

Trade News Bulletin 22

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ASEAN urges WTO to resume trade talks by year-end

Southeast Asian nations said on Wednesday that stalled global trade talks must resume before the end of the year, and that a way forward must be forged in agriculture and market access. "ASEAN believes that WTO members must put the process back on track before the end of 2006, and recognise that necessary breakthroughs in critical negotiations areas of agriculture and non-agriculture market access are needed," the regional bloc said in a statement at economic ministers' talks in Kuala Lumpur.

The faltering World Trade Organization (WTO) Doha trade round was suspended last month amid a bitter dispute between Europe and the US over farm tariffs and subsidies.

Expressing deep concern over the suspension of the trade talks, the Association of Southeast Asian Nations (ASEAN) said the multilateral trading system cannot afford a "failure" in the Doha negotiations. "This suspension has systemic implications on the efficacy of the multilateral trading system and its ability to continue to deliver key benefits in terms of trade liberalisation in goods and services," it said.

Source: Agence France-Presse, Kuala Lumpur, August 23, 2006

Negotiators fail Malawi on trade.

Trade and Private Sector Development Minister Ken Lipenga has singled out poor negotiators in the area of international trade as having had a detrimental effect on the development of trade in Malawi. He said the negotiators have ended up sealing trade pacts that fail to benefit the country. Lipenga said the in the commercial city of Blantyre Monday when he opened a five-day intensive course on trade negotiating skills. The minister said although it was hard to quantify the loss caused by bad trade agreements, it was a given fact that the country could have been better off had it used skilled negotiators. "Our developed partner negotiators have become very shrewd. They have come up with new tactics such as green rooms, friends of the chair, mini-ministerial and late hour conclusion of meetings. "This workshop, therefore, has come at an opportune time when Malawi is striving to build capacity to enable it participate efficiently in various negotiations, including the ACP/EU Economic Partnership Agreement, and the World Trade Organisation (WTO) Doha Development Agenda negotiations," said Lipenga. Malawi is a member of WTO which was established in January 1995 with 76 members. To date, 148 countries have become full members and 28 more governments are in the process of negotiating their accessions. WTO representative Dickson Yeboah, who is facilitating the workshop, said the course will help to expose Malawians to techniques of trade negotiations so that the country benefits more. "As members of the WTO, countries have a stake in the multilateral trading system and can influence it. At the same time an effective multilateral trading system should give governments the capacity to keep their own domestic markets open to liberalise them further according to their trade, financial and development needs." Liberalising trade means increasing individual's range of choice. Freer trade is not a flood which sweeps away jobs and national standards, but rather an irrigation system for the growth whose channels are negotiated rules of the multilateral trading system," said Yeboah.

Source: The Nation, Malawi, 23 August 2006

Tanzania Turns to Southern African Customs Union

Tanzania is likely to enter into a trade agreement with the Southern African Customs Union (SACU) allowing the East African nation to export textile and clothing material on preferential terms within the trading bloc's countries.

The agreement, which will signal Tanzania's entry into SADC Free Trade Area by the year 2008, Customs Union by 2010 and the Common Monetary Union by 2015, will be a vehicle envisaged on SADC free trade area in the protocol on trade to be agreed in Lesotho. Nazir Karamagi, Minister for Industry, Trade and Marketing told The East African last week that more opportunities are being opened for Tanzanian clothing and textiles in the Southern African Customs Union market, where strictness on rules of origin has now been relaxed following a recent agreement on trade matters.

Mr Kara magi said that based on recent agreements on trade matters, the SACU group has agreed to allow Tanzania to access their market under a one stage transformation rule subject to quotas. The quotas are based on current production and the agreement is apparently valid for five years. "Negotiations on rules of origin have been one of the difficult areas for the SADC trade protocol, which is one of the legal instruments for regional integration," he said, adding that the negotiations are based on Economic Partnership Agreement.

The Southern African Customs Union comprises Botswana, Namibia, Lesotho, South Africa and Swaziland. Southern African countries - Malawi, Mozambique, Tanzania and Zambia (MMTZ countries) - have since 2000 been exporting textiles and garments to the SACU duty-free which was expected to expire at the end of June this year.

SACU demanded that MMTZ countries provide details in which SADC exporters must attain capacity for the double-transformation regime in line with the SADC Trade Protocol. The double transformation means that a country should have the capacity to produce fabrics and garments, for such garments to enjoy preferential market access under regional trade terms.

SACU has already agreed to grant two of the MMTZ countries-Malawi and Zambia-a request for an increase in the volumes of textile exports after the two fulfilled outstanding requirements. Malawi's quota was increased by four million to 12.5 million tonnes.

Namibia, Botswana, South Africa, Swaziland, Mauritius and Zimbabwe fall in the category of SADC member states that are required to meet the double transformation criteria. Until this year, least developed countries such as Angola, the Democratic Republic of Congo, Lesotho, Malawi, Mozambique, Tanzania and Zambia were expected to meet a less stringent rule of origin of single transformation, to enjoy preferential access to regional markets.

These countries are now required to upgrade to the double transformation regime - something that will not come cheaply considering that many countries have already performed badly in building capacity for the Africa Growth and

Opportunity Act (Agoa) market. As most of the SACU members are pre-occupied with refining their own efficiencies so as to ably compete in lucrative markets in the United States and Europe, it seems that extension of the duty-free status is not a unilateral priority. The MMTZ/SACU Agreement is ad hoc as SADC member states wait for the trading bloc to become a free-trade area in 2008. Sources in the Ministry of Industry, Trade and Marketing failed to explain the value of the quotas which Tanzania has been given, but confirmed the relaxation of rules of origin and that the SACU market has been enlarged for Tanzanian clothing and textile goods. Enlargement of the market for clothing and textiles in SACU comes when the Tanzania textile industry has not fully utilised the Agoa market, which also provides special treatment for, among others, textile goods from Africa. The government of Tanzania has lately embarked on a programme to promote the textile industry including the establishment of Export Processing Zones (EPZs) as an ongoing strategy. Already Tanzania has given an \$18 million tax waiver to NIDA Textile Mills (see page 2) and is looking to provide more waivers to other factories to meet the export quotas. A senior official in the Ministry of Industry, Trade and Marketing told The East African from Maseru, Lesotho that the trade agreement would also boost Tanzania's trade into a lucrative business agreement with other members of SACU that would see the country's textile and clothing industry exporting most of its products to SACU member countries duty free.

Source: East African, Nairobi 22 August, 2006

Malaysia urges Thailand not to create new trade barriers

Malaysia's quantitative restrictions on vehicle imports are allowed under world trade rules, Trade Minister Rafidah Aziz said Tuesday as she urged Thailand not to create new barriers to trade amid a dispute over auto tariffs.

Thailand has insisted that Malaysia's policy of giving permits for select few ethnic Malay-owned businesses to import foreign vehicles violates Asean's free trade pact rules and that it will not reciprocate Malaysia's decision to lower tariffs on Thai-made vehicles.

Thai Finance Minister Thanong Bidaya was reported to have said late Monday that the country would not drop its current 20 percent tariff rate until Kuala Lumpur gets "rid of all quantitative restrictions."

But Rafidah contended Tuesday that the auto licensing policy is not an issue and that vehicles built in Malaysia should enjoy a cut in Thai import duties, partly in reciprocation to Malaysia's move in March to reduce import duties on vehicles made or assembled in ASEAN from 15 percent to 5 percent. "It is a technical quantitative restriction, but under WTO, we are allowed to do that," Rafidah

said. She noted almost all ASEAN countries have some form of non-tariff barriers, or NTB, including Thailand which allows palm oil to be imported only through a designated public enterprise. "If each of us starts evoking NTB, then no trade will be done in Asean. The point we made is that...only two things matter which is to bring down the tariffs to the relevant level and it must be Asean rules of origin (in manufacturing content)," she said. "To add in new criteria will be messy because some country might pick out other people's NTB, so what can we sell to each other? This happens not only in ASEAN but all over the world. So what we are saying is that let's stick to the principle."

Asked if this signals rivalry between the two nations in becoming the region's automotive hub, Rafidah said: "No, the minister explains that the auto industry is complaining, that's all."

It will not set back Asean as it is a bilateral issue, and officials will meet next month to resolve the issue, she added.

The Malaysian government has said it will scrap the auto import permit policy - which is meant to help Malays compete economically - by the end of 2010.

Thailand is Asean's biggest overall vehicle market, focusing mainly on pickup trucks, while Malaysia is the region's largest passenger car market.

Thailand currently ranks fifth in Asian auto output behind Japan, China, South Korea and India. It has no domestic automakers but has emerged as a regional base for many Japanese automakers by offering tax incentives and removing ownership constraints on plants or subsidiaries.

Thailand aims to produce 2 million vehicles by 2010, three-quarters of them pickups and half for export, part of its goal to become the "Detroit of Asia."

Source: Associated Press, Malaysia, 23 August 2006.

Europeans sound alarm over traces of GM rice.

The European Union (EU) was yesterday facing calls to ban all imports of rice from the US, after Washington conceded that traces of an unauthorised variety of genetically modified rice had entered the food and feed supply in the US.

The news has already sparked a backlash in Japan, which suspended US imports of long-grain rice on Saturday.

In Brussels, the European Commission said yesterday it was treating the issue as "a matter of utmost urgency". A spokeswoman for the commission said officials were trying to get more information on the rice and its potential risks from US authorities and Bayer Crop Science, the company that developed it.

She said it was too early to say what, if any, measures the EU might take.

Campaigners urged the commission to follow Japan's example. "The EU must immediately suspend US rice imports until consumers can be guaranteed protection from untested and illegal foods," said Adrian Bebb, a campaigner at Friends of the Earth. Bayer CropScience said on Friday the traces found in commercial rice samples in the US related to a pre-commercial rice line,

LLRICE601, it had developed that produces a protein conferring herbicide tolerance.

The company said the protein was “well known to regulators and has been confirmed safe for food and feed use in a number of crops by regulators in many countries, including Japan, Mexico, the US and Canada, as well as the EU”.

Mike Johanns, the US Agriculture Secretary, said last week that both the department of agriculture and the US Food and Drug Administration had reviewed “the available scientific data and concluded there are no human health, food safety, or environmental concerns associated with this genetically engineered rice”. European and American attitudes towards genetically modified plants and organisms have differed sharply in the past. While modified foods are consumed widely in the US, polls show European consumers deeply distrustful of products containing modified organisms (GMOs).

In a ruling handed down in February, the World Trade Organisation found the EU’s tight restrictions on GMO imports violated international trade rules.

European officials stressed, however, that the ruling had little impact on the union’s current regime, which had already been made more flexible before the WTO issued its verdict.

The EU imported 224000 tons of rice worth €63,3m from the US last year.

Long-grain rice – the only variety in which the modified traces have so far been found – accounted for 198000 tons of those shipments.

Source: Financial Times, Brussels 22 August 2006.

Eurasec customs union possible by 2008

A customs union might be created in late 2007 - early 2008 as part of the Eurasian Economic Community (Eurasec) of former Soviet republics, the organization’s general secretary said Monday. “If all goes as planned, I believe we will be able to bring into force a regulatory package on the establishment of a customs union in late 2007 - early 2008,” Grigory Rapota said.

He said the legal basis for the customs union, which envisions no duties or taxes for imports or exports within the organization, would be completed this year. Eurasec comprises Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Belarus, and includes Moldova, Armenia and Ukraine as observers.

The leaders of Eurasec, set up in 2000, discussed the union’s establishment at a summit in the Russian southern resort of Sochi last week.

The idea of a customs union was suggested long ago, but its establishment has been hindered by the fact that Eurasec members are in different stages of accession to the World Trade Organization (WTO). The members have now

agreed, though informally, that integration in Eurasec and the accession of its members to the WTO should be harmonized until the establishment of a customs union.

Kyrgyzstan is a WTO member, Russia's accession is uncertain, and Belarus may not be admitted. It may be assumed, therefore, that a customs union will be assigned the role of an alternative WTO. The presidents decided to complete the relevant legislation by the end of 2006.

Rapota said the exact date for establishing the union has not been set.

Source: Rian, Moscow, 23 August 2006

Pakistan yet to finalise GI draft law

The government has yet to finalise the law for protecting the ownership rights of goods that have a specific geographical origin and possess a quality, reputation, or other characteristic which is due to that place. Informed sources told Dawn on Monday that a draft law on geographical indications (GIs) had been lying with the government since 2000. "This draft has since been vetted many times by the relevant authorities but no action had been taken in this regard," the sources added. The sources said that the government had already established Intellectual Property Rights Organisation (IPRO) for legislation of similar kinds of law to provide protection to the local products in the international market. "The organisation was just exchanging files from one ministry to another", the sources said and added "no action was taken except holding of seminars on the issue".

Pakistan may lose ownership rights of hybrid variety of super basmati rice if it does not finalise the law promptly, the sources warned. "Pakistan has to enact the law to register the super basmati as local GI which will provide our policymakers legal grounds to contest the issue of super basmati with India at any international forum," added the sources.

The proposed law could also provide protection not only to rice but also to other products like apricot, Peshawari chappal, Multani halva, Hala ki ajrak, Sargodha's kinnoo, Kasuri methi, Sindhri mango, Dir ke chakoo (knives), wild mushrooms of Swat, Neeli Ravi buffalo, Chaman grapes etc. WTO members need to give protection to GIs under article 22-24 of the TRIPs agreement. Unless Pakistan provides GI protection to its goods by its law, Islamabad could not obtain GI protection for its goods in other countries that have the GI law. The separate law would make Pakistan capable of filing such applications in other countries to protect its various GIs in those countries. The sources proposed preparing a list of all GI goods that might exist in Pakistan

and those which might need and qualify for the GI protection. It was also proposed to set up a GI registry at Lahore or Karachi and appointment of an officer of the government as registrar, besides sub-registrars and assistant registrars as necessary for its prime office and sub-offices.

Source: Reuters, Dawn, Islamabad, 21 August 2006.

Goff to attend ASEAN trade talks

Trade Minister Phil Goff leaves for Kuala Lumpur tomorrow to attend regional trade talks.

In addition to participating in consultations between the Association of South East Asian (ASEAN) and Closer Economic Relations (CER) economic Ministers, Mr Goff will hold discussions with his counterparts from around the region on how to revive the stalled WTO negotiations, as well as on initiatives focused on enhancing Asia Pacific-wide regional economic integration. "These meetings will be the first opportunity since the suspension of the Doha negotiations for discussions among key regional WTO players on the way forward for the multilateral trade agenda." Kuala Lumpur will create the opportunity to discuss how we might encourage an early revival of the Doha talks. "We will also have the opportunity to look at current regional economic integration initiatives. With Doha suspended for the present time countries will focus more closely on possible regional and bilateral agreements. "While New Zealand's strategy has been to give priority to multilateral trade reform, we have also pursued other options to expand market access and will continue to do so. "My Australian counterpart, Mark Vaile, and I will be discussing with our ASEAN counterparts how to best advance the ASEAN-Australia/New Zealand FTA negotiations currently under way. "This FTA is one of our trade liberalisation objectives, and is important to our broader strategic involvement in the region. There is still a lot of work to do if the talks are to be successfully concluded next year." Mr Goff said.

Mr Goff will also be attending a meeting of trade ministers from the group of countries that make up the East Asia Summit - the ten ASEAN member countries plus China, Korea, Japan, India, Australia and New Zealand. "This is a significant emerging regional grouping in which New Zealand is keen to play an active role. "The EAS brings together the huge Chinese and Indian economies and we will be looking at a proposal which has been floated for regional economic integration, involving the 16 countries. While achieving this is not imminent, the proposal obviously has considerable potential if and when it could be implemented," Mr Goff said.

While in Kuala Lumpur Mr Goff will also meet bilaterally with Malaysian counterparts to discuss trade cooperation between the two countries that will include meetings focused on agriculture and education cooperation.

Source: Press Release: New Zealand Government, 21 August 2006.

SADC investment protocol welcomed

The association of Southern African Development Community (SADC) Chambers of Commerce and Industry has cautiously welcomed the signing of the finance and investment protocol by leaders of the 14-member regional trading bloc in Lesotho's capital Maseru last week Friday. SADC members are pushing towards regional integration through tariff liberalization, macroeconomic convergence and the harmonization of customs legislation and procedures. Concerns remain, however, over the difficulties some countries will encounter due to the loss of tariff revenue. Zodwa Mabuza, the Chief Executive Officer of the Swaziland Employers and Chamber of Commerce, has in the meantime, argued that governments' over-reliance on customs duties often stalls the process of regional trade liberalization and is not sustainable.

Source: SABC News, South Africa, 23 August 2006.