

U.S., EU Are Committed to WTO Agreement, Bush and Barroso Say

U.S. President George W. Bush and European Commission President Jose Barroso pledged to try to reconcile differences that are blocking progress on a World Trade Organization accord worth billions to the global economy. "We can't let this round fail; a failed WTO round would be a missed opportunity, particularly for people who are impoverished," Bush said at a news conference in Vienna today following a meeting with European Union leaders. Reaching a deal is "a tough subject because we're trying to make difficult adjustments to our own internal policy."

Bush last week said the flagging negotiations to update rules of global trade were at a critical moment and is encouraging European leaders to advance the talks. The U.S. is willing to cut farm, manufacturing and other subsidies provided the EU offers greater reductions in farm import duties and developing countries including Brazil and India scale back tariffs on industrial goods.

Negotiators at the WTO must meet a month-end deadline to draw up a framework for cutting farm subsidies and import duties on agricultural and industrial goods. With the EU, U.S., Brazil and India at loggerheads over the details of an accord, the talks are running against a year-end deadline to reach an agreement as the Bush administration's mandate from Congress expires in July 2007.

While the trade talks are at a "crucial phase," Barroso told journalists he's optimistic negotiators will manage to reach an "ambitious and balanced conclusion." The U.S. and EU have a "joint responsibility to help deliver an agreement which promotes growth and opportunity, especially for the poorest." The WTO's 149 governments have been trying since 2001 to broker a new accord that would lower tariffs, end many government subsidies and refine the rules of investment worldwide. A new agreement could add at least \$96 billion a year to the global economy, the World Bank estimates.

U.S. National Security Adviser Stephen Hadley yesterday called the U.S. offer "very bold," and said the U.S. wants to see "comparable" proposals from the Europeans. "If they can move in that direction, we're going to be in the zone of getting an agreement by the end of the year," Hadley said. EU Trade Commissioner Peter Mandelson said July 16 in Brussels that the U.S. is "offering to pay too little for what it is demanding in return." Wrapping up the WTO talks before August is crucial to having an accord ready before Bush's trade negotiating authority expires, analysts say. That authority prevents the U.S. Congress from amending the deal once it's sent for approval to lawmakers, many of whom have already criticized the negotiations. The heads of the agriculture committees in the House of Representative and the Senate, Bob Goodlatte of Virginia and Saxby Chambliss of Georgia respectively, have already ruled out any further concessions by the U.S. in cutting farm aid.

Pressure mounts on US at WTO farm talks

The United States goes into a key world trade meeting next week under pressure from the world's trading nations to unblock gridlocked talks by offering deeper cuts to its farm subsidies.

It is a particularly uncomfortable position for Washington, which until recently appeared to be winning a public relations battle over which country was trying hardest to get a new World Trade Organisation pact. Lauding its "ambitious" offer to cut its most trade-distorting agricultural supports by 60 per cent, the United States seemed to have Europe and developing countries such as Brazil on the defensive over their reluctance to meet Washington's exacting demands to slash their agriculture import tariffs.

Critics have seized on a WTO analysis of the US farm proposal which they said shows Washington would have room to increase its overall spending on farm supports. Meanwhile, European Trade Commissioner Peter Mandelson and top Brazilian officials have said repeatedly they will move, but only if Washington makes deeper cuts to its subsidies and provides more realistic market access suggestions. "For the first time in a long while people are pointing at the US and saying it's selling empty proposals and has onerous demands on market access that are completely outside the parameters of what everybody else is talking about," said Catrin Smaller, trade expert at the Institute for Agriculture and Trade Policy in Geneva.

Even were it to offer a bigger domestic subsidy cut, Washington would struggle to scale back its market access demands, which it must deliver for big US agribusinesses if it is to get congressional support for any final deal, experts say. Alarmed US commodity groups and farm lawmakers have loudly refused to give trade officials the mandate to make an extended offer. "The US is in a corner," Smaller said. "What it comes up with will determine whether the round can finish this year."

The Doha Development round of talks was launched in 2001 with the aim of lowering trade barriers around the world to boost the global economy and lift millions out of poverty. Ministers meet next week in Geneva to try to agree on a blueprint for farm and industrial goods. Failure would likely scupper chances of the round finishing in 2006, which could kill it completely as special US presidential powers to negotiate trade pacts expire next year and are not expected to be renewed by Congress.

White House National Security Adviser Stephen Hadley, traveling to Europe with President Bush told reporters on Tuesday: "What we really need is to see a response from the group of 20 countries and from the Europeans that is comparable to this offer." "If they can move in that direction, we're going to be in the zone of getting an agreement by the end of the year."

Taiwan Urged to improve Trade Ties with China.

The World Trade Organisation on Tuesday urged Taiwan to adopt freer trade ties with China in order to stimulate growth and investment. In its first-ever review of Taiwan's trade policy since the island joined the global body four years ago, the WTO noted that despite increasing economic links Taipei still bans the import of 2,200 Chinese products.

Source: AFP, GENEVA, 20 June, 2006

India is Optimistic

Amidst the gloom over a possible failure of an agreement at the WTO talks in Geneva, there is a silver lining. As the draft for potential modalities is expected to be out shortly, India hopes for consensus in a couple of very small movements in the run-up to the final talks. One is the US proposal to cap blue box subsidies at 2.5% of the total value of agricultural production, government sources told FE. Most developing countries may allow it to go up to 5% if countercyclical payments are not included in the blue box category.

According to WTO rules, the subsidies are divided into amber, blue and green boxes. Amber box subsidies are prohibited as it has production and trade distorting impact and are subject to reduction commitments. These commitments are to reduce the total subsidies by a certain percentage that will be decided in the WTO talks. Blue and green box subsidies are allowed. These two form a major share of domestic subsidies in several WTO member countries, especially the EU which uses it the most. Though blue box subsidies have production and trade distorting impact, they are perceived as less distorting, and are not production enhancing. There are subsidies in the blue box which are given to farmers to keep their land vacant.

However, experts are not that optimistic. Says Parthapratim Pal of The Energy Resources Institute, "In the Uruguay round also the government overlooked some flaws. Probably they did not realise the loopholes. The US proposal to cap blue box subsidies at 2.5% comes with some riders. Washington says that they are ready for 2.5% provided the countercyclical payments are included in the blue box category. But according to WTO definition, countercyclical payments fall in the amber box which is subject to reduction commitment."

Another significant movement, the government sources said, is the European Union giving a 48-50% reduction in tariff rates in agriculture products. The sources said if EU were to go closer to the G-20 cuts that would be a major movement. But some experts say that there is a rule in WTO for sensitive products where a country is allowed additional flexibility in tariff cuts. Some countries take advantage of this provision to protect their commodities.

Source: Reuters, New Delhi, 20June 2006

WTO hands partial victory to US in customs case against EU

World Trade Organization arbitrators found that national customs authorities in the European Union don't treat all imports consistently, handing the U.S. a limited victory that doesn't question the bloc's customs practices.

WTO rules require members to administer customs laws in a uniform, impartial manner; the U.S. said when it brought the complaint to the Geneva-based arbiter in September 2004. Lacking a single customs administration, the EU imposes different import duties on the same product, the U.S. said

The ruling doesn't undermine the right of the bloc's 25 governments to set their own standards when classifying imports for duties, the EU said. 'The report is a victory for the EU,' said Peter Power, a spokesman for the European Commission in Brussels. 'It rejects the far-reaching and unsubstantiated claims made by the U.S. which go to the heart of the institutional structure' of the EU. The decision 'confirms the right of the EU and any WTO member to decide how best to organize its customs administration.' Because each EU country classifies imported products differently, U.S. exporters face complications, the Bush administration claimed. Smaller companies that are ill-equipped to track differences in the rates of levies are at a particular disadvantage, the U.S. said.

WTO arbitrators found that in two instances — of blackout drapery lining and liquid crystal displays — the EU has violated its obligations under international trade law. According to the U.S., LCD monitors are designated "computer-related equipment" in some EU nations and therefore free from import duties while elsewhere, they're "other" monitors, requiring a 14 percent duty. 'If each of the 50 U.S. states administered U.S. customs law through a separate agency, with no central authority to ensure uniformity, there would be no end to the complaints' at the WTO, Peter Allgeier, the U.S. ambassador to the

WTO, said in an e-mailed statement. The EU, “as a WTO member in its own right, must be held to no less a standard.”

Source: *Bloomberg New Delhi* 20 June 2006

WTO hands partial victory to US in customs case against EU

European Commission President Jose Manuel Barroso has warned that a rising tide of protectionism could endanger European investment in the United States, the Financial Times reported on Wednesday.

Barroso said he had spoken to U.S. President George W. Bush, several times about the risk of introducing new barriers on investment because of worries about globalisation or terrorism “We want to make sure that the security concerns that we respect can be dealt with in a manner that is not detrimental with our overall political relations, specifically on trade and investment,” he told FT Deutschland, the German sister paper of the Financial Times.” We deplore all decisions when there is -- because of a security concern -- the restriction of the free flow of capital,” he said.

Bush and Barroso are attending an EU-U.S. summit in the Austrian capital Vienna on Wednesday. Barroso said a backlash against globalisation was stoking protectionist tendencies in the United States and elsewhere. “The current administration -- generally speaking -- is fighting these tendencies,” he added.

Barroso was concerned about Washington's refusal to grant visa-free access to the United States to citizens of new EU member states.

He said the U.S. position on the visa-waiver scheme treated people from these states "as second-class citizens" even though they hailed from countries that were "very pro-American."

U.S. immigration rules exclude citizens of most of the bloc's 10 mostly former communist new members from visa waivers that are enjoyed by almost all of its older 15 member states.

Source: Reuters London, 20 June 2006

Chinese year of Africa.

IF EVER there was a case of the flag following trade, it is China's recent African diplomacy. China is giving Africa unprecedented amounts of diplomatic attention after a five-year period in which its trade with the continent, heavily driven by growth in oil imports and manufactured exports, has risen fourfold. In Beijing, senior foreign ministry officials call this year "China's year of Africa".

The attention is a strong signal that China is putting down its marker as a serious player on the continent. Because of China's growing access to oil in Africa, its role could help either set off new, intense power rivalries on the continent, or bring about new forms of constructive engagement. A new "scramble for Africa" and its resources is no foregone conclusion, but the consequences of a scramble would be damaging for the continent.

The rise of China's involvement in Africa has been so fast and so recent that external powers (the US, the UK and France) as well as Africa's regional powers (Egypt, Nigeria and SA) show signs they are still thinking through the consequences. Meanwhile, China is stressing a "peaceful rise" to Africa and the world.

This week, Chinese Prime Minister Wen Jiabao is on a seven-nation African tour that includes a two-day stop in SA. Earlier this year, Chinese President Hu Jintao visited three African countries. And in November, Chinese and African leaders will gather in Beijing for a China-Africa summit — the second so far. The only other country to host a summit with African leaders is France. The European Union is struggling to hold such a summit because its "smart sanctions" will not allow Zimbabwe's President Robert Mugabe to attend.

In January, Beijing released an official paper on its African policy, an indication of its seriousness of purpose in building a "new type of strategic relationship". With British Prime Minister Tony Blair's Commission for Africa report last year, and the global attention the continent received, Beijing may well have felt under pressure to come up with its statement on what it is willing to do for Africa. Next year, Beijing will host a meeting of African finance ministers at the annual meeting of the African Development Bank, a move that reflects an expanded role as aid donor.

Africa has an elevated importance to China because of Beijing's raised global role, its need for energy and resources, but also because the continent's low per-capita income is an ideal market for cheap Chinese goods. However, although Africa is important to

China, the continent is far from central to China's role in the world. China, though increasingly a global power, remains primarily an Asian power, with its military power still focused on Taiwan and Asia.

In terms of oil, Africa is of growing importance and China has done big deals in African countries, including Angola, Nigeria, the Republic of Congo, and Sudan. Africa's oil may give it heightened importance, but again it is not central. Data on the share of African oil as a percentage of China's oil imports are not readily available, but are likely to be less than 20%.

Today, the continent contributes only 2,8% of China's total trade. China imports about 40% of its oil, of which a little less than half comes from the Middle East. Like other countries it is trying to diversify its sources of oil away from the Middle East, and Africa is a growing source

That China is keen to own oil at source rather than rely heavily on contracts with the international oil majors is bound to intensify energy rivalry. Beijing sees itself as a latecomer in the international petroleum and resources industry and has to do business where it can — it can't be too fussy.

If and when China takes on more active political reform, it is likely that elements of its Africa policy might also change — to give human rights and governance more emphasis. Currently, Chinese policy stresses noninterference, no political conditionality, “mutual benefit”, “a win relationship”. There is no talk of governance and human rights, although officials say at times that they have concerns.

But Beijing's policy is couched in careful terms clearly stating that support will be carried out to the extent of China's ability. In effect, China's is a case-by-case approach, rather than a blanket alternative source of aid for countries turned down by the west.

As much as China is the world's largest holder of foreign reserves, it still has finite resources, immense domestic needs, and even its state enterprises tend to take decisions on business grounds.

Take China's differing policy to two rogue states. Amnesty International suggests that Chinese aid and arms-for-oil deals in countries such as Sudan are the result of its need for oil. China is also accused, in the United Nations Security Council, of offering Sudan protection against the imposition of sanctions over Khartoum's role in Darfur. According to the Institute of Strategic Studies, China hopes Sudan will supply 9% of Chinese oil imports in time.

Source: Daily Mail, South Africa, 20 June 2006.

Arab states to form grouping at WTO

The 12 Arab member states of the World Trade Organisation (WTO) will form a negotiating bloc within the international forum, Egyptian Trade and Industry Minister Rachid Mohamed Rachid said.

Rachid told reporters on the sidelines of a meeting of Arab ministers that WTO Director-General Pascal Lamy would receive official notice of the new group next week. Rachid said the members did not expect the bloc to have a common position in all cases. "The issues are complicated and we expect that we won't have common ground on everything, but we're seeking a minimum agreement," he said. The bloc will support the individual interests of its member states as long as those interests did not clash with those of the rest of the bloc, Rachid said.

He said he had discussed the matter with Lamy, who was supportive of the initiative. "The negotiation process in the WTO does encourage such groupings," Rachid said, citing the Organisation's need for consensus and the difficulties often faced by smaller countries with limited resources during negotiations.

He said Egypt would want to ensure it kept its preferential treatment agreements with other countries. The bloc is expected to eventually include six other Arab states which are now in talks on accession to the WTO.

Source: Turkish Press, National Nine News, 21 June 2006

EU May Sue Nations Not Helping to Fight Piracy, Mandelson Says

The European Union may sue governments that don't help fight product counterfeiting, Trade Commissioner Peter Mandelson said, as the EU and the U.S. push China to crack down on piracy of branded goods. The EU is focused on encouraging governments to help the effort, Mandelson told reporters after a meeting with U.S. officials and business executives in Vienna today. Still, the bloc could take "alternative measures" for countries that don't assist in stemming the flow of fake products, he said, without naming any countries. The 25-nation bloc's recourse includes "potentially the WTO."

U.S. President George W. Bush and EU leaders in the Austrian capital will endorse an agreement to coordinate more closely in fighting piracy, blamed by business groups for costing 360 billion euros (\$455 billion) a year.

The trans-Atlantic partners have diverged on the idea of taking action at the World Trade Organization, the global trade arbiter based in Geneva. The U.S. has said since at least March it may file a case at the WTO against China unless authorities reduce incidents of intellectual-property violations. "We are out of time now on intellectual property and counterfeiting," Tom Donohue, president of the U.S. Chamber of Commerce, said in an interview after today's meeting. On the idea of pursuing WTO complaints against governments that fail to crack down, he said, "It's not timely now, but those countries ought to know it's under active discussion."

Copyrights, Trademarks.

Mandelson should sharpen his rhetoric toward China regarding copyright and trademark violations, said Philippe de Buck, secretary general of Unice, the European employer group. If cooperation among governments fails, he said in an interview, "well, the WTO's there to resolve disputes." European makers of luxury goods have worked with Chinese retailers to stop sales of knockoffs. Still, manufacturers of goods from software to automobile parts to household products argue that counterfeiting continues to rise. At a news conference earlier today, Mandelson said increasing piracy of prescription drugs is threatening lives, not just the value of brand names. His colleague Guenter Verheugen, the commissioner for industry, said businesses complain that cooperation by authorities in China and Russia is "not sufficient."

The EU and U.S. also will need to boost cooperation of smaller countries, for example Paraguay, British Airways Plc Chairman Martin Broughton said at the news conference, speaking as co-chairman of the Trans-Atlantic Business Dialog industry group.

Source; Bloomberg, 21 June 2006