

### India ask for Change of Mind set and new offers at WTO talks.

India's Commerce and Industry Minister Kamal Nath says the ongoing World Trade Organisation (WTO) negotiations are headed for failure, unless developed countries, primarily the European Union (EU) and the US, show an entirely new mindset and put new offers on the table.

Nath was dismissive of recent statements by WTO secretary general Pascal Lamy praising the "new offers" made by the US and the EU.

"There has been no new offer from the developed world and that is where the problem lies. The gap between the developing countries and the developed world remains large and has not been narrowed down at all. For making a new offer, the developed countries need a new mindset," Nath told Europe's leading India-focused publication "India & You" in an exclusive interview during his recent trip to Paris.

"India & You" promotes India as a destination for both business and tourism and is distributed in 30 European and African countries. Its sister publication, INDES, is the only French language magazine devoted to India and is circulated in 17 countries.

Nath said that unless the new offer came from the developed world, the year-end deadline for the conclusion of the current round of negotiations, titled the "Doha Development Round", could not be met.

"I am of course an optimist and I do hope that something substantial and new will be put on the table soon so that we can move ahead on this round. But I am also very clear that we will not agree to any offer that is unacceptable just in order to save the round," he remarked.

The minister said India had already met its obligations in reducing tariffs on industrial and luxury goods. "We have already done what we are committed to."

He added that he was looking at further cuts in import tariffs on luxury goods but only if "it did not hurt the sensitivities of our own luxury goods industry, which is still in its infancy".

On agriculture, he once again firmly ruled out any negotiations on India's tariffs or market access. "For millions of India's farmers, it is a question of subsistence, not a subsidy. And subsistence can never be put on the table for negotiation. Subsidies should be discussed and negotiated and even phased out, but not when it involves the basic survival of the farming communities," said Nath.

On the issue of the Arcelor bid made by steel magnate L.N. Mittal, he said that the government had made an error in making a statement against the deal right in the beginning, which led to a vitiation of the atmosphere. However, the French government has now said that it will not interfere in the deal, calling it a purely commercial issue.

"In my discussions with the French government here, I told them what

they are saying should also be followed up by actions," said Nath, refusing to predict whether the bid would succeed ultimately.

Source: Indo-Asian News Service 5 June 2006

## **U.S. Will Press Korea to Cut Tariffs, Roll Back Rules in Talks**

Drug makers, car companies and farmers in the U.S. are looking to what will likely be difficult South Korean trade negotiations beginning today to help expand their access to the world's 10th-largest economy. Pharmaceutical manufacturers including Whitehouse Station, New Jersey-based Merck & Co. want South Korea to roll back regulations drafted last month that exclude many foreign drugs from the nation's prescription reimbursement system.

Detroit automakers including Ford Motor Co. and General Motors Corp., which have struggled to boost sales in South Korea, say they want specific pledges to lower tariffs on car imports and eliminate other regulatory measures that prevent foreign automakers from gaining market share.

"You are dealing with complex regulatory reforms in sensitive sectors," said Jeffrey Schott, a fellow at the Institute for International Economics in Washington who wrote a book in 2001 about the potential for a South Korea trade deal. The talks "are not going to be easy because there are significant domestic industries in both countries that need to be accommodated," Schott said.

Many of the U.S. demands go well beyond the tariff reduction requests that have been at the heart of previous free-trade negotiations. The U.S. wants to unravel a web of South Korean regulations that have hampered sales of foreign automobiles, prescription drugs, insurance and farm products. Many South Korean industries depend on such rules for stability. "The U.S. industry has a lot it wants to get out of these negotiations," said Myron Brilliant, president of the U.S.-Korea Business Council in Washington, which represents Boeing Co., Citigroup Inc. and at least three dozen other companies that support reaching a trade pact. "Tariffs are really only one part of it."

At stake is the potential to boost U.S. exports to South Korea by at least two-thirds and South Korean sales in the U.S. by 20 percent, according to a recent U.S. government study. The U.S. shipped about \$27.7 billion in goods to South Korea last year, and imported \$43.8 billion of goods in return. A successful agreement may boost U.S. exports to South Korea by \$19 billion and add \$20 billion to the U.S. economy, U.S. International Trade Commission data show. South Korea could see a \$10 billion jump in its exports to the U.S.

The Bush administration has set a seven-month schedule for what analysts say will be one of the most arduous trade negotiations. "We never thought this would be a simple negotiation," Brilliant said.

Assistant U.S. Trade Representative Wendy Cutler will lead the American team at the negotiations, which kick off today in Washington. The U.S. trade office has set up special negotiating sessions for what they expect to be the most contentious issues: drugs and cars.

"Before we start rewarding the Koreans with increased market access, we need to be sure to open that market for U.S. exports," said Charles Uthus, vice president of the Automotive Trade Policy Council in Washington, which represents Ford, GM and DaimlerChrysler.

South Korean farmers are protected by import quotas on rice and tariffs of more than 40 percent on fruit, beef and other agricultural products. Many South Korean farmers clogged the streets of Hong Kong during a December World Trade Organization summit to protest cuts in those protections,

and plan to protest this week in Washington.

South Korean movie workers went to the Cannes film festival last month to try to stir opposition to the government's negotiations with the U.S., according to the Korea Times. As a prerequisite to start the talks, the South Korean government agreed to provide greater access for foreign films by halving the number of days cinemas must show locally made movies.

More than 280 South Korean farm, labor, media and other groups joined together in March to fight what rally organizers called the ``evil spirit" of the trade negotiations, and compared the prospect of an agreement to Japan's annexation of Korea in the early 20th century.

``The strength of those numbers took people by surprise," said Amy Jackson, a former U.S. trade official who worked on the South Korea talks until November 2005. She's now a director at C&M International, Ltd., a Washington-based consulting firm.

U.S. negotiators will be seeking success in the South Korea talks after failing to achieve a new WTO agreement that would have lowered agricultural and industrial tariffs for as many as 149 nations. The potential failure of the so-called Doha round of talks raised the stakes for bilateral agreements.

The U.S. trade office plans meetings with the South Koreans every six to eight weeks in hopes of wrapping up talks by year- end and submitting the accord to Congress for approval before July 2007, when the president's authority to negotiate trade pacts without congressional amendment expires. South Korea ``will be a benchmark for how successful free- trade agreements can be in the post-Doha environment," said Philip Turner, director for strategy and trade at Auckland, New Zealand-based Fonterra Cooperative Group Ltd., the world's largest dairy exporter, which has operations in the U.S. ``It will be a difficult negotiation," Turner said. ``Our sense is that the Koreans underestimate the demands the U.S. will make."

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## **Africa shows concern at Chinese WTO Protest.**

SA should not be concerned that its US trade benefits under the African Growth and Opportunity Act (Agoa) would be terminated as a result of China and other countries challenging the programme, said a South African government official on Friday.

China, Pakistan, India, and Paraguay among other countries were “blocking” the US request for the World Trade Organisation (WTO) to waive Agoa, said US trade representative for Africa, Florizelle Liser during an online media conference on Friday. SA’s exports to the US have flourished under the act, which gives certain African countries better access to the US than others. Agoa, which allows duty-free access for South African-made BMW cars, for example, is widely credited in SA with having helped to swing the trade balance with the US in SA’s favour.

The programme, like the Cotonou and Lomé agreements, has to be regularly waived by the WTO as it is essentially discriminatory. Liser said some African ministers, such as Kenya’s Trade and Industry Minister Mukhisa Kituyi, were speaking out against China and others blocking the waiver. “African ambassadors in Geneva have also started speaking out,” said Liser ahead of tomorrow’s annual Agoa ministerial meeting in Washington.

Netherlands-based online news site Fresh Plaza quoted Kituyi recently requesting that China withdraws its opposition to the approval of Agoa. The Chinese embassy said it could not comment on the matter at the weekend. A WTO press release in March stated that “Paraguay said it has been discriminated against by these programmes, and called for compensation”.

SA’s chief trade negotiator, Xavier Carim, said he understood the waiver request was “not being blocked as such”, but that some countries had raised questions about the effects of the programme on their own trade. This was not unusual, he said, and the issue would be resolved. “There certainly is no anticipation that the benefits of Agoa will end over this,” he said.

Liser said ministers from the US and Africa would discuss “next steps on the waiver” at the Agoa ministerial meeting. African ministers were also likely to raise questions over a replacement for Agoa, which will conclude in 2012. Liser said Agoa had helped to boost two-way trade between the US and sub-Saharan African by 115% since its inception in 2000. Total US imports from Africa increased 40% to more than \$50bn last year, she said. More than 98% of Africa’s exports to the US, which is Africa’s largest single-country market, enter duty free.

**Source: Business Day, South Africa. 5 June 2006.**