



Trade News Bulletin

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EU to press on with Airbus-Boeing fight: Mandelson

The European Union plans to press on with its case in a transatlantic dispute over alleged illegal aid paid to U.S. plane maker Boeing and European rival Airbus, EU trade Chief Peter Mandelson said on Wednesday. "We will proceed with our counter-case until such time there is genuine evidence of a willingness on the U.S. side to negotiate," Mandelson said.

The EU and the United States are locked in a row at the World Trade Organization (WTO) over the subsidies claims, which could be the biggest ever case handled by the trading body's dispute settlement panels. U.S. Lawyers last month filed their arguments at the WTO over the alleged illegal subsidies paid to Airbus, whose parent is EADS, and the EU side is likely to do the same early next year in its complaint about aid for Boeing.

Mandelson, speaking to reporters, said contacts between Washington and Brussels had been only "talks about talks" rather than negotiations about a possible settlement. "It has been clear that the U.S. definition of a negotiation is one that sees the total elimination of launch investment on the Airbus side, but continuation of healthy subsidies for Boeing on their side," he said. "That is not an acceptable basis to.

Source: Reuters, Brussels, 7 December 2006

India, Israel ink agreement to cooperate in trade standards

India and Israel have signed a cooperation agreement in the field of standards, technical regulations and sanitary measures. The agreement, signed by Indian commerce and industry minister Kamal Nath and visiting Israeli deputy prime minister Eli Yishai, provides for cooperation in harmonisation of national standards with international standards requirements, facilitation for establishing scientific and technical collaboration and elimination of technical barriers to trade.

Both sides will cooperate on the basis of principles stated in the Agreements on Technical Barriers to Trade (TBT) and Sanitary and Phyto-Sanitary (SPS) Measures of the World Trade Organisation (WTO), it said.

According to an official release, India and Israel will further expand bilateral trade and investment relations building on the respective strengths of the two economies. According to Mr Kamal Nath, Mr Yishai's visit is an important milestone in the development of bilateral relations between the two countries.

He pointed out that this was in continuation of the process started by the Israeli Prime Minister Ehud Almert's visit to India in December 2004, when it was agreed to establish a joint study group to make recommendations on mechanisms and targets for expanding trade and economic cooperation.

Several steps have since been implemented including the opening up of an Indian bank in Israel, finalisation of an agreement on standardisation and initiation of discussions between the two sides for a preferential trade Agreement (PTA), based on the recommendations of the JSG.

Source: Times News Network, New Delhi, 6 December 2006

Rep. Thomas complicating passage of trade bill

The following editorial appeared in Tuesday's Washington Post: It shouldn't matter whether you're conservative or liberal, for globalization or against: Some trade bills are so obviously beneficial and unobjectionable that there's no excuse for letting them languish.

This is the case with a raft of measures that would extend trade preferences for poor countries – preferences due to expire at the end of the year. Failing to renew them would not save American jobs or advance any other national interest; rather, it would disrupt the economies of U.S. trading partners and create another excuse for foreigners to resent the United States. The lame-duck session of Congress provides a chance to avoid that outcome, but there's no guarantee members will act.

Four trade-preference measures are in jeopardy. The measures would prolong tariff concessions to Andean nations, allow African garments made with third-country fabrics into the U.S. market, extend a similar concession to Haiti and renew the Generalized System of Preferences, which helps more than 100 countries. Passing these measures would not involve granting new market access; it would avoid closing the U.S. market and triggering factory closures in partner countries. Meanwhile, Congress also needs to ratify Vietnam's membership in the World Trade Organization. Without ratification, Vietnam will join the WTO anyway, but the United States will not enjoy the access that Vietnam has granted other WTO partners. The more Congress delays, the greater the head start it will give European and Japanese companies seeking to establish themselves in a fast-growing market of 85 million people.

These trade measures might founder partly because anti-globalization sentiment is growing in Congress, causing a minority of members to oppose all trade deals, no matter how routine. Another factor is that the pro-trade chairman of the House Ways and Means Committee, Rep. Bill Thomas, R-Calif., is complicating passage by loading up legislation with his own tactical wheezes. To punish India and Brazil for not doing more to secure passage of the Doha global trade liberalization package, Mr. Thomas wants to restrict the Bush administration's discretion to allow those countries access to U.S. markets, but Mr. Thomas should leave the calibration of sticks and carrots to the president's negotiating team. To encourage Africans to make garments out of locally produced textiles, Mr. Thomas wants to set impossibly tough targets for local content. He should leave the management of Africa's industrial development to Africans.

But the biggest reason these trade measures may fail is the most scandalous: Most members of Congress know that they ought to be extended, but institutional inertia is stopping them from doing the right thing. For the past several months, Congress has put off dealing with the trade preferences, even though their expiration at the end of the year was no secret. Now the deadline is approaching, and members of Congress complain that they lack time to craft the legislation. What Congress is saying is that leaving town for the holidays is more important than jobs in developing countries. No wonder the United States is seen as arrogant.

Source: The Washington Post, US, 7 December 2006

Johanns won't rule out WTO case against South Korea

U.S. Ag Secretary Mike Johanns, clearly frustrated over South Korea's third rejection of a U.S. beef shipment Wednesday, told reporters in Washington D.C. he's not ruling out a World Trade Organization (WTO) complaint against South Korea over beef issues. Asked by a reporter if the U.S. would seriously consider a WTO case against South Korea over beef Johanns replied, "I don't think anything, any possibility...I wouldn't take anything off the table at the moment. So your question, is it really a real possibility? Yes, I'm confident it is." And Johanns also said failure to resolve South Korea's continued ban on U.S. beef would make Congressional approval of a potential U.S.-South Korean Free Trade Agreement virtually impossible. "I can assure you, I don't have any doubt about it whatsoever, that if I went up on the Hill today trying to put the votes together, every single senator and House member would be asking me about beef," Johanns said. "And in that atmosphere it just becomes very difficult if not impossible to get the votes together to get a free trade agreement passed."

The American Meat Institute has called on USDA to pull its rules for exporting beef to South Korea as a signal that the U.S. considers the South Korean market closed to U.S. beef. But Johanns indicated such a move isn't necessary. "I would imagine if you got on the phone today and started calling U.S. exporters who might be interested in exporting beef to Korea," said Johanns, "they would say that there's no chance they are going to at this point."

In the meantime, Johanns said he remained hopeful South Korea could be persuaded to resume U.S. beef imports through negotiations. "I will tell you my hope would be that reasonable people can solve the problem," he said.

Source: Reuters, Washington, 7 December 2006.

OECS Countries prepare for WTO trade policy review

OECS Member states on Tuesday commenced preparation for their second World Trade Organisation (WTO) Trade Policy Review scheduled for December 2007.

The six OECS Members States held their first Trade Policy Review in 2001 where Ministers presented reports of the trade policies of the different island states as well as a collective report on the OECS as an integrated region.

The OECS member states is among the three regions that present their Trade Policy Review as a group rather than as individual countries. The others are the East African Community and the Southern African Customs Union.

The monitoring of national trade policies is a fundamentally important activity running throughout the work of the WTO. At the centre of this work is the Trade Policy Review Mechanism (TPRM).

This Mechanism allows for transparency among WTO members which serves to ensure the efficiency of the multilateral trading system. The greater clarity created in domestic trade policies serves to reduce uncertainty and promote trade, and domestically to allow countries to better understand the effect and relationship of their policies to enable them to better take advantage of the WTO rules-based system.

All WTO members are reviewed, the frequency of each country's review varying according to its share of world trade. OECS countries that have among the smallest share in world trade, approximately 0.0061 percent, are obligated to undergo a Review every 6 years.

The Review will allow other WTO members to assess the domestic policy of the OECS countries. Much of the work is coordinated between the trade ministries of the countries and the WTO Secretariat. With this particular TPR, the OECS countries have the benefit of an OECS Mission in Geneva to assist and coordinate between the WTO Secretariat and Member States. The OECS Geneva Mission is represented at this Seminar by Mr. Elliott Paige.

This first Seminar on the Trade Policy Review held the 6-7 December 2006 in St Lucia, is the collaboration between the OECS Secretariat and the WTO Secretariat to ensure that all the relevant government officials and private sector representatives can be present to start the process of preparing for their TPR.

Trade officials from all OECS members' states will hear presentations on the Trade Policy Review Mechanism from WTO Secretariat, led by the Director of the Trade Policy Review Division of the WTO, Clemens Boonekamp. The OECS Secretariat, led by the Senior Director of the Economic Affairs Division, Randolph Cato, will also elaborate on the OECS institutional frameworks that have been created to assist member states in trade policy making.

Government officials will also have the opportunity to present a preliminary analysis of

their trade regime. Given the discussions in Geneva on Aid for Trade, the OECS countries will also have the benefit of a presentation from the Agency for International Trade Information and Cooperation (AITIC) by their Executive Director Dr. Esperanza Duran.

So far there are three OECS countries that are members of AITIC benefiting from a variety of technical assistance relating to trade, including a trade brainstorming session held in Dominica in October of this year funded by AITIC and the OECS Secretariat Mission through EU funding.

This Seminar marks the first in the preparatory process, which will include several visits by the WTO Secretariat TPR staff and assistance from OECS Secretariat to individual member states of the OECS to collect and collate information on domestic trade policy. The review also gives member states and the OECS Secretariat the opportunity to have a comprehensive updated study on their own domestic policies from a perspective of trade policy. This process will culminate in Ministers of Trade from the OECS presenting their reports on December 5, 2007 and responses to questions of other WTO members on December 7, 2007.

Source: Antigua Post, Castries, St Lucia 7 December 2006

Pernod Ricard seeks buyouts in India

India doesn't want WTO dispute with EU; seeks to resolve this via dialogue.

Pernod Ricard, the world's second-largest wines and spirits group, said on Tuesday it was on the lookout for acquisitions in India and China with vodka, tequila and liqueurs heading its global shopping list.

The French maker of Chivas Regal whisky and Martell cognac, which swallowed most of Allied Domecq 17 months ago, said it put a priority on securing the rights to Stolichnaya vodka, a brand which analysts say is worth 2 billion euros (\$2.7 billion). Pernod managing director Pierre Pringuet said he believed the future of the Indian market would be imports once import duties that can add 200 to 500% to the cost of a bottle of Scotch whisky are reduced. "This country being part of the World Trade Organisation (WTO), will have to scrap maybe not all, but a significant proportion of its very dissuasive duties," he told Reuters. DNA Business Bureau adds: India, meanwhile, will seek to resolve the wines and spirits trade row with the European Union through mutual consultations, commerce minister Kamal Nath said here on Monday after a meeting with the French trade minister Christine Lagarde who "strongly raised" the issue of high taxes imposed by Indian state governments on imported wines and spirits.

EU on November 20 took the dispute to the WTO dispute settlement body, but the multilateral trade rules allow 60 days for consultations between the parties to the dispute before setting up an international panel for adjudication. While the EU feels that its access to India is impaired by levies imposed by Indian states, New Delhi too has raised the issue of Indian whiskies and other spirits being denied access to EU markets. "She (the French trade minister) has strongly raised the issue, Nath told at a joint news conference with Lagarde. "I hope we will resolve this by dialogue and it won't have to reach the next stage of dispute settlement."

Duties on imported wines and spirits are also an important source of revenue for state governments in India and thus, the Centre has to move cautiously on the matter
They said, we said

European Union feels that its access to India, one of the largest markets for wines and spirits, is impaired by levies imposed by various states New Delhi, too, has raised the issue of Indian whiskies and other spirits being denied access to EU markets

Kamal Nath hopes this will be resolved by dialogue.

Source: Reuters, Paris 7 December 2006

Mbeki to seek Bush assistance to revive WTO talks

President Thabo Mbeki has arrived in Washington for bilateral talks with American President George W Bush. The two leaders' talks will centre around the deadlocked World Trade Organisation's Doha round of talks and the latest developments in Africa.

President Mbeki will seek Bush assistance in reviving the WTO talks. Lulu Xingwana, the minister of agriculture, is already in Washington for talks with her counterpart and the new leaders of the US congress. The President arrived straight from the DRC, where he attended the historic inauguration of President Joseph Kabila. Both South Africa and the United States are keen to see peace and democracy in DRC.

Xingwana says WTO is critical especially now that they have to finalise the Doha round for developing countries. She says they are looking forward to see the US cut their domestic support and also want to discuss the farm bill. The United States is also prepared to train South African students on agricultural research. Last month 12 young South Africans from disadvantaged backgrounds qualified as winemakers from American institutions. South Africans are hopeful that the new leaders of the congress might be prepared to cut down on their farm subsidies. A move they hope could encourage the Europeans to do the same.

Source: Reuters, Washington, 7 December 2006.

WTO Ruling Disregards 'Precautionary Principle': Favours Science-Based 'Approach' to EU Biotech Rules, Says ITSSD

In a Legal Backgrounder released today by the Washington Legal Foundation (WLF), entitled, *WTO Ruling on Biotech Foods Addresses "Precautionary Principle"*, international business and trade expert Lawrence Kogan of the non-profit Institute for Trade, Standards and Sustainable Development, Inc. (ITSSD), argues that a recent World Trade Organization (WTO) ruling represents a blow to the proponents of the "Precautionary Principle" in Europe and a victory for 'best available science' in the regulatory process. The Precautionary Principle eschews science-based 'risk' assessments and an evaluation of the economic benefits and costs of regulation. Instead, it favours the enactment of overly strict and burdensome environmental, health, and safety rules based on unfounded activist fears of hypothetical hazards, for the purpose of eliminating every possible future risk from economic conduct.

The WTO issued its ruling on the complaint by the United States, Argentina, and Canada, on September 29, and much to the chagrin of environmental groups, EC accepted it as final, on November 22. As Mr. Kogan relates, the WTO panel found that European Union restrictions on approval of genetically-enhanced seeds and food products violated provisions of the WTO Sanitary and Phytosanitary Agreement. The EU's anti-biotech policies, the panel found, were based more on political considerations than scientific evidence.

The ruling is significant, according to Mr. Kogan, "because it clarifies the central role of science in evaluating the presence of health and environmental risks prior to the adoption of national food safety regulations not otherwise based on relevant international standards." The Europeans attempted to argue that WTO law and international law norms allowed them to apply a "better-safe-than-sorry" Precautionary Principle when restricting biotech food approvals. The WTO panel made very clear, the paper relates, that such a principle cannot be used, especially when scientific evidence is available on which to base a risk assessment. The panel also refused to embrace Europe's argument that the Precautionary Principle rises to the level of customary international law.

While this ruling is a positive development for best available science in the international regulatory process, Mr. Kogan believes that the drive to codify a Precautionary Principle will continue. He cites public statements by EU regulators and NGO efforts at the United Nations as examples of ongoing efforts to advance risk-free thought into international law. In fact, according to Mr. Kogan, "perhaps there are now sufficient legal grounds to commence another WTO action against the EC's unscientific and unnecessarily burdensome precautionary principle-based biotech regulatory regime."

Washington Legal Foundation is a national, non-profit public interest law and policy center. By utilizing a unique approach to forwarding its mission, publishing timely legal studies, engaging in innovative litigation, and communicating directly to the public, WLF has become the nation's most effective advocate of freedom and free enterprise. This

Monograph is one of seven free-standing formats in which WLF's Legal Studies Division produces legal policy papers and promotes free enterprise legal thought.

Source: Press Release: Institute for Trade, Standards and Sustainable Development, Inc, 8 December 2006.

Sugar Plunges after EU Announcement of Excess Supply Export

Sugar fell for a second day in London after the European Union, world's second-biggest sugar exporter, said it would export some of its excess stock and funds began selling in both London and New York. "The current market situation presents a good opportunity" to open the stocks for sale, the European Commission said in a statement from Brussels after a meeting of government experts today. The EU now "needs to make use of its export rights" allowed at the World Trade Organization.

The 25-nation EU is reducing its exports after Brazil, the largest exporter, won a WTO dispute last year that stops growers from sending abroad their surplus production. European Agriculture Commissioner Mariann Fischer Boel said last month that too few producers have given up their quotas since the industry was overhauled in July. White, or refined, sugar futures for March delivery dropped \$10.60, or 2.9 percent, to \$350.60 a metric ton on London's Euronext.liffe. Earlier, it dropped as much as 3.6 percent, the biggest decline compared with closing prices since Oct. 20. Prices have fallen 29 percent since this year's high of \$497 a metric ton on May 12. The EU announcement "is partly the reason why the market is down, but there is also hardly any interest on the buying side and the funds are selling a couple of thousands lots," said Marie Ensignia, a senior sugar and coffee trader with ADM Investor Services International Ltd. in London. European sugar growers have applied to scale back production by 700,000 metric tons in 2007, short of the forecast cuts of 5 million tons. The growing European sugar supply prompted Theo Spettmann, the chief executive officer of Suedzucker AG, the world's biggest processor, to say on Nov. 21 that the EU market may "collapse" unless more exports are allowed.

On the New York Board of Trade sugar futures for March delivery fell 0.29 cent, or 2.5 percent, to 11.2 cents a pound at 11:20 a.m. local time. Prices have declined 24 percent this year. "If you look at the white premium, it has remained steady at \$102 per ton, meaning London is falling at the same speed as New York," Michael McDougall, a senior vice president at Fimat USA LLC in New York, said by e-mail, adding that the funds there had sold "an estimated 5,000 lots so far." The EU agreed to chop the guaranteed price it pays for the sweetener by 36 percent since July and is aiming to end net sugar exports within a decade. Under its WTO commitments, the EU is allowed to export 1.374 million tons of subsidized sugar, the commission says.

The EU exports would add to the oversupply on the world market. Global sugar production is forecast to exceed demand by 5.1 million tons in the year to September, spurred by the high prices in 2005 that prompted cane growers to increase their planted areas, C. Czarnikow Sugar Ltd., the world's largest sugar broker, said in a report last month. "There's more supply than demand right now, which is making for a depressed market," Ensignia said.

Source: Bloomberg, London 8 December 2006

'EU, US cotton subsidies tragic' -WTO boss

The Director General of the World Trade Organisation (WTO), Pascal Lamy, recognised on Wednesday in Paris, France what he called "tragic consequences" of the North's agricultural subsidies on the economies of African cotton-producing countries, affirming that a solution to the problem is envisaged in 2007. "Whatever the final outcome of the negotiations, I think that we will find a solution to the problem of African cotton. This is a question which does translate the iniquities of the current system," he said.

Lamy said African countries have scored points during the previous negotiations within WTO, wishing that this dynamism continued. "African producers scored points. They succeeded in obtaining that even if the overall negotiation fails on the other points that we find a solution to the specific cotton issue. I think that we will attain this in 2007," Lamy added. Highlighting the difficulty involved in finding intermediate solutions to the problems of African cotton farmers, he said that the countries concerned should turn to development institutions such as the World Bank and the United States Agency for International Development (USAID).

While it produces the best cotton in the World, Benin does not gain much from its produce as a result of poor world prices brought about by European and US agricultural subsidies, he added.

Source: *Panapress*, Porto-Novo Benin, 7 December 2006

WTO chief to speak at ASEAN-Business Forum in Cebu.

World Trade Organization (WTO) Director General Pascal Lamy is leading an elite group of speakers from both business and government sectors in discussing economic integration during the three-day 4th Business and Investment Summit of the Association of Southeast Asian Nations (ASEAN), which opened Thursday.

The forum is expected to provide invaluable information and insight on economic integration. Lamy, a former commissioner for trade of the European Commission will discuss the implications of the WTO negotiations and how to address the challenges of global and regional integration on Saturday.

The discussions aim to help businessmen put into perspective their strategies considering the current setting of the trading scene in light of the resumption of the WTO talks. The Economists Intelligence Unit (EIU) has also sent its two ASEAN experts to discuss with some 400 ASEAN-BIS delegates the current issues in the global market, and the business opportunities and challenges that come with regional market integration. Among the speakers at the forum will be a number of business leaders and government officials.

Philippine President Gloria Macapagal-Arroyo will be the keynote speaker on Sunday, the final day of the meeting, while the other heads of state and government from the ASEAN region will give their own views on the meaning of ASEAN economic integration. Created four years ago by the ASEAN leaders as an integral part of the annual leaders' summit, the ASEAN-BIS serves as a venue for discussions between the leaders of the region and representatives of the business sector on their insights in developing the ASEAN Economic Community and enhancing the competitiveness of business in the regional and global markets.

With the theme "One Caring and Sharing Community," the 2006 ASEAN-BIS is organized by the ASEAN Business Advisory Council and co-organized by the Philippine Chamber of Commerce and Industry.

Source: Xinhua, China, 7 December, 2006

WTO chief says trade deal still possible by end-2007

World Trade Organisation chief Pascal Lamy said on Wednesday a global trade deal was possible in 2007 but it would need a bigger effort from the European Union, the United States, India and Japan. "There will be a new chance by the end of 2007" for an accord on the WTO's Doha round of world trade talks, he told a news conference.

In Brussels, EU Trade Commission Peter Mandelson called for leading trade ministers to meet in early January to discuss how to reignite the talks, which have been stalled since July. But Lamy said that he saw no sign yet that leading WTO member states were ready to adopt the sort of flexibility needed for a successful meeting of ministers. "For the moment there is still a bit of work to do to get the ministers around the table," he said.

The five-year-old WTO talks over reducing global trade subsidies and barriers were halted in July after major powers locked horns over politically sensitive issues, especially calls to dismantle agricultural protection. Discussions restarted on a limited basis last month, with the various negotiating groups in Geneva revisiting technical matters, but Lamy has said a high-level political push would still be required for a breakthrough. He called for "precise and simultaneous" efforts from trade powers before ministerial negotiations could begin. Several ministers, along with Mandelson and U.S. Trade Representative Susan Schwab, are due to meet on the sidelines of the World Economic Forum starting on Jan. 24 in the Swiss Alpine resort of Davos.

But Mandelson said that he hoped for a quicker start to the troubled negotiations. "I hope a more focused ministerial meeting will be possible before that (Davos)," Mandelson said, conceding his recent call for a meeting before the end of this year would not be possible due to the reluctance of others to take part.

Source: Reuters, Paris, 8 December 2006

After 5 years in WTO, China gets good report card

Since joining the WTO five years ago, China has brawled over bras with Europe and America, clashed with them over car parts and endured countless dressing-downs for illegally copying movies, music and other intellectual property.

What's more, Beijing was the target of more than one third of new anti-dumping probes launched by its fellow World Trade Organization members in the first half of this year. Yet the impression of constant conflict belies what officials and businessmen say has been a surprisingly smooth accession that has given a huge boost to Chinese trade and investment and, by extension, contributed to a golden age for global growth. falls down makes more noise than a forest that is growing," said Giorgio Magistrelli, executive general manager of the European Chamber of Commerce in China, in explaining why trade rows grab more headlines than the steady efforts that China has been making to meet its market-opening commitments.

Since joining the Geneva-based trade watchdog, China has cut its average tariff to 9.9 percent in 2005 from 15.3 percent in 2001. It has also scrapped or revised more than 3,000 rules and regulations and opened swathes of the economy to foreigners. China's trading partners say that Beijing still has a long way to go and grumble that, all too often, the government meets the letter of its WTO commitments but not the spirit. The EU complains about a lack of protection for intellectual property rights, product standards that put roadblocks in the way of foreign producers, and caps on investment in some key sectors. "There's always room to improve," said Magistrelli. Still, he gave China a score of 8 out of 10 for its efforts until now.

Source: Reuters, Beijing, 8 December 2006

WTO's Lamy seeking bipartisan U.S. support for Doha

The U.S. Democrats' victory in midterm elections does not spell doom for the Doha round of global trade talks, the head of the World Trade Organization said Wednesday. "Party politics may not be what matters most in trade policy in the U.S.," WTO Director General Pascal Lamy said during a meeting of the European American Press Club in Paris.

Launched five years ago in Doha, Qatar, the talks are aimed at concluding a new international treaty that would reduce tariffs and other barriers to trade, boosting the global economy and giving poor countries unprecedented access to overseas markets. The negotiations have stalled repeatedly most recently in July and progressed little on agricultural tariffs and subsidies, a key area where failure would scuttle an overall deal. The United States and other rich countries are under pressure to slash subsidies that help their farmers stay competitive at home and abroad.

Some WTO watchers believe prospects for a trade treaty dimmed further when Democrats won control of both U.S. houses of Congress last month many after campaigning on pledges to resist globalization. While the election's impact on U.S. trade policy would not be clear for "weeks or months," the French WTO chief said, "what we know from the past is that the adoption of trade legislation ... has always been bipartisan." Lamy also pledged to explain how a deal would benefit the United States "in terms that would be palatable both for Republicans and for Democrats."

U.S. President George W. Bush's "fast-track" mandate to negotiate trade treaties expires next July, making a global treaty even harder to conclude after that point. Lamy said Wednesday he was "not at all underestimating the difficulties of finalizing the negotiation" next year, urging governments to explain to voters the "huge benefit" of a new global trade deal. "If it cannot be translated into domestic politics — and it may happen — then we have an option which we've known is there since July, which is failure," he said.

Source: Reuters, Paris, 7 December 2006

WTO membership 'big plus for everyone?

Five years after China signed on to join the World Trade Organization, WTO Director-General Pascal Lamy said that the nation's membership in the global trade body is a "big plus for everyone."

No one doubts China's achievements since becoming a WTO member on December 11, 2001. China's trade volume this year is expected to reach US\$1.7 trillion, more than triple the US\$509.6 billion notched up in 2001. The WTO conducted its first review of China's trade policy in June this year, and was generally positive about the situation. "Even if there are still areas that need some improvements, the political commitment and determination shown by the Chinese Government is serious and responsible and all members have acknowledged it," said Lamy. Since joining the global trade body, China has adjusted its trade policies in accordance with its commitments to the organization, said Zhang Xiangchen, director of the department of WTO affairs at the Ministry of Commerce. First, measures have been taken to improve the transparency of laws and regulations. "From the end of 1999 to 2005, the central government constituted, adjusted and abolished over 2,000 laws, regulations and rules in line with its WTO commitments," Zhang said.

Second, the country's commodity market has been largely opened to international competitors. China's average tariffs were lowered to 9.9 per cent in 2005 from 15.3 per cent in 2001, while tariffs on industrial products were reduced to 9 per cent and those on agricultural products were cut to 15.3 per cent. Third, China is also opening its service market in line with its commitments to the global trade body. "As the country adjusts its laws and regulations concerning the service market, overseas service providers have gained increased access to the Chinese market," Zhang said. Over 100 service sectors, or 62.5 per cent of the total service industry, have been opened to international players. This percentage is close to the level of developed WTO members. Finally, the country's enforcement of intellectual property rights (IPR) protection has improved following the adjustment of virtually all IPR-related laws and legal explanations to conform to international rules. The WTO trade policy review also urged China to address some problems related to non-trade barriers and encouraged the country to accelerate its efforts in subsidy notifications.

However, Zhang acknowledged, trade protectionism is rising as economic globalization gathers pace. As China's trade volume with the rest of the world continues to grow rapidly, the nation is becoming embroiled in more trade conflicts and has become the biggest victim of trade disputes China is involved in one out of every seven global dumping disputes. "We expect China will continue to encounter trade disputes for a rather long period of time," Zhang said. As the world's most populous nation marks the fifth anniversary of its entry into the global trade body, China is also poised to become an even bigger player in economic globalization. For example, China has made numerous efforts to restart the WTO's stalled Doha round of talks in a bid to lower global trade barriers.

Source: China Daily, China, 8 December 2006

'WTO talks: India playing spoilsport'

As the World Trade Organisation desperately tries to salvage the Doha round of trade talks on removing trade subsidies, India's hawkish position is not only frustrating negotiators from rich nations but also ruffling feathers in academia. "India is the biggest spoiler (at the talks)," said Razeen Sally, professor at London School of Economics and Director of European Centre of International Political Economy. "Doha round has collapsed. It is probably as dead as the dodo," Sally said, putting a large part of blame on India not adopting a policy of unilaterally cutting subsidies. "India is more the problem than the solution. It is too defensive," Sally said at LSE's Asia Forum. India has maintained it would not cut subsidies unless US and EU stop funding their own farmers. India fears reducing agriculture subsidies would push its already impoverished farmers, who form over half of the country's population, into further penury as their produce would not be able to compete with imported fruits and vegetables.

The politically sensitive issue has practically killed the five-year-old Doha round of talks with India and Brazil ranged on one side and US and EU on the other. However, US and European nations too are divided over the issue with France refusing to agree to steep cuts. "India is the spoiler. But it is not alone. France is also a big spoiler," he said.

Reports on Wednesday quoted WTO chief Pascal Lamy as saying that a deal was still possible next year with efforts from US, EU, Japan, India and Brazil.

Source: Times News Network, 7 December 2006

WTO: Risk of “Total Failure” on the Doha Round

In an interview with the UK’s Sunday Telegraph, Pascal Lamy, General Director of the WTO admitted that if the new U.S. Congress does not take action to save the round of negotiations it would cause a collapse in the whole trade multilateral system. Recent meetings with CBI Head Richard Lambert and Japanese Agriculture, Forestry and Fishery Minister Toshikatsu Matsuoka confirm the intense activity of lobbying which has as a purpose to create a more favourable environment to resume negotiations.

Lamy once again called US and EU governments to make concessions particularly to sensitive topics for developing countries, such as the agricultural sector. He stressed that this round was launched as the “development round” and a failure means “a political backlash from the developing world”. He accepted that the round is unlikely to be completed by June 2007 and that the new congressional composition in the U.S. with Democrats majority is historically less favourable for trade deals, however he argues: "Democrats need to remember that taking the US into multilateral agreements is a good thing."

Source: Plaza News, Tholen 6 December 2006

EADS, Northrop see chance to win tanker contest

The North American unit of Europe's EADS (EAD.PA: Quote, Profile, Research) on Tuesday said it was investing \$30 million in a bid with Northrop Grumman Corp. (NOC.N: Quote, Profile, Research) to build U.S. refuelling tanker aircraft and "absolutely" believed it could win.

But EADS would not rule out withdrawing from the competition, depending on how the U.S. Air Force frames the final evaluation criteria, Ralph Crosby, chief executive of EADS North America, told the Reuters Aerospace and Defence Summit in Washington. "We're in this because we absolutely believe we have an opportunity to win. If it ever becomes apparent that we didn't, then why waste your money," Crosby said. "I wouldn't rule anything out. We have not seen the evaluation criteria and we have to look at that," he said. EADS alone would spend around \$30 million on the aerial tanker competition, he said. "We are in this competition with every fibre of our selves because of its importance," Crosby said. If selected, Northrop Grumman and EADS have committed to producing the tankers -- based on the Airbus A330 -- in the United States, he said. Crosby acknowledged his team faced resistance from some U.S. lawmakers who would prefer a tanker based on a U.S. design, but said he was confident the U.S. military would conduct the competition in a fair and open way. Northrop Grumman is the prime contractor for the tanker team. He noted that EADS just won another Pentagon competition to build 322 light utility helicopters for the U.S. Army, a deal valued at \$3 billion. Crosby described that contract as "a real professional highlight and demonstrative of the kind of capability that we at EADS have talked about."

EADS beat out another European contender, Augusta Westland, a unit of Italy's Finmeccanica SpA (SIFI.MI: Quote, Profile, Research), which had joined forces with L-3 Communications Holdings (LLL.N: Quote, Profile, Research); Textron Inc.'s (TXT.N: Quote, Profile, Research) Bell Helicopter unit; and MD Helicopters Inc., a small private company, to win the helicopter competition. EADS is due to deliver the first of the helicopters to the Army on Monday, despite a 100-day work pause ordered while the government considered two protests filing by losing bidders. Crosby said EADS was continuing its push to boost its sales in the United States, buoyed by the helicopter win plus several smaller acquisitions over the past year. It was also keeping its eyes open for additional "bolt-on" acquisitions, he said. EADS has also partnered with Raytheon Co. (RTN.N: Quote, Profile, Research) to compete for a \$7 billion contract to build 145 new light cargo aircraft for the Army and Air Force. Defence officials say they expect that contract to be awarded in February or March. That competition pits EADS against another Finmeccanica unit, Alenia Aeronautica, which is teamed with L-3. "All in all, from the U.S. perspective, I believe the strategy we've laid out is a solid one," Crosby said. He welcomed news that the Air Force planned to remove a World Trade Organization trade dispute from the tanker competition, calling

it an "extraneous issue. "Boeing and Airbus have accused each other of benefiting from government subsidies in competing for commercial sales. But Airbus has not said whether it will apply for European government loans to help develop its new A350 aircraft, which will compete with the new Boeing 787, and top officials have discussed the company's ability to finance the launch itself. "There has been at this point no commitment to launch aid," Crosby said.

The United States has challenged earlier European loans to Airbus as an illegal subsidy in an WTO case that is expected to be decided next October. The European Union had filed its own WTO case against U.S. support for Boeing, such as Washington state tax breaks and U.S. government defence contracts that it claims reduce Boeing's civil aircraft development costs.

Source: Reuters Washington, 7 December 2006

Asia Pacific College introduces WTO information into its syllabus

In order to raise its students' knowledge to the same level of those in advanced countries in the Asian Pacific region, the Asia Pacific International English College has introduced the necessary information on WTO into its 2006-2007 syllabi for its students from grade 9 to grade 12.

This is a training program with an aim to provide students with basic knowledge, a sense of globalized trade, opportunities and challenges in the context that Vietnam has recently joined the World Trade Organization.

According to Mr. Nguyen Quoc Hung, Principal of Asia Pacific College, this program not only provides knowledge and information about free trade, globalization issues but also develops the skills in discussion, criticism, presentation and creative thinking for pupils.

The school has pioneered in universalizing this program and is ready to be twinned with other schools in Ho Chi Minh City having the need to teach this kind of knowledge to their students.

Source: SGGP, 8 December 2006

China's WTO honeymoon over for US and EU

As China's five-year WTO honeymoon draws to a close, the United States and Europe are intensifying pressure for the emerging giant to play fair by the rules of global trade.

But the rhetoric is also a vindication of China's entry into the World Trade Organisation, which has given trading partners a forum to vent their grievances and a chance to prise open the world's most populous market. Grant Aldonas had a ringside seat to observe China's accession to the Geneva-based club, as US undersecretary of commerce for international trade from 2001 to 2005 and before that as a top trade lawyer in Congress. "Although there are difficulties in the US-China relationship, the bet that members of Congress were making was that the power of markets would expand the range of freedom in China," he said. "As far as I'm concerned, when I go to China these days, that bet has been vindicated," said Aldonas, who is now a senior fellow at Washington's Centre for Strategic and International Studies.

Cheap Chinese goods have kept US interest rates low and so fostered a five-year expansion in the world's biggest economy, the former US official said. China's entry into the WTO on December 11, 2001 was welcomed by its trading partners as finally bringing one of the world's fastest-growing economies into the bosom of the trading system.

China became subject to the binding regulations governing world commerce - but enjoyed a five-year transition period before some of the rules were applied fully

Source: Reuters, Washington, 6 December 2006

President's whisky tax threatens £74m trade and launches demands for an EU investigation

Hugo Chavez, the left-wing Venezuelan president, has sparked anger by threatening to impose a 15 per cent luxury goods tax on Scotch whisky.

The industry is also being hit by punitive foreign currency restrictions put in place by the Chavista government that have seen the price of imports of the spirit to Venezuela grow by up to 50 per cent. Concerns are in Westminster that the measures break world trade laws. The cost of whisky has soared since the Chavez government stopped allowing importers to use the official exchange rate to exchange bolivares in June, forcing them to buy euros at a much less favourable rate. The market is worth £74 million to Scotland and Venezuela is the biggest consumer of whisky in Latin America and the seventh-biggest buyer in the world.

According to the Scotch Whisky Association, exports to Venezuela could double this year as the world's fifth-largest oil exporter benefits from an economic bonanza thanks to high oil prices. Now the organisation has asked the European Commission to investigate. Traditionally the drink of the oligarchs, whisky has become the latest target in Mr Chavez's "Bolivarian revolution". During a reception held in honour of foreign VIPs including Angus MacNeil, the SNP MP, who was visiting Venezuela to observe Sunday's presidential elections, elegantly dressed waiters poured glasses of whisky, stunned when anyone requested a different drink. However, the flow of spirit is under threat since Mr Chavez unveiled his plans for a 15 per cent tax that would be applied to whisky imports.

Jose Luis Betancourt, president of the Venezuelan Chamber of Commerce, told *The Scotsman* this measure will almost certainly be implemented, although it is unclear whether it will be in the form of a luxury tax or another type of taxation.

In 2005, an EU-Venezuela agreement allowed access to foreign exchange for imports of EU spirits and wines at the official rate, provided they had a particular certificate. The authorities have recently limited these certificates, in terms of both quantity and time. The Scotch Whisky Association and other European spirits manufacturers believe this is a violation of both WTO and IMF rules. A spokesman for the Scotch Whisky Association said: "The discriminatory foreign exchange control system is restricting market access contrary to WTO rules, denying consumer choice and unfairly preventing Scotch whisky sales reaching their full potential in Venezuela." Mark Pritchard, vice-chairman of the all-party Venezuela group and a Tory MP, had expressed concerns to visiting MPs from the country about the looming tax. "This is a serious issue for the Scottish whisky industry which employs 41,000 in Scotland. The new tariffs must not be part of Chavez's crusade on capitalism." John McFall, the Labour chairman of the all-party whisky group, said the

measure was "punitive". "The Venezuelan government is going against all the multilateral agreements." he said. Venezuelans drink whisky in golf clubs and slums alike, despite the country producing excellent cheaper rum. Whisky has become a sign of distinction, equivalent to owning a car or a TV set, with a good bottle costing 100,000 Bolivares (£24) - or around a quarter of the local monthly minimum salary.

The effects of the trade measures could be limited thanks to Venezuela's boom - the economy grew by almost 10 percent last year - which would allow increasing prices without reducing demand. Venezuelans' habits could also help. "Whisky is part of our lives. We'll complain but I'll still drink it, maybe slightly less than now," said local businessman Jose Márquez. Nearby, Luis Altamirano, a bartender working in an American-style restaurant located in an upmarket area of Caracas, said: "I don't care if prices increase, I'll drink whisky anyway."

Source: Reuters, Caracas, Venezuela, 8 December 2006

EU seeks free trade deals with Asia

Seeking stronger trade ties with key Asian nations, the European Union this week will outline plans for clinching bilateral free trade deals with South Korea, India and members of the Association of Southeast Asian Nations (ASEAN). The bloc's trade chief Peter Mandelson is set to unveil the new blueprint on December 6 in a bid to reinforce Europe's economic clout in some of Asia's most buoyant markets, EU diplomats said Monday. The three key partners identified for new agreements combine "rapid growth, a high degree of market potential and high levels of protection against EU exports," the officials said. Unlike the US which is engaged in free trade negotiations with several Asian and Middle Eastern states, the EU has so far steered clear of striking bilateral free trade deals with countries in Asia.

However, the current deadlock in global trade talks being held under the World Trade Organization (WTO) has spurred the EU to seek stronger trade ties with partners in Asia. Asian countries have also stepped up demands for closer trade links with the EU, partly to balance their economic ties with the US and Japan. Officials in Brussels insist that Mandelson's search for targeted bilateral trade agreements is not meant to deal another blow to the WTO negotiations. The EU trade chief was not in favour of free trade deals as a "quick political fix" but believed that ambitious bilateral agreements could drive forward global liberalisation and create new trade opportunities for European exporters, the officials said.

Such pacts could also improve the competitiveness of EU companies in key enlarging markets and prepare the ground for future liberalization by going further in areas such as investment and competition rules as well as disciplines on intellectual property rights and public procurement where WTO rules do not yet fully apply. The EU's priority will be to ensure that the new bilateral agreements serve as a stepping stone, not a stumbling block for the widest possible openness in the global trading system, Mandelson said recently. The European Commission hopes to begin negotiations with Asia, South Korea and ASEAN states early in 2007.

The Commission is also expected to call for new agreements with the Central American and Andean regions.

Source: Associate Press Association, Brussels, 5 December 2006

USADA Secretary says Trade issue Crucial to 2007 Farm Bill

After negotiations between the U.S. and the World Trade Organization fell apart, the 2007 Farm Bill currently being crafted will be more important than ever for American farmers, U.S. Agriculture Secretary Mike Johanns said Thursday.

Exports brought in \$77 billion to U.S. farmers in 2005, accounting for one-quarter of all cash receipts. Therefore, striking the right balance between trade and subsidies to farmers is crucial; Johanns told the Kentucky Farm Bureau's annual convention in Louisville. "That's what we put at risk if we don't do this right," Johanns said. "I wouldn't be doing my job ... if I put in a policy that jeopardized \$1 billion of your business." Johanns, a former Nebraska governor, spoke to a full room of farmers, telling stories of his background growing up on an Iowa dairy farm and running a farm state for six years before being appointed agriculture secretary in January 2005. Those experiences, Johanns said, give him a good feel for the problems confronting farmers and how the next farm bill will affect them. The U.S. exports large amounts of what it grows -- 80% of all cotton is shipped out of the country, as well as 50% of rice, 75% of all cattle hides and one-third of soybeans and corn, Johanns said. That's why U.S. negotiators were careful at the WTO talks over the summer, Johanns said.

Trade liberalization talks at the WTO broke down in July over differences between members, particularly the U.S. and the 25-nation European Union, about how and by how much to cut farm subsidies and tariffs, as well as reducing barriers to the import of manufactured goods. "We did not see an agreement that we could bring back ... and say it was a good deal," Johanns said.

On top of that, the WTO is conducting a formal investigation into whether the U.S. has complied with a ruling to scrap a series of illegal subsidies paid to American cotton growers. Washington had blocked a previous request from Brazil for the WTO to investigate U.S. compliance with a 2005 decision that said billions of dollars in U.S. government handouts had unfairly distorted international cotton prices. If the WTO finds the U.S. has failed to remove all subsidies previously ruled illegal, Brazil could ask for permission to impose retaliatory sanctions against U.S. goods.

The majority of farmers about 60% are specialty farmers who don't receive any government subsidies because they don't grow crops within the program, Johanns said. Their voices need to be heard as the farm bill is written so that their concerns can be heard when trade talks are renewed.

Johanns said "We need to open more markets and open more opportunities for our agricultural commodities," Johanns said.

Source: The PigSite News Desk, 5 December 2006

Review will ensure MIDP satisfies WTO - Mpahlwa

The government was "not of the view" that the motor industry development programme (MIDP) did not comply with World Trade Organisation regulations, trade and industry Minister Mandisi Mpahlwa has said.

Mpahlwa made the comment during an exclusive interview with Business Report at the opening of a R750-million paint plant in Uitenhage by VW SA. However, he said his department wanted to examine, during the mid-term review of the MIDP, all aspects of the programme that "may open us up" to challenges. "We want to make sure in [the mid-term review] that if there is any aspect that may be debatable in terms of its consistency with WTO [rules], then we'll want to deal with that

Mpahlwa said that the government would announce the outcome of the mid-term review early in 2007. Some auto analysts believe the export incentive element of the MIDP that allows automakers to use export credits to offset import duties does not comply with WTO regulations. There have been reports that Australia has threatened to challenge the programme at the WTO.

MIDP credits available on automotive leather exports to Australia were unilaterally scrapped by the trade and industry department from January this year after the signing of a secret record of understanding in 2004 after bilateral discussions between South Africa and Australia. In terms of the record of understanding, Australia offered to assist South Africa with the mid-term review of the MIDP.

National Association of Automobile Manufacturers of SA president Johan van Zyl said in October that a move away from export incentives towards a production allowance was one recommendation made by the industry in the MIDP mid-term review report to the trade and industry department.

Van Zyl, also the president and chief executive of Toyota SA, said such a change to the MIDP would make the programme comply with WTO regulations and remove uncertainty with regard to investment.

Source: South African Press Association, 5 December 2006

WTO Grants Extension of Kimberley Process Waiver to end of 2012

Following a request by a number of countries for an extension of the Existing Waiver with respect to their domestic measures to regulate the international trade in rough diamonds consistent with the Kimberley Process Certification Scheme, the General Council of the World Trade Organization has granted an extension to the Kimberley Process waiver until 31 December 2012. In May 2003 the General Council of the World Trade Organization granted a waiver for the period 1 January 2003 until 31 December 2006.

The countries requesting the extension were Australia, Botswana, Brazil, Canada, Croatia, India, Israel, Japan, Korea, Malaysia, Mauritius, Mexico, Norway, Philippines, Sierra Leone, Chinese Taipei, Thailand, United Arab Emirates, United States and Venezuela, though the waiver also applies in respect of measures implementing the Kimberley Process Certification Scheme taken by other countries that desire to be covered by the present waiver and that notifies the Council for Trade in Goods accordingly or that has already done so.

Source: WTO Geneva 3 December 2006.