



Trade News Bulletin

Issue No.40

Wednesday 8 November 2006

Table of Contents	Pages
'China's go-out strategy to benefit India'	2
India, Trinidad set to sign new trade pact	3
EU sets deadline for India in alcohol dispute	4
APEC bids to unlock stalled world trade talks	5
EU, China to launch new talks on trade "gaps"	6
Canada, US considering APEC free- trade zone	7
Close to becoming 2nd largest trading country	8
Russia Reaches Trade Deal With U.S.	8
US vote will not undermine WTO	9
WHO Gets New Chief	10-11
EU to challenge high India tariffs on spirits at WTO	12
EU-India accord can help end WTO impasse: Kamal Nath	13-14
China approves rules on foreign banks	15
Free trade agreements should be dealt carefully: CII	16
Trade in manufactured goods dynamic feature of global commerce	17
Collapse of WTO Talks Hampers APEC Free Trade Goals	18-19
WTO case on Chinese piracy unnecessary	20
WTO Brings Challenges and Opportunities	21-23

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

'China's go-out strategy to benefit India'

India-China trade has the potential of being doubled from the current level of USD 17.6 billion to reach the targeted USD 30 billion by 2009, if vigorous efforts are made by both sides, industry chamber FICCI said.

India's exports to China are largely restricted to primary and resource-based products, Chinese exports to India are fairly diversified and include resource-based products, manufactured items as well as low and medium technology products, a paper issued by FICCI said.

The paper said, a key feature of the trade pattern is that India's imports from China are less concentrated as compared to India's exports in 2004-05, as top 3 import items accounted for 52.4 per cent of total imports, top five import items accounted for 68.4 per cent of total imports and top 10 import items accounted for 77.5 per cent of total imports.

FICCI in the paper recommended that India should capitalise on the growing demand for iron ore, plastic & linoleum in China due to the booming housing and construction industry. India has a potential to raise its market share in the leather sector, in diamond jewellery, decoration and furnishing industry, sea food export and the textile sector. With China's entry into the WTO, immense opportunities have also opened up for setting up joint ventures and business collaborations between Indian and Chinese Industry. While total Chinese investment inflows into India during the period August 1991 to July 2006 amounted to about USD 3.5 million, total Indian approved investment in China during the period April 1996 to February 2006 is estimated to be about USD 161.4 million. The key sectors where Chinese companies have invested in the Indian market include telecommunications, metallurgical industries, commercial, office and household equipment, transportation industry and electrical equipment. Though there has not been significant transfer of technology between the two countries, many Chinese conglomerates are looking keenly at the Indian market as part of the go-out strategy and have plans to enter the Indian market. Major Chinese companies have set up offices in India in sectors such as machinery, metallurgical equipment, chemicals, automobiles, silk, engineering and IT.

The presence of Indian companies in China has also increased substantially, especially in sectors such as iron and steel, textiles, chemicals, automobile components, and pharmaceuticals. Indian companies in China are active in Services Sector like restaurants, entertainment, culture and banking. Indian companies are also looking at projects in China, in areas like gas turbine and steel. Project exports are an important area, particularly as China receives a large amount of multi-lateral loans and Indian companies can participate in projects enjoying multilateral funding.

Source: PTI, New Delhi, 12 November 2006

India, Trinidad set to sign new trade pact

India and Trinidad & Tobago have concluded negotiations for a bilateral investment promotion and protection agreement that is designed to boost investor confidence and joint ventures on both sides. "We have completed the formalities from our side and are ready to sign the agreement at the earliest convenience from your side," Vice-President Bhairon Singh Shekhawat said Thursday at a banquet in his honour by Trinidad & Tobago President George Maxwell Richards.

Shekhawat arrived here Thursday on the final leg of his two-nation tour of the Caribbean. Stating that India was deeply appreciative of Trinidad & Tobago's economic progress, he said that the increasing investment by Indian companies in Trinidad & Tobago and in other parts of the world is the sign of emergence of a new India. Trade between India and this tiny Caribbean nation of 1.3 million ethnically diverse people stood at Rs 1.75 billion in 2005. A number of Indian companies - including the Essar group and Asian Paints - have invested in this country and more are in the offing.

The vice-president also stated that India has decided to increase the number of ITEC (Indian Technical and Economic Cooperation) scholarships for Trinidad & Tobago nationals from 20 to 30 a year. Shekawat's visit is the first high-level visit by an Indian dignitary to Trinidad & Tobago since then prime minister Atal Bihari Vajpayee's visit in 1999. Last year an Indian parliamentary delegation led by Speaker Somnath Chatterjee had also come to Trinidad & Tobago, which is home to over 500,000 ethnic Indians.

Earlier, on Thursday, Shekhawat was received at Port of Spain's Piarco International Airport by Trinidad & Tobago Prime Minister Patrick Manning when he arrived from Guyana.

Source: LANS, Port of Spain, 10 November 2006

EU sets deadline for India in alcohol dispute

The European Commission said on Thursday it would start proceedings against India at the World Trade Organisation (WTO) unless New Delhi started dismantling what Brussels sees as barriers to wine and spirits exports. "We are moving towards formal consultations (at the WTO) with India," said Peter Power, a spokesman for EU Trade Commissioner Peter Mandelson, adding that Brussels had given New Delhi until Nov 17 to address its concerns.

Mandelson will be visiting India on that date. "However, our door remains open to India if it wishes to come forward," he said. The European Union's executive Commission has long called on India to cut tariffs and taxes on imported wine and spirits, which it says represent unfair barriers to trade. A Commission report earlier this year, prompted by complaints from European producers of wine and spirits, said there were "clear violations of WTO provisions" in the taxes and tariffs on imports in some Indian states.

Duties are as high as 550 per cent on imported spirits and 264 per cent on imported wines, the report said.

Source: Reuters, Brussels, 10 November 2006

APEC bids to unlock stalled world trade talks

Asia-Pacific economies will try to help revive world trade talks and look for ways to combat counterfeit and pirated goods at this week's APEC meetings in Vietnam, officials said on Sunday. Senior officials said they were examining the "spaghetti bowl" of free trade agreements among the 21 Asia-Pacific Economic Cooperation (APEC) group members to ensure they do not unduly increase transaction costs for businesses.

The so-called Doha round of World Trade Organization (WTO) talks collapsed in July amid disagreements over subsidies and tariffs for farm goods. "APEC can lead the way for all members of the WTO to reignite negotiations and conclude the Doha Development Agenda next year," said Le Cong Phung, the deputy foreign minister of Vietnam, which is hosting the annual leaders' week. "If APEC can identify a way forward, this path will most likely be suitable to the broader WTO membership."

The Doha Round has been touted since 2001 as a way to boost the world economy and fight poverty. An APEC statement said senior officials discussed "unlocking stalled WTO negotiations, the adoption of APEC's model for free trade agreements and guidelines to secure supply chains against counterfeit and pirated goods". Senior officials will meet again on Monday to set the agenda for a ministerial discussion this week that will culminate in a summit of presidents and prime ministers on November 18 and 19 in the Vietnamese capital, Hanoi. APEC, which was established in 1989, says its members account for about 40 percent of the world's population, 56 percent of world GDP and about 48 percent of world trade. The group includes the major economic powers of the United States and China.

Source: Reuters, Hanoi, 12 November 2006

EU, China to launch new talks on trade "gaps"

The European Union's trade chief has said new talks with China next year would tackle "gaps" in Beijing's efforts to dismantle trade barriers and protect intellectual property rights. "We are satisfied China is implementing the bulk of its WTO accession commitments, but there are gaps," said Peter Mandelson, concluding a week-long visit here. "For example on access to certain service markets and IPR (intellectual property rights). These are best tackled by negotiations and talks."

Mandelson met Friday with China's vice premier, Wu Yi, a former trade minister, and said the two sides agreed on talks starting in January, focusing first on updating a 1985 investment agreement.

In a statement, the EU said it was not seeking a "full-blown" trade agreement because that would involve extensive tariff reductions that would be difficult for both sides. "But the terms of reference for the negotiations which Wu Yi agreed should be put in place over the next month will reinforce present reciprocal agreements ... where trade conditions are improving but suffer from extensive government restrictions in China," the statement said. WTO said the EU had received assurances from Wu that China would build on its present World Trade Organisation commitments in the new talks. "China is doing what it is obliged to do. We will maintain this and reform will continue," Wu told Mandelson, according to the EU statement.

Mandelson was in China to push its leaders on IPR protection and on removing market barriers to foreign imports and companies, a message bolstered by China's announcement of a record monthly trade surplus in October during his stay. The surplus hit 23.8 billion dollars last month, according to customs data. Exports reached 88.1 billion dollars, an increase of 29.6 percent compared with the same month a year ago, the data said. Imports reached 64.3 billion dollars last month, a rise of just 14.7 percent.

Mandelson warned on Tuesday that China's failure to address market barriers and IPR could harm wider relations between the EU and China, whose trade ties have grown rapidly. On Saturday he appeared optimistic that the Chinese were prepared to listen. "From my discussions with Wu Yi, I think China will be ready to open and liberalise further in some key areas as long as the balance of reform is realistic for China's stage of development," he told AFP.

Source: AFP Beijing, 12 November 2006

Canada, US considering APEC free- trade zone

Canada and its 20 APEC trading partners are scrutinizing a possible free-trade zone that would stretch across the vast Pacific Ocean, in lieu of further WTO talks, a senior official said. "There's a really interesting debate going on about it since the suspension of the Doha Round (of World Trade Organization talks)," the official, who asked to remain anonymous, said during an APEC briefing.

Prime Minister Stephen Harper will travel to Hanoi, Vietnam, next week for a summit of Asia-Pacific Economic Cooperation leaders. The trading bloc now accounts for 47 percent of world trade. "We'd like to see a strong result of the Doha Round but that doesn't mean that we're going to sit back while it's in suspension," the official said. "It's not a new idea, but in the context of global trade negotiations, it's been getting a little more oxygen," he added. The Doha talks collapsed in July because of disputes over agricultural subsidies and market barriers.

Prime Minister Harper has since proposed greater trade ties with Asia during trips to London and New York. The United States has also pressed APEC countries to consider a Pacific Rim free-trade zone -- an idea conceived by Canadian Pierre Lortie, a member of APEC's Business Advisory Council, the Canadian official said. "There are different views with regard to it, but many like-minded economies like ourselves want to look at all options with regards to trade liberalization," he said.

Sandra Buckler, a spokeswoman for Harper, added: "We're going to look at it, do some feasibility studies. "Canada will also push for better rail and mass transit security in Asia at the APEC talks to try to avoid bombings like in London, Madrid and Mumbai, amid growing integration of Asian economies, another senior official. "It's an area that has received less attention compared to air and sea security," he said. The leaders' summit will also touch on counter-terrorism, energy security, avian and pandemic influenza prevention, HIV/AIDS prevention, and health information technology sharing. Canada is chair of APEC's health task force. Discussions about streamlining trade regulations, reducing customs costs and procedures, and making transportation between trading partners more efficient are likely too, officials said. Meanwhile, foreign ministers will meet ahead of the summit to discuss North Korea's nuclear weapons program.

Source: AFP Ottawa, 11 November 2006

Close to becoming 2nd largest trading country

World Trade Organization (WTO) yesterday issued a report saying that China is likely to surpass Germany next year and becomes the world's second largest trade partner, after the U.S. "The report points out that China has become an important market for major commodities. Compared to the global trade trend, China's export growth accelerated and bucked the bearish trend in the world. The report also points out that the end of the textile quotas at the beginning of 2005 has increased competition among developing countries.

The report says that world merchandise trade growth was 6 percent in last year. Germany in 2003 surpassed the US as the world's largest exporter. China joined the WTO in 2001, and ranked the third in 2004, higher than the ninth in 1999.

The report points out that the US trade deficit reached US \$783 billion last year, equivalent to 8 percent of the total world trade, leaving the US more dependent on foreign investment to balance capital flows.

Meanwhile, China's trade surplus hit a record in October of \$23.8 billion and imports touched a record low in 15 months. The report said that between the US and China, the trade deficit this year would be higher than last year's record of \$201.6 billion, rising 6 percent.

Source: Fibre2fashion, News Desk – China, 12 November 2006

Russia Reaches Trade Deal With U.S.

Moscow Gets Boost In Bid to Join WTO

Russia and the United States on Friday announced a landmark trade agreement, substantially advancing Moscow's pursuit of World Trade Organization membership and cementing the position of the former Communist giant in the global economy.

The deal, announced here by the Russian Economic Development and Trade Ministry, was a victory for President Vladimir Putin, who has chafed at Russia's exclusion from the WTO, a global body that shapes the terms of world trade. The Bush administration, which has been locked in sometimes bitter negotiations with Moscow over the accord, characterized it as a milestone in the evolution of Russia from erstwhile Cold War enemy to a growing trading partner.

Source: Washington Post, US, 11 November 2006

US vote will not undermine WTO

The United States remains committed to an ambitious WTO deal on global trade even if power in Washington is now split following this week's election, Trade Representative Susan Schwab said. "There is a long tradition in the US of presidents reaching across the aisle to work with Congress on trade issues," she wrote in an opinion piece in the online edition of the Wall Street Journal, after Tuesday's Democratic win. "President George W. Bush is committed to the Doha Round, and I look forward to continuing to work with members of both parties to win support for an agreement that will spur development and alleviate poverty through new trade flows in agriculture, manufactured goods and services," she added. "The real question now is whether other members of the World Trade Organisation can agree to lower trade barriers enough to foster new trade flows that will promote competition and economic growth. "The Doha Round on reducing global trade barriers has been deadlocked since July, owing most notably to rows between the United States, the European Union and developing countries over agricultural subsidies. For EU Trade Commissioner Peter Mandelson, there is a "brief window of opportunity" to revive the Doha talks after the US elections, his spokesman Peter Power said Wednesday. But trade analysts warned that with the US Congress now under Democratic control, protectionist voices could find new influence or that the party will, at least, demand greater protections on labour rights and the environment.

Schwab noted speculation leading up to Tuesday's vote that a Democratic victory would undermine US zeal for trade liberalisation, or that the election could have enabled the United States to show more generosity at the WTO. "Neither scenario made sense then, nor now that the ballots have been cast the US is as determined as ever to move forward," she wrote.

Source: AFP, Washington 10 November 2006

WHO Gets New Chief

Margaret Chan of China, who was elected to lead the World Health Organisation, pledged to put health of Africans and of women worldwide at the heart of the agency's work. "I want us to be judged by the impact we have on the health of the people of Africa and by the health of women," Chan told the WHO's 193 nation assembly in her acceptance speech. "Our work must touch on the lives of everyone everywhere but we must focus on the people in greatest need," Chan said.

The new director general said the two groups were the key indicators of the performance of the WHO because of the huge burden of disease in Africa and the decisive role of women in families and communities as caregivers and educators. The former Hong Kong health chief and WHO official in charge of communicable diseases was voted in by 150 member states in the agency's assembly following her nomination by the agency's governing body over 10 other candidates. Only 159 nations were allowed to take part in the closed-doors ballot, a diplomat said. "The first special session of the World Health Assembly ... appoints Dr Margaret Chan as director general of the World Health Organisation," announced Ivo Garrido, Mozambique's health minister and WHO assembly president. Chan, 59, will serve from January 4, 2007, to June 30, 2012, he added.

When she takes office, it will be the first time that an official from China has headed a UN agency. International health officials have repeatedly complained about a lack of transparency from Chinese authorities on outbreaks of infectious diseases that have later spread to other Asian countries, most recently with bird flu. Chan insisted on Thursday that testing international surveillance against infectious diseases and health threats like

SARS or bird flu was not enough and had to be complemented by efficient national measures and joint global action. "For outbreaks, the international community will not be securely defended until all countries have core surveillance and response capacities in place," she told the assembly. "The global surveillance systems must have no gaps or weak spots," Chan warned. In 1997, Chan confronted the first known human outbreak of the H5N1 variant of avian influenza in the former British colony of Hong Kong and was widely credited with stamping it out by ordering a rapid cull of 1.5 million chickens. Chan's later efforts to tackle an outbreak of the then unknown deadly pneumonia-like infection, Severe Acute Respiratory Syndrome (SARS), in 2003 were criticized in an official report for being too weak. Both those diseases are thought to have entered Hong Kong from neighbouring China. Although she is better known for dealing with bird flu and SARS, Chan highlighted a "from the diaper to the grave" health care system she promoted as Hong Kong's top health official in the 1990s, focusing on disease

prevention, self-care and healthy lifestyles. Chan will succeed South Korean Lee Jong Wook, who died suddenly in May.

Source: AFP, WHO News, Geneva, 10 November 2006

EU to challenge high India tariffs on spirits at WTO

The European Union is set to launch a formal complaint against India at the World Trade Organization over high import tariffs on wine and spirits, Wall Street Journal Asia reported. The EU move follows the collapse this summer of global trade talks. The US already is pressing India on a number of trade issues, including barriers to retail investment and quirky health and environmental standards that effectively block certain imports, such as big-engine Harley Davidson motorcycles, it said.

The complaint would be the EU's first case of any kind filed against India at the Geneva trading arbiter since 2003, the report said. Yesterday, EU and WTO officials described a filing date as 'very close,' perhaps within days, but would not further specifics, it said.

EU Trade Commissioner Peter Mandelson is in China this week lobbying for the country to open up more markets for EU companies, especially in high-value sectors such as banking and cars. The EU's trade with India amounted to 40 bln eur of goods and services last year, with exports to India accounting for less than 2 pct of the EU total. By comparison, trade between the 25-nation bloc and China totaled 209.7 bln eur last year. India and the EU agreed at a summit in Helsinki last month to try for a bilateral trade treaty by early 2009. Mandelson is traveling to India next week, and is expected to bring up the wine tariff issue again.

India ranks 89th in buying bottled wine from the EU, at 6.4 mln eur last year, a mere drop in the EU's overall 11.5 bln Euro in total bottled-wine exports, according to Global Trade Information Services. India bought 38.6 mln eur of Scotch whiskey in 2005, says David Williamson of the Scotch Whiskey Association, based in Edinburgh, Scotland. 'That's less than 1 pct of a 100 mln-case spirit market [in India], so you can see a huge potential,' Williamson was quoted by the Journal as saying. Comparatively Scotch-whisky exports to China totaled 68.3 mln Euro in 2005. 'We've been lobbying for years, but India has remained essentially closed,' said Lisa McCooey of the European Spirits Organization, according to the paper.

Source: AFX News Limited, Hong Kong (XFN-ASIA), 9 November 2006

EU-India accord can help end WTO impasse: Kamal Nath

Commerce and Industry minister Kamal Nath said here that a free bilateral trade accord between India and the European Union will help in breaking the current impasse in the World Trade Organisation (WTO). "Free trade agreements are building blocks to a multilateral free trade agreement, they have to be WTO-plus. These initiatives will help break the impasse in the WTO," Kamal Nath told a major EU-Indian conference here.

He noted that India's trade with the EU had gone up by 24 percent and investments were increasing both ways. He advised those who claim that India was 'closed' to look at the figures. "We are seeking investments but we are also investors," he said.

Kamal Nath was the chief guest at the conference on "Europe meets India: Economic and Political Dimension of the EU-India Strategic Partnership - Challenges and Opportunities. "The two-day event was organised by the Brussels-based Europe-India Chamber of Commerce (EICC) in association with the Indian embassy here. "Our own perception about ourselves is changing. We now want a better life for ourselves, and not just for our children and grandchildren. Our growth (unlike that of China) is domestic market driven; 25 million people are entering the middle classes each year. We have a young population of savers and spenders. "For tourism, it is 'Incredible India!' For business it is 'Credible India!'", he said.

Around 250 industrialists, business and community leaders from Europe, India, Asia, the US, representative of multinational corporations, European Parliamentarians, EU and Indian officials and journalists are participating in the meeting, which is the second of its kind organised by the EICC, reports INEP agency. Andris Piebalgs, EU Commissioner for Energy, in his inaugural address said "the EU's energy situation is similar to India's, when it comes to oil, gas and coal: our import dependency is rising. We share the same concerns of energy security globally and regionally." "India must be involved in all our efforts to find solutions to the energy problems we face," said Sam Pitroda, Chairperson of India's National Knowledge Commission.

In his keynote address, he said "The problems of the poor are not being look at by the best brains. They are busy looking at the problems of the rich, which don't exist. "Delivering development to people at the bottom of the pyramid is the big challenge for us. Knowledge must focus on an inclusive society. How can we collaborate with the EU on knowledge? We're collaborating very effectively with the US. We hope to start with the EU," said Pitroda. Member of the European Parliament Nirj Deva, chair of the EICC, said: "I have a sense of being back to normalcy, back to a 2,000-year-old economic order. Indians have learned to build internal capacity, in order to fight the big fight later."

India's ambassador to Brussels Dipak Chatterjee said: "Negotiations for a bilateral free trade and investment agreement between India and the EU are expected to start very soon. "He noted that Indian companies have invested more than euro one billion in Belgium, making it the third largest investor, after the US and Britain. Belgian investments in India amount only to euro 200 million.

Sunil Prasad, the secretary general of EICC, said in order to strengthen EU-India Partnership, what is required now is considerable efforts by both parties to reorient the existing policies and move into new domains of a wider geo-political and economic diplomacy. "This partnership is also a dedication and tribute to the 1.6 billion Indians and Europeans who want this ongoing cooperation to develop to a new level," said Prasad
Source: Reuters, Delhi, 9 November, 2006

China approves rules on foreign banks

The China State Council has approved long-awaited draft rules on foreign banks operating in the country, the government said Thursday. The rules were approved at a meeting presided over by Prime Minister Wen Jiabao on Wednesday, according to a statement on the government's Web site. No details were given of the draft regulations. "The meeting determined that the regulations are needed to adapt to the requirements of an open market and economic development, while strengthening and improving the supervision of foreign banks and encouraging the stable operation of the nation's banks," the government said.

The final rules will probably keep a draft requirement that foreign banks cannot take any deposit smaller than 1 million yuan, or \$125,000, state media said last month, citing the China Banking Regulatory Commission. The rules will most likely also keep a regulation telling banks that overall lending cannot exceed 75 percent of their deposits, earlier reports said. Foreign bankers have complained that these criteria will stymie business, especially if the minimum deposit size is set at such an unrealistically high level, making it impossible to attract any but the largest of customers.

The regulatory commission maintains that the rules are aimed at encouraging foreign banks to register as local corporations within China, rather than establishing branches to deal with yuan business. The rules are reportedly being prepared for publication so they can take effect in time for Dec. 11, the fifth anniversary of Beijing's entry into the World Trade Organization. On accession to the WTO, China committed itself to deregulate its banking sector to the extent that, in principle, foreign lenders can do yuan business with any client anywhere in China.

Lending decisions faulted China's banks remain vulnerable to an economic slowdown as they make poor lending decisions while trying to deal with mounting deposits, the Organization for Economic Cooperation and Development said Thursday, Bloomberg News reported from Shanghai. Most of China's \$2 trillion in household savings ends up in low-yielding bank accounts because of underdeveloped stock and bond markets, the OECD said in a report. Also, people are setting aside more savings for retirement as the government moves to dismantle a cradle-to-grave welfare system.

Banks, under pressure to earn money off swelling deposits, are making loans to state-owned companies and lenders without appearing to take customers' profitability into account, OECD said. When the Chinese economy slows from its 10 percent average growth of the last five years, problems could emerge, the international organization said

Source: Agence France-Presse, Paris, 9 November 2006

Free trade agreements should be dealt carefully: CII

Cautioning the government against free trade agreements (FTAs), India's apex industry body Thursday called for their proper assessment before they are signed. 'In the past few years, FTAs are proliferating across the globe and also in India as several developing countries are opening their borders to foster closer and deeper links with nations,' said R. Seshasayee, Confederation of Indian Industry (CII) president, while releasing a report on FTA negotiations. 'What the CII wants is an open debate on the process and coverage of these FTAs before the negotiations.'

In its list of recommendations, CII has asked for proper assessment of FTAs and its impact on investment flows, besides recommending the government to review the bilateral investment treaties before signing agreements with FTA partners. 'Bilateral trade agreements should not substitute but complement the multilateral trade negotiations under the Doha Development Agenda of the World Trade Organisation (WTO),' said R.V. Kanoria, chairman, CII WTO and other trade agreements committee.

On the growing trend of non-tariff barriers (NTB) the report recommended identification of all NTBs including, technical barriers to trade, standards and procedures before concluding FTAs. 'India should be negotiating the FTAs from a position of strength. We should be mindful of the fact that it is our trading partners who would be benefiting from the large market for goods and services once India provides preferential access to them,' the report said. 'In the past few years, FTAs are proliferating across the globe and also in India as several developing countries are opening their borders to foster closer and deeper links with nations,' said R. Seshasayee, Confederation of Indian Industry (CII) president, while releasing a report on FTA negotiations. 'What the CII wants is an open debate on the process and coverage of these FTAs before the negotiations.'

In its list of recommendations, CII has asked for proper assessment of FTAs and its impact on investment flows, besides recommending the government to review the bilateral investment treaties before signing agreements with FTA partners. 'Bilateral trade agreements should not substitute but complement the multilateral trade negotiations under the Doha Development Agenda of the World Trade Organisation (WTO),' said R.V. Kanoria, chairman, CII WTO and other trade agreements committee. On the growing trend of non-tariff barriers (NTB) the report recommended identification of all NTBs including, technical barriers to trade, standards and procedures before concluding FTAs. 'India should be negotiating the FTAs from a position of strength. We should be mindful of the fact that it is our trading partners who would be benefiting from the large market for goods and services once India provides preferential access to them,' the report said

Source: Indo-Asia News Service, New Delhi, 9 Nov 2006

Trade in manufactured goods dynamic feature of global commerce last year

Trade in manufactured goods was the most dynamic feature of global commerce last year, expanding in real terms by 7 percent, the WTO said Thursday.

The trade in fuels and mining products increased by only 2.5 percent, but their high prices ensured big returns for exporting countries, the World Trade Organization said in its annual trade report. Farm goods trade fared somewhere in between, increasing by 5.5 percent. Trade in manufactured goods grew slower than in 2004, however, when they jumped by 10 percent. Fuels and metals trading also slowed from a 3.5 percent increase the previous year, but agricultural commerce's growth rate accelerated from 3.5 percent.

Overall, global goods trade increased by 6 percent last year, slower than the 9 percent achieved in 2004, the WTO said. To avoid distortions from currency fluctuations, the body gives changes in volume or "real" terms each year by using a complicated formula to measure the actual change in how many goods are traded. It attributed the slowdown to what the World Bank estimates was a deceleration in global GDP growth to 3.6 percent in 2005, from 4.1 percent in 2004. The export of fuel was the most impressive gainer in dollar terms, rising by 41 percent to US\$1.4 trillion in 2005, a 13.8 percent share of global goods trade — its highest level in almost two decades. As a result, Russia, Saudi Arabia, Iran, Venezuela, Algeria, Kuwait and Nigeria all boosted their exports in dollar terms by at least 30 percent, the 110-page report said.

The WTO said the oil and gas prices also stimulated big gains in the share of world trade held by the Middle East, Africa, Latin America and the former countries of the Soviet Union. It noted that the U.S. trade deficit, by contrast, soared to US\$793 billion, roughly 8 percent of world merchandise exports. Among major traders of manufactured goods, China's export growth rate of 28 percent stood out last year, the Geneva-based trade referee said. Iron, steel and chemicals all performed better than average in dollar terms, while automotive products, clothing and textiles were below average. The best growth rates for commercial services traders were China, India, Luxembourg, Russia, Poland, Mexico, Brazil and Hungary, who all had at least a 15 percent increase, according to the report. TO Director-General Pascal Lamy said the global slowdown in economic activity and commerce from two years ago highlights the need for "a strong, rules-based multilateral trading system," which he said was essential to keep the global economy ticking even when production lags. In July, five years of global free trade talks were suspended as differences between rich countries like the United States, Japan and the 25-nation European Union clashed with poorer nations and emerging economies over reductions in barriers to farm and manufactured trade. Lamy has been trying to convince countries to restart the negotiations, but there has been no indication so far that the organization's 149 members have budged in their positions. "The lingering indecisiveness of the Doha round further saps the confidence in the multilateral trading system as an engine of economic growth and development," Lamy said. "It's time for political action to bring the round to a successful conclusion."

Source: WTO Report, Geneva, 10 November 2006

Collapse of WTO Talks Hampers APEC Free Trade Goals

As the 21 members of the Asia-Pacific Economic Cooperation (APEC) meet in Vietnam next week, questions have been raised whether the grouping can meet its free trade goal four years from now. The collapse of the global trade negotiations under the World Trade Organization (WTO) is putting pressure on APEC to take the trade liberalization agenda forward.

APEC members agreed 12 years ago to create a free-trade zone that spans the Pacific beginning by 2010. But progress has been uneven. Some governments are clinging to trade barriers to protect certain sectors, such as agriculture, from foreign competition. The slow progress has led some APEC members to negotiate preferential agreements with their major trading partners. Others - such as Southeast Asian nations, Japan, South Korea and China - have started forming their own free trade zones. However, trade experts say these arrangements create exclusionary trade blocs, defeating APEC's goal of expanding trade among its 21 members.

And they say the collapse this year of negotiations on the World Trade Organization's Doha agenda of trade liberalization does not help APEC's goals of liberalizing trade. In a report issued a month before the summit, the APEC Business Advisory Council (ABAC) called on APEC leaders to re-evaluate their WTO positions and push to advance negotiations. Talks have been stalled largely by disagreements over how much developed economies, such as the United States and the European Union, should cut farm subsidies, and how much developing economies should open their markets.

Tran Thien Cuong, the business council's executive director, based in Hanoi, says the WTO talks are critical to the economic development of many APEC members. Stalling liberalization, he says, will hurt economies that need foreign markets for their goods. "Its effect to the whole economy in the region would be very bad," he said. "We hope that with the political jolt from strong members in APEC we can revitalize the Doha negotiations."

But can APEC help push the global trade agenda? APEC, which is holding its annual summit and ministerial meetings in Hanoi this month, groups most countries of the Pacific rim. It includes some of the world's biggest economies, such as the United States and China, and many of the region's developing economies, such as Mexico and Indonesia. Most of its members are major trade powerhouses - particularly in Asia, where most economies are based on export industries. As more and more APEC countries negotiate preferential trade deals, experts say it is putting pressure on the rest to follow. Singapore, for instance, has at least 10 free trade agreements, including deals with its major trading partners - the United States, Japan and European Union. Tran says the proliferation of these agreements has made business costly and more complex, adding layers of paperwork for trade transactions.

Instead of having standardized rules under the WTO, bilateral agreements produce different sets of requirements for trade to different countries.

Mark Thirlwell, an international economy expert at the Lowy Institute, a private policy group in Australia, says APEC could play an important role in solving such problems. "There is a need for some kind of regional organization to come in and oversee, sort of smooth out inconsistencies, try to make a more coherent policy," he said. "The big advantage that APEC has of course is that it gets the United States in there. The United States is an overwhelmingly important trading partner for East Asia. "Some experts and business executives say it is time for APEC to adopt the proposed Free Trade Area of the Asia-Pacific that would encompass all APEC members and consolidate all existing bilateral and regional arrangements. It would create one of the world's largest trading blocs, representing about 60 percent of the world economy.

Thirlwell says those outside APEC would be marginalized, which could prompt them to revitalize the WTO negotiations. "Because it would be such a big grouping it would encourage others outside APEC, particularly the Europeans, to be proactive within the Doha round," he added. But experts warn that such a big entity could face the same obstacles that slowed the WTO talks - such as the reluctance of some members to open up politically sensitive markets. With only four years to go before APEC's free trade deadline, experts and business executives say APEC leaders in Hanoi need to deliver on their promises to increase trade, or risk slowing all efforts to increase world commerce.

Source: Associate Press, 10 November 2006.

WTO case on Chinese piracy unnecessary

The European Union doesn't want to use the World Trade Organisation to force China into complying with pledges to crack down on counterfeit goods and piracy, Trade Commissioner Peter Mandelson said.

The EU and the US, China's two biggest trading partners, are ratcheting up pressure on Premier Wen Jiabao and commerce minister Bo Xilai to better enforce laws protecting foreign trademarks and copyrights. They are also pushing China to allow faster appreciation of the yuan and abolish illegal industrial subsidies as their trade deficits with the Asian nation soar. "I'm not looking for opportunities to take China to the WTO," Mandelson said in an interview in Beijing on Tuesday. "I hope very much it won't be necessary. The quality of our relationship and our desire to find amiable solutions should make that unnecessary."

Both the US and the EU have threatened to challenge China's enforcement of copyright and trademark piracy through the WTO's dispute system. Copyright and patent violations account for as much as 360 billion euros (\$460 billion) in unlawful trade a year, the EU has said, and about two-thirds of fake goods imported into the 25-nation bloc originate in China. China, the world's third-biggest exporter, is notching up record trade surpluses with both the EU and the US, which together account for 40% of the country's overseas sales. China's trade surplus with the EU swelled to a record 47.6 billion euros in the first seven months of the year, up 24% from a year earlier, according to European data. China's customs bureau says the surplus was \$45 billion.

Source: Reuters, Beijing, 9 November 2006

WTO Brings Challenges and Opportunities

Like many of her compatriots, Pham Thi Viet Nga, chief of the Hau Giang Pharmaceutical Co., expects Vietnam's accession to the World Trade Organisation (WTO) to bring both opportunities and challenges. This communist country officially became the WTO's 150th member on Tuesday after a decade-long wait during which it went through 15 mandatory multilateral and bilateral negotiations with 28 partners. "We are well aware of the new situation and have tried our best to cope with it," Nga said. "Our firm is putting all of its resources into a two million U.S. dollar production line that can produce medicines that will meet World Health Organisation standards."

Acquiring WHO standard certification will enable Nga's firm to access markets in the Asia-Pacific Co-operation (APEC) region and later the world market. Her new factory is due to be operational by the end of this year. "The coming APEC summit meeting in Hanoi will be a great occasion for us to showcase our firm," Nga told IPS. Vietnam's accession to WTO preceded by four days the 2006 APEC economic leaders' meeting, that will be attended by top world leaders including presidents George W. Bush of the United States, Hu Jintao of China, and Vladimir Putin of Russia. An investment forum will be held on that occasion in Hanoi "to introduce Vietnam's economy to the world while focusing on Vietnam's road map towards integration into the world economy," says Vu Tien Loc, president of the Vietnam Chamber of Commerce and Industry (VCCI), the organiser.

Some observers have noted that Vietnam's WTO entry has triggered a new rash of regional jitters like the one that hit China in December 2001. Like China, Vietnam has been implementing economic reforms, but the pace has been slower. With its entry into the WTO, the country has gained a ticket to the international economic stage.

Expected to participate in the forum are representatives of 600 global corporate heavyweights like Boeing, Microsoft, Fedex, GM, IBM, City Group and Toyota, as they consider investments in Vietnam. "As the latest member of the WTO Vietnam will assert an all-out effort to create a favorable business environment to receive new waves of foreign investment," Loc said. "We believe business leaders will discover abundant business and investment opportunities in Vietnam, one of the fastest growing economies in the world."

Recently, Vietnam recorded a growth pace considered second only to China in Asia. Like China, the country is fueling growth on low-cost labour, foreign direct investment and export-oriented industries. Vietnam is now the world's largest pepper exporter and the second-largest cashew and coffee exporter. Little more than a decade ago, the country could hardly produce enough rice to feed itself; now, it is the world's second-largest rice exporter, behind Thailand.

Vietnam's economic growth topped eight percent last year. Foreign direct investment rose steeply to over six billion dollars, and exports surged by over 20 percent. Economic output has nearly doubled in the past five years, poverty has been cut in half to about 20 percent in one decade, and GDP (gross domestic product) growth this year is projected at

a sizzling 8.2 percent. "I'm very hopeful that 2006 will be a real turning point," says Le Dang Doanh, a leading economic adviser to Vietnam's government. "Vietnam could be a major player in 10 years." Experts say WTO status is likely to make Vietnam competitive enough to attract investment away from the "little dragons" -- Indonesia, Malaysia, Singapore and Thailand. Hau Giang Pharmaceutical Co. is just one of hundreds of domestic enterprises that are actively preparing for APEC and WTO. "Looking to the advantages to be gained from the economic integration, Vietnamese pharmaceutical manufacturers are willing to cope with the many challenges posed by imports," Nga said. Currently Nga's products are exported to only to Russia and the Philippines. Strict rules on non-tariff barriers and technical standards hampered her company in exporting to more countries.

In order to better penetrate the world market, Hau Giang plans to seek business partners with a view to making them distributors of Hau Giang's medicines extracted from herbs. "By integrating into the world market, we will be able to take advantage of financial resources, a large market and new technologies, the ultimate factors that lead to our survival and growth," Nga said.

But the WTO entry does not mean that everything will be rosy for Vietnam. The country still has a long way to go in improving its investment and business climate. In his address to the nation about the accession, Prime Minister Nguyen Tan Dung recognised this. "We should realise the challenges that we have to confront, especially when the country is at a low development level with weaknesses in state administration," he said. There are currently 250,000 enterprises in Vietnam, and that number is expected to double by 2010. The government's big concern is how to ensure competitiveness and sustainable growth in the midst of international economic integration. WTO membership will make little immediate difference to most footwear and garments companies. They already enjoy easy access to the markets of the United States and the European Union, as a result of market access agreements.

WTO membership will force Vietnam to open its market. Local enterprises that are equipped with out-of-date technologies and unfamiliar with WTO practices will find it hard to survive. Tough competition is also expected in such lagging sectors such as services, steel, auto assembling and agriculture. Moreover, implementing the WTO commitments will require the country to retrain thousands of bureaucrats, and the new competition from foreign companies as markets gradually open could drive inefficient state-run businesses into bankruptcy, threatening jobs in a sector that still employs millions of workers. WTO membership will require Vietnam to allow foreign investors to tap into previously restricted sectors such as telecommunications, banking and insurance. "We need five years more to be able to compete with foreign banks," Tran Phuong Binh, general director of Dong A Joint Stock Bank told IPS. "There will surely be a flow of high-grade and professional human resources from local to foreign banks because the need for human resources grows by at least 50 percent per year," said Le Dac Son, a director at the VP Bank said.

Truong Gia Binh, director general of FPT, Vietnam's leading telecom company shares

Son's concern when he said, "After WTO, computer and IT (information technology) companies in Vietnam will experience a hard competition in terms of human resources from foreign businesses." FPT has already signed a memorandum of understanding with Microsoft to train young professionals and develop software in Vietnam. "The WTO is sort of the stamp of approval that many, many large American companies have been waiting for. They are just going to flood into this country," predicted Tim Tucker, country manager for Ford Motors that has already set up an assembly plant in northern Vietnam. But, for now, many U.S. businesses are unable to exploit the opportunities offered by Vietnam's entry to WTO because the U.S. Congress has decided not to grant permanent normal trade relation (PNTR) status yet because of this country's poor human rights record.

Source: IPS HO CHI MINH CITY, 9 November 2006