-gaming centres anxiously watching the progress of Antigua's case in Geneva.

Source: Tax-News.com, Reuters, Brussels 20 October 2006

"Making Globalization Work": Nobel winner's fresh views on globalization

If a compromise may be found between the business supporters of trade and the anti-traders who staked out downtown Seattle on Nov. 30, 1999, Joseph E. Stiglitz is trying to define it. In "Making Globalization Work," he offers a center-left version of a globalized world.

Stiglitz has the right credentials. He was a winner of the Nobel Prize in economics, for information theory. He was the top economist for President Clinton and after that, for the World Bank. In the latter position he met often with poor-country governments, and in his new book — a follow-up to "Globalization and Its Discontents" — he argues their case against the wealthier lands of East Asia and the West.

The poor countries have too much debt, he says, and it is largely the fault of the lenders. The debts should be forgiven, and followed by large increases in foreign aid. The poor countries have gotten back too little from trade deals, he says. They should be given free access to rich-country markets, and the fat countries should quit featherbedding their farmers.

In trade talks, Stiglitz writes, "The job of Western trade negotiators is to get a better trade deal for their countries' industries." The U.S. trade negotiator pushes for intellectual-property rights so that Americans can get paid for what they invent. At the same time, Congress blocks poor-country products with one-sided anti-dumping laws, an outrageous sugar quota and a ridiculous subsidy to cotton growers.

It is good to hear the arguments of Third World nations about this inequitable state of affairs. Americans should hear them more often.

But Stiglitz is hardly evenhanded; he is making a case. He brushes aside rich-country bellyaches, such as the U.S. trade deficit with China. He caricatures the views of his opponents, saying they believe that their undiluted version of free trade will make everyone better off, when what they actually believe is that by lowering prices it will make most people better off. Stiglitz highlights the flaws of markets, but he is not equally tough on the deficiencies of government economic policies or the failures of foreign aid.

His book is flavored with a deep distaste for inequality. "Those who are concerned about inequality see much of it arising out of luck — the luck of being born with good genes or rich parents or the luck of buying a piece of real estate at the right time," he writes." Those who are less concerned feel that wealth is a reward for hard work."

It is, of course, a combination of the two. Free-traders would give freer rein to luck in order to maximize overall economic gain. Stiglitz would not. Stiglitz was an official in the last Democratic administration, and this book might be a source of ideas in the next one if it leans far enough left. He criticizes the Kyoto accords on greenhouse gases, not because they let China and India off the hook, but because they grandfather in the effluents of the rich. "By what right are the developed countries entitled to pollute more?" he asks.

He proposes a set of green tariffs to offset damage to the Earth. He has tried out the idea on officials, and he says they liked it but tended to see it as "the equivalent, in the trade arena, of declaring nuclear war." He also proposes a global anti-monopoly authority.

Some of these may seem like impossibly radical ideas now, but you never know. Books like "Making Globalization Work" — and it is an intelligent, feisty, partisan volume — are where such ideas get their first popular airing.

Source: Joseph E. Stiglitz, The Seattle Times Company, 24 October 2006

India pushes for access to pros in South Korea

India is looking forward to increased market access for Indian professionals in South Korea as part of the India-Korea comprehensive economic partnership agreement (CEPA), which is under negotiation now.

New Delhi has urged Seoul to enter into mutual recognition agreements in a large number of service sectors including tele-communication, tourism, transport, audio-visual, accountancy, architecture, information technology, software, construction and engineering.

While South Korea is keen on MRAs for sectors like IT, software and construction, sources said that India will need to negotiate hard to get concessions in other sectors. When countries enter into MRAs, they recognise qualification certificates awarded to professionals in each other's countries making it easier for service providers to enter the market of the partner country. Officials said that although the joint study group (JSG) report has recommended MRAs in a host of sectors, negotiators from South Korea appeared to move slow in these areas in the subsequent meetings of the trade negotiations committee (TNC). "It appears that they want to use services as a bargaining chip, while negotiating other aspects like goods and investment. We are optimistic that the final agreement will be quite agreeable to Indian professionals," an official said.

To remove barriers to trade in services, the JSG has come up with a string of recommendations. It calls for inclusion of all services sectors and all modes of supply being covered by the General Agreement on Trade in Services under the World Trade Organisation (WTO). The JSG report states that commitments by both countries will cover a wide range of service sectors with special emphasis on areas like software and IT-related services, financial services, telecommunication, transport and construction services.

As per plans, the CEPA is to be concluded by the end of '07. Important issues like negative lists (list of items to be excluded from the bilateral agreement) and rules of origin are yet to be sorted out.

Source: Times News Network, New Delhi, 22 October 2006.

China auto parts row set to intensify

An uncompromising China is on collision course with the United States and other trading partners in a WTO row over auto parts, a US trade official said on Friday. The case is likely to become the first involving China to wend its full way through the World Trade Organisation's dispute settlement process, Deputy US Trade Representative Karan Bhatia said.

Bhatia was to visit China next week to press a raft of US trade demands, including an end to Chinese subsidies that he argued protect state-owned industries from foreign competition. China last month blocked an attempt by the European Union, the United States and Canada to seek a WTO ruling on the legality of Beijing's tariffs on foreign auto parts. However, WTO members can only use the blocking tactic once and arbitration panels are usually created at the next session of the Geneva body's dispute settlement body. "We've had no indications from the Chinese that they're prepared to address this area to our satisfaction and so I fully do expect the panel will be formed," Bhatia told reporters.

The auto case was “symptomatic of policies in other areas, where we’re concerned we’re seeing signs that China, either through subsidies or through policies that favour domestic industries, are distorting the playing field”. Bhatia was to meet Ministry of Commerce and other Chinese officials in Beijing at the end of next week, after starting his visit on Tuesday with stops in the cities of Dalian and Shenyang. He described the visit as a routine update on bilateral trade headaches, and said the talks would feed into a new “strategic economic dialogue” announced during a visit to China last month by Treasury Secretary Henry Paulson. The top-level dialogue is expected to convene for the first time in Beijing in December. The auto parts complaint is only the second against China since it joined the WTO at the end of 2001.

Source: AFP, Washington, Reuters, New Delhi, 22 October 2006

India to take up pro-piracy issues at WTO Meet.

India’s proposal to the World Trade Organisation (WTO) for checking bio-piracy and protecting traditional knowledge will be taken up at the WTO’s Trips Council meeting scheduled later this month. The two-day meeting beginning October 25 will also review implementation of the agreement on Trips and public health.

The meeting is important for India as it has strongly taken up the issue of introducing a mandatory requirement for patent applicants to disclose origin of the biological resource being patented. The country has also contended that there should be proper benefit sharing with the country of origin of the patented resource.

In fact, India is heading a group of nine developing countries which includes Brazil, China, Pakistan, Colombia, Cuba, Thailand and Tanzania, which is trying to convince the WTO to frame multilateral rules to check bio-piracy. Speaking to ET, official sources said that India’s demand was well within the framework of the Doha development agenda which was guiding the on-going negotiations at the WTO.

Since disclosure of origin is part of the convention on bio-diversity (CBD) and the Doha

agenda talks about bringing about parity between CBD and Trips, developing countries are well within their rights to demand that the requirement of disclosure should be made mandatory under Trips. Developed countries, especially the US, have made several efforts to patent the properties of biological products like neem and turmeric, which Indians have been using for centuries. The US government revoked patents on certain uses of neem and turmeric when India challenged the decision. Despite the small victories, the developed countries have been extensively using products growing in the developing world in their patented products without paying royalty.

The Trips meeting will also review the Agreement on Trips and Public Health, which was signed at the WTO ministerial meet in Cancun in September '03.

Source: Times News Network, 23 October 2006