



## ***Trade News Bulletin***

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

## **African Trade Ministers Urge End to US Cotton Subsidies**

African trade ministers and the President of Burkina Faso are calling on the United States to end generous farm subsidies to allow African cotton farmers to compete on world markets.

The President of Burkina Faso, Blaise Compaore, made a plea to restart stalled world trade talks via satellite television to reporters gathered in Washington along with visiting African trade ministers from Benin, Chad, Mali and Burkina Faso. The president said he is launching an appeal to restart stalled World Trade talks, saying that African cotton farmers cannot wait any longer.

He also reminded the audience that Africa, while only producing seven percent of the world's cotton, is the second largest exporter of cotton after the United States. He noted that some African countries depend heavily on cotton, with 80 percent of their exports coming from cotton.

The president also said it is in the interest of the United States to give African cotton farmers a level playing field. As such, President Compaore, told reporters he believes all U.S. subsidies to cotton farmers should be abolished eventually. African governments have long complained that generous U.S. and European agricultural subsidies are undercutting African farmers. And now with the World Trade Organization talks stalled, the African ministers say their cotton farmers are suffering.

To underscore their plight Benin's trade minister, Moudjaidou Issifou Soumanou, tried to give reporters a picture of the vastly different financial realities faced by African cotton farmers compared to those in the United States. He said as a result of U.S. subsidies and artificially low prices on world markets, African cotton farmers lose an estimated \$200 million a year. He compared that number to the \$4 billion the U.S. government gives to American farmers annually. The minister added that in West Africa alone some 15 million people depend on cotton farming to make a living.

His counterpart from Chad, Youssouf Abbassalah, said West Africa economies are being derailed by the stalled WTO talks and heavy U.S. farm subsidies. The Chadian trade minister said the U.S. must find a way to protect their cotton farmers without hurting African farmers. He called it a moral obligation. The minister also said African trade ministers favor dialogue to resolve the dispute over subsidies. But he warned African officials may be forced to make legal challenges, like Brazil's successful case against Western subsidies in 2004.

The African trade ministers are in Washington to keep the plight of African cotton farmers on the minds of power brokers. They held talks Wednesday with U.S. Trade Representative Ambassador Susan Schwab and US Secretary of Agriculture, Mike Johanns.

In some parts of Africa, cotton is big business. Along with the four West African countries of Benin, Chad, Mali and Burkina Faso, cotton is also a major crop in South Africa, Zimbabwe, Malawi, Tanzania and Mozambique

**Source: VOA News, Washington, 26 October 2006**

### **WTO Probing Chinese Trade Practices**

The World Trade Organization launched its first formal investigation into allegations of illegal Chinese trade practices Thursday, establishing a panel to examine whether China's

tariffs on the import of foreign auto parts break international trade rules

The complaint was made by the United States, the European Union and Canada, whose first request for a panel was blocked by China in September. Under WTO rules, a panel is established automatically with the second request.

The three trade powers argue that it is illegal for China to apply a tariff for whole cars to the import of parts that make up 60 percent or more of the value of the finished vehicle "These measures discourage auto manufacturers in China from using imported parts in the assembly of new vehicles," U.S. trade negotiator David Shark told the WTO's dispute settlement body, adding that the practice could not be justified under the global trade body's rules.

Beijing has claimed the tariffs are intended to stop whole cars being imported in large chunks to avoid higher tariff rates for finished cars, but the EU and the United States said China had promised not to treat parts as whole cars when it joined the WTO in December 2001.

The investigation could last months and even years before a final judgment, but could eventually result in punitive tariffs being imposed on Beijing China's car-making market has grown rapidly and it is now second only to the United States. However, manufacturers have to source 40 percent of parts by value in China to avoid the tax

European carmakers have between 20 percent and 25 percent of the car production market in China. It values its auto-parts exports to China at about euro3 billion (US\$4 billion) The United States exported US\$681 million (euro537 million) in auto parts to China in 2005, an increase of 6.5 percent over 2004. But during the same time, the market for auto parts in China increased by 16.8 percent and the number of passenger cars sold in the country jumped by 27 percent. Canada says it exported an average of US\$256 million (euro201 million) in parts annually from 2003 to 2005

China's trade boom has caused friction as its trade imbalances with major European and American partners widen, and this dispute marks the first time the Western allies have teamed up to seek a formal WTO investigation over China's trade practices Earlier this month, the U.S. asked China to provide the WTO with details of all its subsidy programs and take action to remove those that are prohibited under global trade rules. Washington maintains that a substantial number of subsidy programs violate WTO rules, and that Beijing has withheld information on government support in sectors such as textiles, automobiles and semiconductors.

The U.S. trade deficit with China soared to US\$202 billion (euro167 billion) last year, the highest ever with a single country. The EU also has a sizable trade deficit with China that reached euro106 billion (US\$128 billion) in 2005

**Source: Associated Press, AFX News, US, 26 October 2006**

## **WTO probing U.S. duties on Thai shrimp**

The World Trade Organization on Thursday launched a formal investigation into the U.S. antidumping duties on shrimp imports, which Thailand says are devastating its shrimping industry. The United States blocked Thailand's first request for the WTO to set up an investigative panel in September. Under WTO rules, a panel is established automatically with the second request. Thailand claims that the import duties threaten the livelihood and sustainability of its shrimp industry, because the U.S. is its largest market and accounts for 50 percent of its total exports.

Governments investigate dumping when they suspect that producers are exporting products at below the market price in their own country -- usually because exports have been subsidized or if it is believed there is an attempt to corner the market. Thailand says its shrimping industry employs about 1 million people, many of whom are dependent on exports and are still repaying huge debt incurred after the December 2004 tsunami.

**Source: AFX, Associate Press, Geneva, 26 October 2006**

**DLA Piper hires top EC trade negotiator**

DLA Piper has strengthened its EU, competition and trade practice following the hire of the European Commission's top trade negotiator.

Miriam Gonzalez joins DLA Piper's London office as a senior consultant. DLA Piper's EU competition and trade team head Mike Pullen said: "[Gonzalez] will be a major asset in gaining high-level WTO trade law and policy and competition law work from a number of existing and potential multi-national clients."

A qualified Spanish lawyer, Gonzales was the EC's leading trade negotiator at the World Trade Organisation (WTO). She previously served as a senior adviser in the cabinet of the EU's former external relations commissioner Chris Patten, and had responsibility for EU trade relations with the US and Middle East while serving in the cabinet of current external relations commissioner Benita Ferrero-Waldner.

She specialised in telecoms negotiations at the WTO, and led the EU negotiating team for energy, postal, construction and information services, and has previously worked as a competition and regulatory lawyer for BT in Brussels.

**Source: Reuters, Brussels, LawNnews, 26 October 2006**

### **'Time to tackle Doha trade talks'**

It is time for the WTO nations negotiating the Doha round of trade talks to get back to business, the IMF and the World Bank said in a joint statement on Thursday. "While the path back to the negotiating table is not an easy one, the obstacles are not insurmountable. All players have a responsibility to honour their commitment to the Doha Round, it is time to get back to business," IMF managing director Rodrigo de Rato and bank president Paul Wolfowitz said.

While the rhetoric of a commitment to the round remained, in practice there had been surrender to defensive lobbies clinging to the status quo. This was "unacceptable." "It is untenable that farm interests in rich countries that account for less than four percent of employment are effectively able to block a deal to open new markets for services and manufactures, which account for over 90 percent of employment," the statement read.

There could be an even more pronounced shift toward bilateral or regional free trade agreements (FTAs), but these could not substitute for multilateral trade liberalisation. "The growth of FTAs undermines the central principle of the multilateral trading system: trade opportunities should be offered to all countries equally."

De Rato and Wolfowitz also warned there should be no backsliding on progress already made, such as the offer to eliminate agricultural export subsidies by 2013 and to provide duty-free or quota-free access for almost all exports from least developed countries. "We encourage donors to follow through on their commitments. For our part, both the World Bank and the IMF are stepping up financial, technical and analytical trade-related assistance," they said. "Much has already been achieved in the negotiations, and an agreement of significant value is within reach."

**Source: South African Press Association, Johannesburg, 26 October 2006**

### **'Paralysis' of food trade talks bad for EU business**

The European Commission has once again expressed regret that the failure of the WTO Doha Round of trade talks will negatively impact EU business.

*"I come to this issue first not only because it's unclear but also because it's so important to the European Union," said Mariann Fischer Boel member of the European Commission responsible for agriculture and rural development. "In terms of agriculture, everyone knows that we have 'defensive interests' in these negotiations; but we also have very strong offensive interests: winning greater international recognition for Geographical Indications, for example, or bringing discipline to trade-distorting domestic support in the US."*

She also told the International Forum on Agriculture and Food in Italy last week that the Doha Round holds great possibilities for European Union businesses that export services or industrial goods. *"Therefore, we regret that the US has paralysed the round for the time being with its refusal to give enough ground on its domestic support programmes. But the game isn't up yet. If the US can make a positive move after their mid-term elections in November, of course Trade Commissioner Peter Mandelson and I will be ready to come back to the table."*

The Doha Development Agenda, launched in November 2001, in the Qatari capital, Doha, aimed to free global trade by cutting industrial and agricultural tariffs and by reducing farm subsidies, with a special focus on achieving concrete benefits for developing countries. But WTO members refused to budge on issues such as the lowering of tariffs on certain goods, during the final Doha round of WTO trade talks this summer. *"If we haven't made any progress by next spring, the prospects for signing off a deal in the near future would not be good,"* admitted Boel. *"We might have to wait years rather than months."* But even if no progress is ever made on the Doha Round, the EC must continue to commit itself to reforming the CAP (Common Agricultural Policy). *"That means using the CAP to increase farmers' competitiveness,"* said Boel. *"It means a sharp focus on high-quality agricultural markets because this is an area where we can compete with the world's low-cost producers, and win."*

Boel said that the next step was to extend the process of reform to three further sectors: bananas, wine, and fruit and vegetables. The Commission has already made proposals with regard to bananas. *"As in the case of wine, we must do all we can to stimulate competitiveness in the fruit and vegetables sector. If the sector is not competitive, there will be no lasting solution to the crises of the past."*

**Source: Reuters, Brussels, 26 October 2006**

**Ecuador To Take EU To WTO Over Bananas**

After ten years of fruitless (so to speak) negotiation, Ecuador, the world's largest exporter of bananas, plans to file a complaint over European Union banana tariffs with the World Trade Organization.

The European Union unilaterally imposed a new import tariff of EUR176 per tonne to apply from 1 January 2006 to bananas imported from countries – mainly in Latin America - enjoying Most Favoured Nation status, which includes Ecuador. The new import regime also includes a duty-free annual import quota of 775,000 tonnes for ACP bananas, also to apply from 1 January 2006.

Said Mariann Fischer Boel, Commissioner for Agriculture and Rural Development: “It will ensure that growers and traders know what the rules will be from 1 January 2006. I am also convinced that this is a fair and balanced result for everyone, which will fully maintain access for Latin American producers while continuing to take into account EU and ACP producers. At the same time our door remains open to continue talks with the Latin American countries concerned.” The new regime, reflecting preference for ex-colonies by a number of EU member states, including the UK, was not approved by the WTO, and certainly not by Ecuador, which continued to negotiate in hope of a better outcome.

In an effort to put an end to the long-standing banana dispute, the EU had agreed with Ecuador and the United States in 2001 to move from a complex import system based on a combination of tariffs and quotas for MFN bananas to a regime solely based on a tariff by 1 January 2006, and obtained two waivers from its WTO obligations for the preference granted to bananas from the ACP countries under the terms of the ACP-EC Partnership Agreement (the Cotonou Agreement). The Commission originally proposed a single tariff of EUR230/tonne. However, following a request from a number of Latin American banana producing countries, a WTO arbitrator found in August 2005 that the proposed tariff would not result in at least maintaining total market access for suppliers under the Most Favoured Nations (MFN) clause.

On 12 September, the EU presented a revised proposal in the light of the arbitrator's award, for an import duty of EUR187/tonne for MFN suppliers and a tariff quota of 775,000 tons at zero duty for bananas originating in ACP countries. Again, the arbitrator found that the proposal did not rectify the matter. Throughout this process the Commission had several rounds of consultations with the Latin American countries concerned, as well as with the ACP countries concerned.

The EC observed that: "Regrettably, on none of these occasions did the Latin American countries concerned engage in a meaningful discussion or present a counter proposal that could have led to a negotiated solution. With the arbitration procedure now over, the EU had to set the rate that would apply as from 1.1.2006."

In fact, the game is far from over, because the EU is still trying to resolve tension between the WTO and the ACP countries, and everything, including bananas and sugar,

is still on the table.

Peter Mandelson, European Union trade commissioner, was doing his best last week to parlay the conflicting interests of the ACP countries, the EU member states, the WTO's 'Aid for Trade' program and the quarrelsome European Parliament into a coherent developing country strategy.

In an effort to square the circle, the EU at the beginning of the week proposed economic partnership agreements (EPAs) with the 70 plus ACP developing countries, which would combine increased development aid with extended liberalization periods. Predictably, no-one liked what they saw.

EU member states didn't exactly rush forward to find the EUR\$2bn that the Commission wants to offer. And the ACP countries have been saying for years that EU aid is much promised but often delivered slowly or not at all.

Mr Mandelson told the European Parliament, which had criticized the Commission's package: "Let's be clear about the value of development aid. It is a means to an end - it's a way of translating policy reform into practice. The money is now on the table but what we really lack are specific, quantified proposals on how to use it."

Specific programmes are often hobbled by protectionist member states and/or cash-strapped producer countries. Sugar and bananas are two examples. The Commission wasn't allowed to cut the EU's sugar price by as much as the WTO demanded because of resistance from Caribbean producers, while at the same time hopelessly uneconomic EU sugar-beet producers were bribed to accept a new regime with five times as much money as was being offered in aid to the Caribbean.

British Trade Minister Ian McCartney and Development Minister Gareth Thomas wrote in a letter to the Commission: "The EU must allow ACP countries as much time as they reasonably need to open their own markets, while providing effective safeguards to prevent unfair competition from subsidized European products undermining African products on their own doorstep." Easy to say, but hard to achieve, especially against the looming 2008 WTO deadline for an end to protectionist regimes.

**Source: tax news, Brussels, 26 October 2006**

## **MPs learn of regional trade links**

A regional parliamentary meeting under way on the Coral Coast gives local MPs a chance to better understand trade links in the region, Secretary-General to Parliament Mary Chapman says.

Ms Chapman said the meeting had been a great success because it encouraged great interaction. Speaking from the Warwick Hotel yesterday, Mrs. Chapman said: "For the local parliamentarians, we managed to get members from separate committees and it has been good for them as they now better understand the trade links in the region."

The workshop, which involves some 30 parliamentarians from around the region, involves in-depth discussions and understanding of the WTO multi-lateral trading systems. It started on Monday with representatives from the Commonwealth Parliamentary Association (CPA) and the WTO.

A CPA representative Denis Marshall, while addressing participants at the opening of the workshop, said the significance of the trading system, coupled with the involvement of parliamentarians was one that drove the economy forward over the last 50 years. That, he said, was because parliament was responsible for the effective oversight of governments. Fiji Speaker of the House of Representatives Pita Nacuva said political advancement was only achieved when parliamentarians fully understood the mechanisms of the multi-lateral trading system.

**Source: Fiji Times, Fiji, 26 October 2006**

### **Development fast in countries: Association**

Secretary General of the Commonwealth Parliamentary Association Denis Marshall says the development of Pacific island countries has moved faster than it used to.

He made the comment yesterday at the opening of a three-day workshop at the Warwick Hotel for parliamentarians of the Pacific region organised by CPA and the World Trade Organization. Mr Marshall, from London, said CPA was doing more work in the Pacific than it used to and attributed this to cheaper logistic costs. "It is cheaper to fly here than to fly to other parts of the world. We pay more to fly to Canada and India than to come here," he said at the 8th series of CPA/WTO workshop.

The initial workshop in 2003, in Cape Town, South Africa he said was an experiment that met with resistance. This, he said, was particularly so when trade issues was broached. Mr Marshall said the attitude back then was one where participants had reservations against WTO. "Back then, the attitude was if we're going to be with these guys, we may as well tell them what we think of them," he said.

The workshop, which involves about 30 parliamentarians from around the region involves in depth discussions and understanding of the WTO multi lateral trading systems, said Speaker of the House Pita Nacuva. He said the significance of the trading system coupled with the involvement of parliamentarians was one that drove the economy forward over the last 50 years. He added this was because parliament was responsible for the effective oversight of governments. Economic and political advancement, Mr Nacuva said, was only achieved when parliamentarians fully understood the mechanisms of the multi lateral trading system.

**Source: Fiji Times, Fiji, 26 October 2006**

### **Bhutan Getting closer to WTO Membership**

Bhutan has reached an advanced stage in the negotiations to become a member of the World Trade Organisation (WTO). On October 20, Bhutan concluded the third Working

Party Meeting in Geneva, Switzerland, which decided to initiate work on the Draft Working Party Report. This, trade officials say, is a significant achievement in the accession process as the report would reflect the understanding of WTO members of Bhutan's foreign trade regime and eventually form an important basis of accession.

The meeting, which was attended by delegates from more than 45 countries and representatives of international organisations and chaired by the Austrian ambassador to the United Nations and the WTO, Mr. Wolfgang Petrisch, also made clarifications on various aspects of Bhutan's foreign trade regime and Legislative Action Plans (LAP). The Bhutanese delegation to the meeting who were led by the trade and industry minister, Lyonpo Yeshey Zimba, reaffirmed the importance of technical assistance and adequate transition periods to meet obligations incumbent upon acceding countries. "There are those Bhutanese as well as well-wishers of Bhutan who question the compatibility of Gross National Happiness with membership of WTO," said Lyonpo Yeshey Zimba in his opening statement. "However, I am convinced that Bhutan has nothing to gain by not joining the WTO. "Globalisation and interdependence is a reality... and a small country with limited resources and market needs to look globally even more than bigger nations."

Lyonpo Yeshey Zimba urged the WTO members to take into consideration the stage of Bhutan's development, constraints, challenges and ongoing reforms, in negotiating commitments. Bhutan today was at a period in its history when basic social, economic and political transformations are all taking place at the same time. Many of the infrastructure and institutions were not in place and there were also serious problems of accessibility and transport bottlenecks. "Bhutan, therefore, needs to make sure that the process of reform and liberalisation does not disrupt the gains of the past but rather strengthens and nurtures the little that we have achieved so far," said Lyonpo Yeshey Zimba. "The offers we have made reflect Bhutan's desire to be part of the WTO in a manner that is commensurate with the carrying capacity of the nation."

While in Geneva, Lyonpo Yeshey Zimba met with the Director General of the WTO and Executive Director of the International Trade Centre. The Bhutanese delegation held bilateral meetings with Japan, the European Community, the United States, and Canada on the revised offers on goods and services. Bhutan submitted its offers on Goods and Services in the 2nd Working Party meeting last year. The revised offers for market access in goods works out to an average of 37.9 percent. The offers on goods was based on HS 2002 and applied duty provided side by side as requested by some member countries during the 2nd Working Party Meeting. On the revised offers for market access in services, Bhutan has made an offer of 10 additional sector/sub-sectors that would be of interest to members.

**Source: Ehutan Daily News, Kuensel News, 24 October 2006.**

### **India-WTO-Oil ministry**

The Indian Petroleum Ministry has opposed making any commitments in the area of oil and gas marketing by foreign companies as part of India's response in the services negotiations of the World Trade Organization.

The ministry has also suggested that if and when India offers to take commitments in marketing of petroleum products, including transportation and distribution, the government should include safeguards to ensure public safety and address the critical needs of the country, PTI reported here quoting sources.

The Oil Ministry conveyed its response to the Commerce Ministry, which is preparing India's negotiating strategy under the WTO's General Agreement on Trade in Services (GATS) early this month, official sources said. Even though WTO talks are suspended, inter-departmental discussions are going on to finalize India's position to make sure that the country is ready whenever the talks resume.

In WTO talks, a country cannot put barriers to Foreign Service providers once it has made a commitment under the GATS. The discussions are necessary to ensure that domestic regulations such as those related to licensing and qualification requirements do not nullify the commitments made by the country for opening up its services sector.

Sources said the Petroleum Ministry has suggested including certain criteria that gives it the flexibility to bar foreign companies from marketing of oil and gas on grounds of public safety, environmental concerns or any such factor. The ministry was of the view that its existing rule under which only those foreign companies which have invested at least Rs 2,000 crore in setting up refineries or pipelines are given licenses be included as a condition in the services trade, sources said.

**Source: IRNA New Delhi, 25 October 2006.**

### **IMF and World Bank turn spotlight on Doha**

It is time for the WTO nations negotiating the Doha round of trade talks to get back to business, the IMF and the World Bank said in a joint statement on Thursday. "While the path back to the negotiating table is not an easy one, the obstacles are not insurmountable. All players have a responsibility to honour their commitment to the Doha Round, it is time to get back to business," IMF managing director Rodrigo de Rato and bank president Paul Wolfowitz said.

While the rhetoric of a commitment to the round remained, in practice there had been a surrender to defensive lobbies clinging to the status quo. This was "unacceptable." "It is untenable that farm interests in rich countries that account for less than four percent of employment are effectively able to block a deal to open new markets for services and manufactures, which account for over 90 percent of employment," the statement read.

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**Source: Source Africa Press Association, 25 October 2006**

### **WTO sets probe into China auto parts import rules**

The World Trade Organisation (WTO) on Thursday set up a panel on Chinese import duties that the European Union, the United States and Canada say unfairly limit access to China's \$19 billion market for auto parts.

Creation of the three-member panel, which will be the first to conduct a formal probe into Beijing policies since China joined the organisation in 2001, was agreed by the WTO's Dispute Settlement Body (DSB). The panel, once its members are appointed, will have six months to report its findings, probably around the middle of next year. But either side in the case can appeal, which means a final ruling could come as late as the start of 2008.

The three Western trading powers argue that China is violating terms of its WTO entry agreement, as well as global trade rules, by imposing a 25 percent tariff on auto parts, giving home manufacturers an advantage over foreign firms. They say efforts over the past few months to negotiate a solution to the row have failed, leaving them no alternative but to launch a joint case against China in the trade body.

China says it is not in breach of WTO accords and argues that since joining the body it has progressively reduced duties on automobiles and parts. Some measures the three powers have complained of, it says, are aimed at preventing tariff evasion. The three initially asked for a panel to adjudicate on their complaint last month but action was blocked by China. The second request to the DSB on Thursday automatically triggered creation of the panel, to hear both sides.

Until now, China has only been involved in full WTO disputes as a complainant, joining in 2002 a case launched by several trading powers against the United States over tariffs Washington imposed on steel parts. In 2004, the United States started a WTO case against Beijing over duties on semi-conductors but dropped it before the panel stage when the two countries negotiated a settlement.

**Source: Reuters, Geneva, 26 October 2006.**