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WTO warns China on free trade agreements

WTO chief Pascal Lamy on Wednesday warned that China's pursuit of separate bilateral and regional free trade agreements would harm its long-term commercial interests. "Free trade agreements, whether bilateral or regional, cannot, in my view, replace the WTO," Lamy said in a speech in China's commercial hub of Shanghai. "These may serve China's geopolitical interests or short-term commercial interests, but not China's systemic interests in the long-run," Lamy said, according to a copy of his speech distributed to journalists.

China is currently in negotiations with Australia and several other countries and trade blocs on such agreements, seeking to leverage better trade terms for its fast expanding economy. The World Trade Organization, however, aims to forge a global trade treaty among its 149 members _ an endeavor that collapsed in July over disagreements between rich and poor nations, particularly over lowering barriers to farm trade. Free trade agreements, or FTAs, are "by nature discriminatory to nonparties," Lamy said, and do not "constitute an alternative option for China, given the volume of its foreign trade. "If FTAs continue to proliferate worldwide, as China would not be able to be involved in most of the FTAs in the world, the environment of China's exports will deteriorate, not improve," he said.

Lamy, who met with Chinese Premier Wen Jiabao on Tuesday, urged China to redouble its efforts toward a successful conclusion of the current Doha round of WTO trade negotiations, saying the country would be a major beneficiary of an agreement and has a "long-term interest to safeguard the multilateral trading system." "A successful Doha Round can provide China a stable and predictable global trading environment and offer the prospects for another 10-15 year period of peaceful economic development," Lamy said.

Lamy said a WTO agreement would protect China from a possible rise in trade protectionism, expand multilateralism, and ensure an adequate food supply for China's 1.3 billion people through lower agricultural tariffs. But Wen and Commerce Minister Bo Xilai have signaled that China does not plan to take a leading role in reviving the WTO negotiations, with saying earlier this week that the breakdown in talks had "nothing to do with China."

On Tuesday, Wen urged developed nations to make concessions to help restart the talks, expressed China's support for a global trading system and "opposes trade protectionism," according to the Chinese government's Xinhua News Agency. Lamy broadly praised China's implementation of its commitments to the WTO, which it joined five years ago. China's reduced import duties averaging 9.7 percent were among the lowest in the developing world, Lamy said. However, he said China needed to work harder to crackdown on

intellectual property right violations and tear down trade barriers erected after import tariffs were lowered.

Improving copyright protection is "also in China's own interests in the long run," Lamy said.

Source: The Associated Press, Shanghai, China, 6 September 2006

Japan To Support Bangladesh In WTO Talks In Brazil

Japan has assured Bangladesh of its support in getting duty-free access of its products to the global market in the coming World Trade Organization (WTO) meeting to be held in Brazil this month.

Japanese Ambassador in Bangladesh Masayuki Inoue made the assurance when he met Commerce Minister of Bangladesh Hafiz Uddin Ahmed at his Secretariat office in Dhaka on Tuesday.

The envoy told the minister that his country would support Bangladesh in principle in the WTO talks, a press statement says.

The commerce minister requested the diplomat to take steps to import more products from Bangladesh to reduce the existing trade gap between the two countries. "Japan can import jute, jute goods, leather, leather goods, readymade garments and tea," the minister says.

Bangladesh mainly exports shrimp, leather, jute goods, readymade garments, frozen foods, knitwear, raw jute and handicrafts to Japan while it imports machinery, electric equipment, vehicles, garments and spare parts of garment industries, plastic goods and chemicals from Japan.

In Fiscal year 2004-05, Bangladesh exported goods worth.

Source: AHN, Dhaka, Bangladesh, 5 September 2006.

WTO talks stalled until US elections'

Collapsed WTO free-trade talks are unlikely to be revived before mid-term US Congressional elections in November, EU Trade Commissioner Peter Mandelson said on Tuesday. Quite frankly, we will have to wait until after the mid-term elections in the US are over for the negotiations to move again, he told lawmakers at the European Parliament. Five years of talks at the World Trade Organization (WTO) ground to a halt in July after negotiators failed to hammer out the framework for an agreement.

The current Doha round of trade talks, which opened in the Qatari capital in 2001, was aimed at removing agricultural and industrial trade barriers and using commerce to give developing countries a boost. It was meant to yield a trade treaty by the end of 2004, but the target was later shifted to December 2006. Mandelson said that the current impasse is not due to any institutional deadlock and that a solution requires political will from certain WTO members.

The EU trade chief has consistently accused Washington of not sacrificing enough of its support for its farmers in the talks, which he said was in turn keeping other big emerging countries from making more ambitious offers.

Source: AFP, Stasbourg, 5 September, 2006

Finland Contributes EUR 500K To WTO Technical Assistance.

Finnish Government has donated EUR 500,000 to support technical assistance and training activities in favour of least-developed countries. Finland donated to the WTO Doha Development Agenda Global Trust Fund EUR 500,000 (CHF 785,000). This contribution will be used to finance activities contained in the WTO Annual Technical Assistance Plans targeted at the needs of least-developed countries. "I am extremely grateful to Finland for financing WTO technical assistance activities," said WTO Director-General Pascal Lamy.

With a total contribution of CHF 4.3 million since 2001, Finland is the eighth biggest voluntary contributor to WTO's technical assistance and training activities in the context of the Doha Development Agenda. The Doha Development Agenda Global Trust Fund finances activities which aim to enhance developing countries' participation in the WTO negotiations.

World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments. The goal is to help producers of goods and services, exporters, and importers conduct their business.

Source: Reuters, Geneva, 5 September, 2006.

WTO talks: G-20, US, EU meet in Brazil

Trade ministers of G-20 bloc of developing countries, including India, as well as rich nations like the US, EU and Japan will meet in Brazil this weekend to explore the possibilities of reviving the stalled WTO talks. "The G-20 meeting would be a stock-taking exercise meant to reaffirm the group's stand on key issues at multilateral talks," a senior government official said.

Commerce Minister Kamal Nath would lead the Indian delegation at the meeting, which would be held on September 9 and 10 in Rio de Janeiro.

The official said US Trade Representative Susan, EU Trade Commissioner Peter Mandelson and WTO Director General Pascal Lamy will also be present during the meet.

Their presence would give an opportunity to exchange views on the status of WTO negotiations and see if any forward movement was possible.

The official said any progress in WTO talks hinges on whether the US was ready to submit a revised offer for reducing domestic farm subsidies and scaling down its ambitions for market access in developing nations.

However, chances of any progress were remote until at least the US Congressional elections are over in November this year as US Administration would not come up with significant concessions till then, he said.

The G-20 conclave is the first meeting of the group since the collapse of the Doha round of talks in July this year.

The Doha Round was suspended after the six major members India, Australia, Brazil, the European Union, Japan and the United States failed to reach a consensus on tariffs and subsidies on agricultural and industrial trade.

Source: Reuters, Geneva, 5 September, 2006.

WTO signs agreement to boost African tourism

The World Tourism Organization (WTO) has signed an agreement to be the overall partner of the upcoming Tourism Africa, as part of its ambitious and ongoing efforts to promote and aid tourism development in Africa as a major tool to help eradicate poverty on the continent.

The Forum will be held between September 10 and 15, 2006 in Geneva (Switzerland). "We want to continue to be on the frontline in creating jobs and fighting poverty in Africa which has so much potential as a tourism destination," said WTO Secretary-General Francesco Frangialli. "We have seen in other regions of the world just how much tourism can help in economic development and certainly Africa has everything visitors want to experience - natural beauty, fascinating cultures, incredible wildlife, adventure travel, etc".

Within a broader framework of achieving the Millennium Development Goals, one of the WTO's main tasks is to assist Least Developed Countries, such as those in Africa, in promoting their tourism product as an instrument of development through training, education and support service programmes, like the STEP (Sustainable Tourism Eliminating Poverty) programme.

Tourism industry professionals from around the world will gather September 10-15 in Geneva to participate in the first Tourism Africa 2006, an event aimed at boosting leisure travel and sector investment. In the accord signed with Strategic Business Meeting S.A., the WTO recognised the important role tourism plays in African development and agreed to be the overall Strategic Partner of the event. Last month, the Madrid-headquartered organisation agreed a long-term e-tourism partnership with Microsoft to expand information communications technology in the tourism sector with a special focus on Africa.

At TourismAfrica2006, the WTO will continue its emphasis on e-tourism when Geoffrey Lipman, Special Advisor to the WTO Secretary-General, hosts an interactive panel discussion on new technologies and their role in development, as well as business opportunity in Africa. The UNWTO is co-organising a day-long conference titled "International Tourism: A Wealth of Opportunities for the Least Developed Countries". Speakers will include the ministers from seven African nations. Frangialli will also precede the TourismAfrica's inauguration. African governments view tourism as a major potential foreign exchange earner and job creator but they need help in getting the word out on the continent's myriad attractions to boost arrivals. According to current assessment by the WTO, the number of visitors to the continent is expected" to rise to 47 million a year in 2010 and to 77 million in 2020.

Organizers said Tourism Africa's main goals are fostering financing and investment of tourism projects, promoting tourism destinations and activities in Africa and preserving the region's unique heritage. National tourism offices, international financial institutions, airlines, chains, major tour operators and travel agencies are been invited to the strategic business meeting.

Source: The Tide, Nigeria, 3 September, 2006.

Russia Toughens Internet Piracy Law to Meet WTO Entry Terms

New internet piracy laws took effect in Russia. The new, tougher legislation threatens internet pirates with jail terms of up to five years and is seen as part of Moscow's drive to join the World Trade Organization.

The tough amendment to Russia's copyright protection law was approved by lawmakers in July 2004 and was aimed specifically at cracking down on illegal distribution through the internet of text, music and video in mp3 format, *Kommersant* daily said.

The amendment granted operators of internet sites in Russia that distribute copyright-protected content two years to register with the authorities and acquire licenses for their activities. The law came into full force on Sept. 1. Relatively lax intellectual property protection in Russia has been a major stumbling block to the country's WTO bid. The United States, one of the few countries still refusing to endorse Russia's WTO entry, has cited intellectual property protection as one of its chief concerns.

Kommersant said Russian internet site operators have actually registered with authorities as required and cited estimates that around 97 percent of music files shared over the internet in Russia today are illegal. Legal sales of copyright-protected music over the internet are estimated at less than \$1 million per year in Russia at present, while the real value of music traded online is believed to be between \$25 million and \$30 million, the paper said. The new legislation marks an important political success for Economic Development Minister German Gref, who has lobbied for years to get tougher intellectual property protection laws on the books. Negotiations between Russia and the United States on Moscow's WTO membership — thought likely to have been completed in time for the G8 summit hosted by Russia in July — are continuing, with Russian officials saying they expect a deal by October. Russia is the only major economy still not a member of the 149-country WTO. While the Kremlin insists it wants to join, officials also made clear earlier this year that Russia was prepared to forego WTO membership if it ran counter to the country's economic interests.

Source: MosNews, 4 September, 2006.

China urges wealthy countries to make breakthrough WTO concessions

China expects wealthy countries to make breakthrough concessions to revive deadlocked global trade talks, Beijing's top trade official told visiting WTO chief Pascal Lamy.

Chinese Commerce Minister Bo Xilai said he "regretted" the suspension of the Doha round of World Trade Organisation talks, launched nearly five years ago with the aim of fighting Third World poverty by lifting global trade, the ministry website reported on Tuesday. Lamy suspended the tortuous negotiations in July after major trading powers failed to bridge differences over agricultural trade, with the European Union and United States blaming each other for not offering deep enough cuts. Last week, US Trade Representative Susan Schwab said China should offer its own concessions to help restart talks.

But Bo told Lamy on Monday that since joining the WTO in 2001, China had "abided by its promises" by lowering tariffs and opening trade in services. Rich countries now needed to take the lead, Bo said. "At present, we need the developed members to lead the way in making substantial concessions to restore conditions for negotiations as quickly as possible", Bo said. "Only by altering development imbalances between the developed and developing countries can we encourage the sustained healthy development of global trade."

China is the world's third-largest trading economy, behind the United States and European Union. But while Beijing has promoted itself as a bridge between developed and poor countries, it has avoided deep entanglement in the complex Doha negotiations, reluctant to make new concessions. When China joined the WTO, it accepted tariff cuts on farm goods that were deeper than many countries are now proposing. China's tariffs on farm goods now average about 15 per cent. Source: Reuters, Beijing, 5 September, 2006.

Judge declines Airbus' bid to axe lawyer

A District of Columbia Superior Court judge has shelved efforts by Airbus to disqualify Boeing Co. lawyers from working on a contentious trade dispute.

Boeing and Airbus are the subject of a long-running trade dispute over civil aircraft subsidies, currently the subject of dueling U.S. and European Union WTO cases. Litigation is underway and could reach a conclusion late next year if the two sides do not negotiate a settlement by then.

Judge Leonard Braman threw out half of the Airbus complaint at an Aug. 17 hearing. He put the other half on hold, pending developments in World Trade Organization litigation.

With respect to Bronckers, Braman said he could not consider the complaint unless the WTO rules on whether it will consider pre-1992 aid in the trade battle. Bronckers stopped working for Airbus before the U.S. and Europe reached a 1992 agreement on civil aircraft subsidies that was in force until the latest round of trade litigation began.

Boeing and Wilmer Hale declined to comment on the judge's decision. Airbus spokesman Clay McConnell said Airbus was encouraged by the developments in the Bronckers complaint. "We interpret the court's staying of the Bronckers component as indicating that the U.S. side can choose to pursue pre-'92 supports as part of the case, or to continue to use Wilmer Hale, but not both," McConnell said.

Source: Dow Jones Newswires, Washington, 4 September 2006.

China to open banking & telecomm among others.

Chinese commerce minister Bo Xilai countered criticism that Asia's second-largest economy was backtracking on its global trade commitments and pledged to open up key areas, state press said Tuesday. "We are actively promoting market opening and I promise China will fully open all markets, especially banking and telecommunications, before the (WTO) deadline," the China Daily quoted Bo as telling a European trade gathering. China has pledged to allow full market access to foreign banks at the end of 2006 as part of its 2001 accession agreement to the World Trade Organization (WTO). Foreign businesses and some officials have recently expressed concern that China is backtracking on its commitments to open up market access in industries including financial services, insurance, telecoms, express delivery services and auto parts.

Stalled WTO trade liberalization negotiations that have promised more benefits to developing nations have also appeared to have diluted China's enthusiasm for implementing its trade commitments, they said. Bo said China would remain active in trying to revive the Doha Round of WTO talks while also expressing full confidence in his nation's continued economic growth. "I am confident that in the next five years China's economy will keep growing in a sustainable, steady and healthy way, and will remain one of the fastest growing economies in the world," said Bo. "We are proud of China's tremendous courage in market-opening and in welcoming internationally competitive companies here." Bo also downplayed concerns over China's efforts to protect intellectual property rights (IPR).

He pledged that his government would do more to crackdown on rampant piracy which overseas businesses say stretch across a wide range of products from pharmaceuticals to auto parts to audio-visual products. "Maybe some are not happy about the degree of punishments for IPR infringements but we are trying every means to crack down," Bo said.

Source: Reuters, Beijing, 5 September ,2006.

US hardens stance on farm tariff

Progress in the stalled World Trade Organisation (WTO) talks seem to have become more difficult with the US hardening its stand on agriculture subsidies. In an economic review brought out by the US department of agriculture (USDA), it has pointed out that the economic gains from tariff cuts in agriculture would far outweigh the benefits of subsidy cuts.

The US was primarily blamed for suspension of the WTO talks in July because of its reluctance to commit to farm subsidy cuts, has gone on the defensive. The talks had broken following the inability of the G-6 (India, Brazil, the EU, the US, Australia and Japan) to arrive at an agreement on the modalities for liberalising agriculture. While the EU had agreed to improve its offer of reducing farm tariffs, the US had refused to undertake real cuts in its subsidies. Instead, it asked the EU to make sharper cuts in its tariffs. According to the research report of the USDA, tariff reductions that improve market access are key to achieving the benefits of liberalisation

It said that tariffs are more trade distorting than domestic support or export subsidies accounting for more than have of price distortions. It is largely because they are more widely spread. Tariffs directly affect market prices having an impact on producer and consumer decision, the USDA report argued.

Building a case for applying tariff cuts, the report further stated that reduced tariffs would provide significant benefits by forcing reductions in domestic price supports, used primarily by developed countries. Significant gains would also be achieved through improved market access among developing countries, it said. Their elimination of tariffs would account for more than a third (38%) of the estimated increase in world prices.

The forthcoming engagement of key WTO members in a meeting organised by the G-20 in Brasilia next week would yet again bring to the fore the fight on tariff and subsidy cuts. The EU had agreed to a 51% cut in its tariffs against 54% demanded by the G-20 and 64% demanded by the US.

The US, however, did not budge from its offer of keeping subsidies at \$23bn. This is unacceptable to the G-20 as it would give the US the opportunity to increase its subsidy by \$4bn from the current \$19bn.

Source: Times News Network, New Delhi, 4 September 2006.

South Africa: Bell 'Sacrificed to Keep MIDP Alive'

The trade and industry department has moved to exclude heavy duty equipment manufacturer Bell Equipment from benefiting from the Motor Industry Development Programme (MIDP) to avoid complaints being laid with the World Trade Organisation (WTO) which could jeopardise the programme as a whole.

In an urgent application to the International Trade Administration Commission of SA (Itac), the department asked the commission to exclude articulated dump trucks -- which Bell manufactures -- from the list of vehicles qualifying for the export rebate. Bell, which has benefited to the tune of R42m a year, will now completely forfeit the rebate as it would also not get the benefit on components.

This could have a considerable impact not only on the company and its employees, but on more than 30 manufacturers which supply components. Bell's hugely labour-intensive operations employ about 2500 people and it has already moved some of its business offshore in anticipation of the abrogation of the benefit.

The department said in its application that the participation of articulated dumpers in the MIDP had "impacted on SA's international trade obligations". Applications to Itac usually allow for a comment period of six weeks. The department, however, asked for its application to be handled on an urgent basis, reducing the allowed period for comment to four weeks. That period expires today. The snub to Bell comes in the wake of threats by multinational heavy equipment manufacturer Caterpillar to take the programme to the WTO for contravening trade rules. The challenge to the MIDP came after Bell's capture of market share from Caterpillar in Europe raised the ire of the \$30bn-company.

SA has already relented to the Australian government, agreeing to exclude SA's leather exports from receiving export rebates to prevent Australia from challenging the programme. Bell CEO Gary Bell said the company felt "sacrificed" and questioned the fact that a multinational company was dictating industrial policy to a national government. The controversial development programme, which expires in 2012, is being reviewed to better align it with international trade regulations.

Source : Business Day, Johannesburg, SA, 5 September 2006

Textile agreement brings mixed reaction

An agreement to limit Chinese clothing and textile imports has brought mixed reaction with labour in the textile industry welcoming the opportunity to rebuild the industry and the Democratic Alliance saying it will bring price increases.

The opposition party said it would ask the trade and industry minister whether concerns of the clothing and textile retail industry had been considered, as well as the effects for the consumer and for employment. The SA Clothing and Textile Workers' Union (Sactwu) said today that 55,000 new jobs could be created. "We need to use the space created to ensure we make our factories state-of-the-art and improve training of workers on a scale that will develop SA into a world-class producer," said general-secretary Ebrahim Patel. "Over the past four years, the local fashion manufacturing industry has lost approximately 67 000 jobs, largely as a result of a surge of imports from China," said Patel. "Over the same period, the five big retailers have recorded R18, 1bn in pre-tax profits. It is now time for retailers to work with the local manufacturing industry to place the country and employment before profits."

He said the vast volumes of imports from China have had a devastating impact, with factory closures in the poorest parts of the country such as Dimbaza in the Eastern Cape, which have become industrial ghost towns. "Even the US, the EU and Brazil had quotas imposed on Chinese imports, even though they had not yet been as adversely affected by imports as those in SA. "Since 2002, clothing imports from China rose by 480%. At the end of last year, our trade balance with China was R23bn, meaning that SA had a negative trade of R23bn."

On the other hand, the DA said "firing off trade restriction like buckshot" could lead to price increases of 20% to 25% as well as stock shortages over the coming festive season, according to industry analysts. Trade and Industry spokesman Pierre Rabie suggested a targeted approach that made assertive use of the more positive options provided by the World Trade Organisation framework.

Recommendations included, firstly, obtaining a commitment from China to assist in supporting SA's local textiles and clothing firms through comprehensive adjustment packages. These packages should facilitate restructuring and reorientation of firms to identify and service niche markets successfully, said Rabie. "This would certainly signify a willingness to encourage the involvement of the Chinese in our economy.

Secondly, the government should clearly assert its willingness to invoke World Trade Organisation (WTO) safeguards against dumping if it was necessary. "It

should also explore the possibility with China of setting a minimum value on items of clothing that may be exported here without restraint."

Thirdly, together with China, the government should investigate the WTO-sanctioned option of limiting the extent to which China may increase its annual exports to SA to no more than 7,5%. The China-South African agreement follows more than a year's negotiations and was first initialled in June by visiting Chinese Premier Wen Jiabao and President Thabo Mbeki. It sets quantitative targets on specified clothing and textile products and will be effective from next month to the end of 2008.

Source: South Africa Press Association, SA, 5 September, 2006

India Weighs suspension of SAFTA

India is considering suspension of all trade concessions under the South Asian Free Trade Area (Safta) pact till Pakistan keeps the market access commitments incorporated in the regional trading arrangement. If India goes ahead, Safta could plunge into a major crisis, and resurrecting the trade pact would become virtually impossible.

Some sections in the government, especially the ministry of external affairs, are so upset with Pakistan's attitude that they have suggested that Safta should be grounded till the neighbour falls in line. Islamabad has been denying the most-favoured nations (MFN) status to India till now and is resisting market access for Indian products. Instead of going by Safta, Pakistan is maintaining its own list of items which could be exported from India. Exporters from India have also been denied the benefit of exporting through land routes. Government sources confirmed the growing resentment within the government over Pakistan's attitude. The external affairs ministry has also suggested that India should withhold the next phase of concessions under Safta's trade liberalisation programme (TLP), which is due in December '06.

The Prime Minister's Trade & Economic Relations Committee (TERC), which recently met and considered the two options, also looked at a third option of keeping in abeyance the TLP concessions available to Pakistan. As the commerce and industry ministry is not in favour of retaliation at this stage, India might wait for the October meeting of the Safta ministerial council before rocking the boat.

In the past, too, the commerce and industry ministry had desisted from retaliation and Pakistan has not been dragged to the WTO so far for denying MFN status to India.

Source: Times News Network, New Delhi, 4 September 2006.

G20 makes last ditch effort to revive WTO talks

In the first effort to restart World Trade Organisation (WTO) negotiations after talks were suspended in July this year, trade ministers from key member countries including India, Brazil, the EU and the US will meet in Brazil later this month to discuss tricky agriculture issues. The meet, which is being organised by the G-20 group of developing countries and hosted by Brazil, may also be attended by WTO director general Pascal Lamy.

Although, the negotiations are not likely to officially re-start till after the US elections in November this year, the G-20 meeting will play an important role in determining whether countries are ready to make a compromise on important issues and move on. Speaking to ET, commerce ministry officials said that India was not expecting much from the meet as it was improbable that the US would move much from its position just before its mid-term elections. "It was mainly because of the US which had refused to make any compromise in the July meeting that the talks had collapsed. With the mid-term elections looming large, the US can't come up with any significant concession," an official said. Nevertheless, India is hopeful that the meeting would help to pump in some life into the dormant talks so that negotiations can re-start after the US elections are over.

In the last meeting of the six influential WTO countries prior to the collapse, even as the EU had come around to commit to the level of agriculture tariff reduction suggested by the G-20, the US was not willing to undertake substantial cuts in its trade distorting subsidies.

The EU, which had initially offered to reduce their agriculture tariffs by 39% as opposed to the G-20 demand of a 54% cut, agreed to step up its offer to 50%. This was not enough for the US (which wanted EU to cut tariffs by 64%), which refused to undertake additional cuts in its agriculture subsidies. The US offer on agriculture subsidises would actually allow the country to increase its agriculture subsidies.

This was unacceptable to the other members. The current round of Doha negotiations, which was scheduled to be completed by the year-end, is in trouble because of existing differences between members on key issues like liberalising markets for agriculture and industrial goods.

Source: Times News Network, New Delhi, 5 September 2006.

U.S. blocks Brazil's request for WTO to investigate U.S. cotton subsidies

The United States on Friday blocked a request by Brazil for the World Trade Organization to investigate U.S. compliance with a ruling that condemned illegal subsidies to American cotton growers.

Brazil asked the WTO to set up a panel of experts to look at the case, arguing that Washington was still failing to comply with international trade rules despite the recent elimination of a federal cotton subsidy ruled illegal in 2005.

The United States rejected the criticism and said it has sufficiently overhauled its cotton regime to bring it in line with its WTO obligations. Countries have the right to block the first request for a panel, but Washington would be powerless from preventing its establishment should Brazil make a second request, trade officials said. The next meeting of the WTO's dispute settlement body is Sept. 28. "With respect to some of the ... recommendations and rulings, the United States has adopted no implementation measures at all," Brazil said. "The implementation measures it has adopted fall far short of compliance."

The U.S., which last month repealed the so-called Step-2 cotton-marketing program that made payments to exporters and domestic mill users as compensation for buying higher-priced American cotton, said it regretted that Brazil was seeking litigation. "Given the significant – and, frankly, difficult – steps that the United States has taken to implement the (dispute settlement body's) recommendations and rulings, it is particularly disappointing that Brazil alleges in its panel request the 'nonexistence of measures taken to comply,'" the U.S. said in response. "The facts also fail to support Brazil's claims," the U.S. said. "Accordingly, the United States considers that Brazil's request for a compliance panel is unnecessary and without basis."

Brazil alleges that the U.S. has retained its place as the

world's second-largest cotton grower because Washington paid US\$12.5 billion in subsidies to American farmers between August 1999 and July 2003. The U.S. is the world's second-largest exporter of cotton after China. Brazil is fifth.

If the WTO finds that Washington has failed to remove all subsidies previously ruled illegal, Brazil could then ask for permission to set retaliatory sanctions against U.S. goods.

Washington's support for American cotton producers "ensures artificially high production and export levels" and hurts Brazilian and African producers, Brazil's Foreign Ministry said in a statement last month, announcing its intention to restart the case.

Brazil reserved the right in July 2005 to impose sanctions of up to US\$3 billion (€2.3 billion) on the United States, but said in October it would only seek US\$1 billion (€780 million) in compensation – targeting U.S. goods, as well as trademarks, patents and commercial services, under provisions in the global commerce body's intellectual property and services agreements.

But the South American country later granted the United States more time to come into compliance with the WTO's ruling, which said many U.S. cotton programs included illegal export subsidies or domestic payments that were higher than the body's rules allow.

The announcement to bring the case back before WTO arbitrators was made shortly after the July collapse of global trade talks, which aimed to boost the world economy by lowering trade barriers across all sectors, with particular emphasis on helping poorer countries develop their economies through export growth.

Brazil was one of a number of countries which blamed the United States for the impasse as differences over barriers to farm trade proved unbridgeable.

Under an agreement reached in Hong Kong in December, rich countries pledged to eliminate export subsidies for cotton by the end of 2006 and to step up reductions in

other types of support – a victory for West African cotton growers who have most vehemently protested the American farm aid. Critics of the subsidies say they drive down prices, making it impossible for small family farms to compete in international markets.

But the deal is now hanging in the balance because of the collapse of the five-year Doha round of free trade talks.

Source: Reuters, Geneva, 2 September, 2006.