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

Government may seek amendment to TRIPS accord to help drug cost

The government is likely to take a view on an amendment to the Trade Related Aspects of Intellectual Property Rights (TRIPS) agreement to make life easier for drug companies looking at exporting copies of MNC drugs to countries incapable of legitimately making them during a health emergency. The Cabinet committee on WTO is expected to consider a proposal to demand an amendment to the TRIPS agreement that would allow an Indian company which has been authorised by the importing country to legally dishonour the MNC patent and supply the medicine to sell the remaining quantity in the Indian market.

According to industry sources, an importing country may some times require only a small quantity of the drug and the company may not be able to supply the rest to any other part of the world. In such circumstances, the generic company could be allowed to sell that in the local market. The proposal before the Cabinet panel is to allow Indian companies that secure such contracts from abroad to sell the remaining medicines in the local market. This could be achieved by amending Article 31 (F) of the TRIPS agreement.

Another amendment to article 31 (H) seeks to exempt these companies from the requirement of reasonable royalty payable to the patent holding company.

The Patent Amendment Act of '05 already allows Indian companies to export to other countries which have insufficient capability to produce copies of patented drugs during a national emergency by issuing a compulsory license to a generic drug company.

Source: Times News Network, 21 November 2006

Limited gains for India, substantial ones for China

An FTA between signatory countries seeks to achieve a number of economic and geopolitical objectives. Economic objectives include increasing the trade volume, lowering the cost of imports, infusing competition, boosting exports, increasing inward and outward flow of investments and, if possible, forming a trading bloc. Geo-political reasons have a larger range and are more difficult to identify. So what are the objectives India seeks to achieve by signing an FTA with China?

With respect to the potential economic gains in terms of increased trade, we find that bilateral trade between the two has been rising rapidly even without an FTA. Currently, India-China trade is among the fastest growing bilateral trade relationships in the world. In 2005, it increased by 37% over 2004 to touch \$18.7 billion. In 2002, the total volume of bilateral trade was a mere \$5 billion. Total trade is expected to reach \$20 billion this year.

As for lower prices of imports, India is a net importer vis-à-vis China. Cheaper imports may benefit consumers in terms of lower prices, but they pose a potential threat to the domestic industry which fears an import surge after an FTA. The fears may not be entirely misplaced. As China is not generally considered a market economy, its industrial sector enjoys a substantial cost advantage vis-à-vis the Indian industry. Though some countries have granted China market-economy status, India, US and the EU have refused to do so. Infusing unfair competition for the domestic industry is not the objective India seeks to achieve. At present, 20% of India's anti-dumping duties are levied against Chinese products.

Will the FTA help boost exports to China? Given the competitive advantage India has in IT and IT enabled services over China, export of these services to China do not require an FTA, though an FTA may benefit export of other services. China has undertaken substantial market-opening commitments in the WTO and made significant progress in implementing its liberalisation commitments in many services. But barriers relating to language, conflict between national and sub-national laws, opaque regulatory process, etc remain. These barriers may not be resolved under the FTA.

As for an FTA boosting the inward and outward investments from India, it may not be an effective tool if the discrimination against Chinese investments in "sensitive" sectors continues.

It has been argued, with some justification, that an FTA between the two fastest-growing countries of the world, with a combined population of 2.3 billion, will be the biggest FTA in the world. This may be probably the best starting point for an Asian bloc. The two countries are also seen to have complementarities in their production processes. China's manufacturing style is characterised by mass and standardised production at global scales on the basis of cheap, hard working labour, while Indian manufacturing is more complex with a significant element of design, engineering and technical skills.

But these complementarities are not reflected in our current composition of bilateral trade. India's exports to China are overwhelmingly dominated by low-value, primary products with a huge reliance on iron ore. In 2005, ores, slag and ash comprised 56% of our exports to China with a year-on-year growth rate of 28%. This has raised concerns of domestic industry of losing out on key industrial raw materials. In contrast, China's top exports to India are machinery, which accounted for 43.9% of total Indian imports in 2005.

To reap the benefits of synergies between the two economies and address common political concerns, it is important to first have strong geopolitical ties and, above all, mutual trust. Here again, the unresolved border issues do not allow the dust to settle. In short, only limited gains may be achieved by India from this FTA. China may gain substantially as its export basket is much more diversified than India's whose only exports to China, other than raw materials, is IT. The impact of the recently opened border trade through the Nathu La pass may, on a limited scale, provide a foretaste of the consequences of an India-China FTA.

Source: Rashmi Banga is an economist with the UNCTAD's-India Programme

Trade deal paves way for Russia to join WTO

Russia and the U.S. signed a key trade agreement on the sidelines of a meeting of Pacific Rim leaders today; marking a major economic milestone that paves the way for Russia's entry into the World Trade Organisation. The deal represents a powerful vote of confidence in Russia's investment climate. The Russian economy is the largest still outside the 149-member WTO, which sets the rules for global trade.

Today's agreement also is a bright spot in the two countries' relations that have been marred by disagreements over Iran's nuclear program and Washington's fears of a rollback of democratic freedoms under Russian President Vladimir Putin. "I am very pleased to be here to celebrate ... as Russia moves one important step closer to becoming a member of the WTO," said Susan Schwab, the U.S. trade representative. "Russia belongs as a full-fledged member of the WTO." Membership in the WTO would mean Russia, a big oil and natural-gas exporter, would receive the same favorable tariff rates for its products as other members. Also, Russia and other member countries would have to follow WTO rules in trade disputes.

In theory, freer trade would give Russian companies more opportunities to sell their goods on world markets. Joining the WTO also might make its sizable market of potential customers even more attractive to companies in the U.S. and elsewhere. Russia's top trade official, German Gref, and Schwab inked the deal in Hanoi on the sidelines of the Asia-Pacific Economic Cooperation summit, just hours before Putin and President Bush were due to hold talks.

The deal had been widely anticipated. On Nov. 10, both sides announced that all the main questions had been settled and all that remained were a few technicalities.

Source: The Seattle Times, US, 19 November 2006

'The new Congress will be less willing to respond to Korea's major requests'

This is the third in a series of articles about the impact of the U.S. elections and its policies toward the Korean Peninsula.

The Korea-U.S. FTA talks are now entering their critical phase. Korea and the United States have had four rounds of official talks, and the fifth round of negotiations is scheduled to take place early December. The parties hope to complete the negotiations by the end of March 2007. Once the deal is done, it would be submitted to both countries' parliaments for ratification, meaning that the negotiators should take domestic political concerns seriously. In this regard, the new power structure of the U.S. Congress after the recent midterm elections gives rise to a new equation in this already complicated situation.

The power transition from Republicans to Democrats at the House and the Senate in the U.S. Congress creates a less favorable condition for the KORUS FTA. In principle, Democrats are more protective than Republicans, catering to the organized interest of labor unions, environmentalists and minorities. This ideological stance has been projected at various trade negotiations. A watershed in the coalition of labor unions, environmentalists and the Democrats was in making a side agreement within the NAFTA negotiations. Ever since then, Congress has given a mandate of core labor standards and environmental standards to U.S. trade negotiators. In the KORUS FTA talks, labor and environment are not such deal breakers. Rather, the new Congress will be more unwilling and stonewalling in responding to Korea's major requests.

It is no secret that Korea is strongly demanding the elimination of high U.S. tariffs in textile and clothing, set at the level of 10-20 percent. Korea is also seeking an improvement in U.S. antidumping regulations so that misuse and abuse of the U.S. system, which has been a focal point of many WTO disputes, will not continue. Furthermore, Korea is keen in securing entry of professionals to the United States. The H-1B visa in the United States allows temporary entry of foreign professionals for jobs. The annual quota for the H-1B visa is set at 65,000. Singapore received 5,400 and Chile 1,400 slots from the United States during their FTA talks. Australia received an annual 10,500 professional E-3 visa quota, which offers much favorable conditions than the H-1B visa. Korea wants a comparable quota from the United States.

For these key areas, the new Democrat-controlled Congress is less likely to be receptive. Don't be mistaken. The former Congress, controlled by Republicans, had its own share of difficulties in addressing these priorities. In previous talks with Korea, U.S. negotiators were reportedly unresponsive in these areas, citing Congress as an excuse. Now, with Democrats at the helm of Congress, how the U.S. negotiators would act at the negotiations is easy to predict.

This development throws cold water on the KORUS FTA. It is because the U.S. side has not been forthcoming enough to advance the talks. So far, U.S. tariff concessions in auto, textile and clothing have been disappointing, causing suspicion to outside observers regarding U.S. political will to carry on with these negotiations.

Unless the United States moves forward with those tariff negotiations, it is unlikely that Korea will move forward in the tariff negotiations on agricultural products. With a strong domestic political movement against the KORUS FTA, any step forward on the part of the Korean side without a U.S. lead may be harshly criticized. The truth is that any step forward of Korea even with a U.S. lead may be criticized as well. However, the former case is more vulnerable. The latter case may be sold to the public as a coordinated and concerted move for a mutually beneficial agreement. U.S. negotiators are somehow ignorant of the presence of the Korean National Assembly. They have not been responding to Korea's key requests, hiding behind the U.S. Congress. Such stonewalling may backfire at the Korean National Assembly. At the ratification process, Korean lawmakers will ask their government: What have you got from the United States in return for allowing market access to U.S. products and capital? Unless the Korean negotiators secure something tangible in key areas, the agreement will not be popular at the National Assembly.

The absence of U.S. seriousness may send a wrong signal to the Korean side. Some have already taken a view that the United States may settle for a less ambitious deal. A less ambitious FTA deal means to the Korean side a longer timeframe for tariff elimination in Korea's key request areas and no inclusion of politically touchy subjects such as antidumping and U.S. visas for foreign professionals. Some are critical of the U.S. lack of moving forward on Korea's key requests, saying that the United States has never negotiated its market opening seriously. That may be the case indeed. While the Korean chief negotiator is given authority to coordinate among all the negotiating groups, whether the U.S. counterpart is empowered with such an authority is questionable. On the Korean side, minister-level meetings among government agencies coordinate the negotiating mandate of Korea. There is nothing similar on the U.S. side. The USTR is not well known for negotiating U.S. market opening. With the arrival of the new Congress controlled by Democrats, such passive attitudes may be further encouraged.

The road to the KORUS FTA is bumpy. Can the United States live up to the expectations of a win-win outcome? The ball is now in the U.S. court.

Source: Choi Byung-il is a professor teaching international trade and negotiations at Ewha Women University in Seoul.

Caricom disappointed about Ecuadorian WTO complaint

The Caribbean group of countries united in Caricom, which counts 15 member states (including Belize, Dominica, Granada, Jamaica, Santa Lucia, San Vicente, the Grenadine islands and Surinam), expressed their disappointment last Friday, in regards of the Ecuadorian decision to request for WTO arbitration against the European banana import regime, which charges a higher tariff to Latin American countries - of 176 euro per MT - than to ACP countries (amongst which are the former Caribbean colonies of Europe).

According to the minister of Foreign Affairs from Belize, Eamon Courtenay, the EU should not submit to the pressure from Ecuador, as it appears that “the figures are in the advantage of ACP countries”. (The Ecuadorian market share would only have decreased from 29,9% during the first 8 months of 2005 to 27,5% during the same period in 2006, according to Euro stat.)

Source: Fresh Plaza News, Tholen 20 November 2006

Ecuador: opinions divided on WTO arbitration in banana dispute with EU

Julio Ullauri, president of the chamber of banana growers from El Oro in Ecuador, underlined again that banana growers were not informed on the decision to request a WTO arbitration panel against the European banana import regime. According to him, and according to the under secretary of agriculture, Armando Serrano, one should have evaluated the proceedings of the negotiations with the Norwegian mediator Johannes Store, to subsequently continue to negotiate a solution. By going to the WTO, this alternative has now been lost.

Also Byron Paredes of the banana grower organisation from Los Ríos does not agree with the arbitration, as he is convinced that below the new regime it has been possible to increase the export volume of bananas, against fair prices. According to the spokesman of the European Commission in London, Reijo Kempipinen, the parties have time to continue the Doha negotiations from now until Christmas. These will be decisive for the possible occurrence of controversies or disputes on the level of bilateral negotiations with Ecuador.

The Ecuadorian ex-minister of agriculture, Sergio Seminario, fears that Ecuador will continue to stand alone in its WTO arbitration request, as Costa Rica has indicated that it will not support the request and Colombia has not spoken out yet.

Source: Fresh Plaza News, Tholen 20 November 2006

Spain does not expect an Ecuadorian success on WTO request

According to diplomatic sources from Spain, this country does not expect the Ecuadorian WTO arbitration request will lead to a reduction of the European banana import tariff, or that the procedure in itself would hurt Canary banana growers. Furthermore it is expected that the 141 mln. Euro of European support for Canary banana growers gives sufficient economical capacity to sustain an eventual set back like a reduction of the import tariff. Because the situation with European support can be evaluated before 2009, there is always the possibility to redirect or correct the taken course in case things would go wrong.

The fear of Canary growers is twofold; the possible reduction of European support for the banana sector, or the possible reduction of the banana import tariff.

Source: Fresh Plaza News, Tholen 20 November 2006

WTO calls for EAC trade policy review

The World Trade Organization (WTO) has called for a trade policy review by the East African Community (EAC), according to local press reports on Tuesday.

English broadsheet The Guardian quoted a WTO Secretariat's trade policy review released earlier this month as urging Kenya, Tanzania and Uganda to improve their multilateral commitments on both goods and services so as to increase their attractiveness to investment and business. The WTO review expressed concerns to the multiple and sometimes overlapping regional trade arrangements of the three EAC member countries.

Apart from their own Customs Union, Kenya and Uganda are also members of the Common Market for Eastern and Southern African (COMESA) while Tanzania is a member of the Southern African Development Community (SADC) and is also a signatory to the Agreement on the Global System of Trade Preferences among Developing Countries (GSTP). COMESA is a preferential trading bloc that was formed in December 1994 to replace the Preferential Trade Area that had existed since 1981. Tanzania quit COMESA in 2000.

SADC, yet to become a full-fledged customs union, is a regional economic integration union that was formed in April 1980 when it was known as the Southern African Development Coordination Conference. The WTO review noted that though the EAC member states are free to negotiate bilateral trade arrangement, their overlapping arrangements have caused problems in such aspects as difficulties in identifying origins of products for taxability, in that COMESA and SADC are governed by different protocols.

The East African Legislative Assembly (EALA) is scheduled to debate in early December multiple membership with regional trading blocs so as to solve an eligibility dispute. The EALA, the legislative arm of the East African Community, will start trading bloc membership debate on Dec. 5 when the East African parliament for Kenya, Tanzania and Uganda meets in Arusha.

Source: Xinhua, Beijing, 21 November 2006

EU to take WTO action on India's alcohol duties

The European Union said Monday it would ask the WTO to intervene over India's high duties for imported spirits and wine, claiming these were unfair trade barriers that hurt European alcohol producers. "This is out and out protectionism which even the Indian government has not been able to justify in the past," EU trade spokesman Peter Power said.

The European Commission said access to the potentially large Indian market for spirits and wines is severely restricted by additional duties on imported spirits and wines in some states.

Added to basic federal customs duties of 150 percent for spirits and 100 percent for wines, these extra charges can increase the total duty to between 177 percent and 540 percent, it said. It claimed these were trade barriers that broke global trade rules and it had "no alternative" than asking for World Trade Organization intervention after India's failure to act. "The EU now hopes to use the WTO consultation process to arrive at a mutually satisfactory solution with India," it said.

This is the first step in the WTO dispute settlement process. If no progress is made within 60 days, the EU can ask for a panel to be set up to rule on the legality of India's additional import system. It is also contesting restrictions on sales of imported alcohol in Tamil Nadu state, where shops can only sell Indian-made spirits and wines.

India is one of the largest markets for alcohol in the world, the EU said, and it has huge potential to grow. So far, EU alcohol exports to India are a small percentage of their total world sales. India bought €3.3 million worth of European spirits in 2004 — from Scottish whisky to Finnish vodka — and €4 million worth of wine. European spirits producers said their annual exports total more than €5 billion (US\$6.4 billion.) The wine industry sells €4.5 billion (US\$5.75 billion) each year.

Source: Associated Press, Brussels, 21 November 2006

Boeing 'very confident' in WTO subsidy battle

In an interview with EurActiv, Ted Austell, Boeing's vice-president of international trade policy, and Robert T. Novick, who represents Boeing in the WTO aircraft subsidy cases, explain why they are confident in the US' case against the EU regarding subsidies awarded to Airbus, while reassuring that this dispute will not be detrimental to transatlantic relations nor to the WTO as an institution.



Regarding the US submission to the WTO on 15 November, does this mean that there is no longer a chance of reaching a negotiated solution?

Ted Austell, Boeing's vice president of international trade policy: There's always the opportunity to reach a negotiated solution; that opportunity has been before the parties for more than two years now and remains today. The US submission sets the clock ticking and this should focus the parties on whether there's any prospect for a negotiated settlement before the determination, sometime next fall by the WTO, on the notion that launch aid, as a financing instrument for aircraft development, is not compatible with WTO rules.

What do you think of Airbus's intention to seek government aid for the launch of its A350 model which is designed to compete with Boeing's B787 Dreamliner? Are these planned subsidies included in the US' complaint?

Austell: The prospect of new launch aid for the A350 and consideration that's going on right now by the enterprise and perhaps by the governments to provide that additional new launch aid would be an unwelcome development and make it that much more difficult for the parties, for the US and the EU, to come to a negotiated solution.

As for whether this particular filing covers prospective subsidies, we of course believe that absolutely to be the case. What we are hoping is that the enterprise will consider other means, more market-based means, to actually bring that aircraft into the competitive space.

How confident is Boeing about the US case's strength? After all, the EU claims that it has already repaid more than it has borrowed in launch aid and that other loans, for example from the EIB, have been made according to standard policy.

Robert T. Novick, chair of the International Trade Department of the legal firm Wilmer Hale and representative of Boeing in the WTO aircraft subsidy cases: Very confident in the case. It is not true that launch aid has been paid back. In many cases it has been forgiven; in many cases it's never paid back because the planes that it was provided for end before the repayment period, and; even when it is paid back – which is the critical point – it is paid back on the basis of interest rates that the commercial market would not have accepted for the kind of money that Airbus receives. So paying back a loan at an interest rate that's not commercial still provides a subsidy. So the defense that "we're paying it back" does not make it WTO consistent.

The EU has also filed a complaint at the WTO concerning US government aid to Boeing in the form of in the form of R&D and tax exemptions, which it says has allowed Boeing to engage in aggressive pricing of its aircraft, causing lost sales for and injury to Airbus. A Commission trade spokesman said on 15 November that he was "confident of success". What is your opinion on this?

Novick: I find it curious that someone would say that Boeing subsidies - even if they were to exist, which they don't - have harmed Airbus or caused Airbus lost sales. Airbus has taken 20% in market share over the past five years. They've taken market shares in the European market, in the American market and in third-country markets, and the factual basis for the notion that Airbus has lost sales as a result of Boeing subsidies is speculative at best.

What would an EU victory against the US mean for Boeing? In terms of losses of subsidies and in terms of the EU right to retaliate?

Novick: Let me explain first how retaliation works. When a country wins a WTO case, the WTO will have recommended a change of policies that it believes the country should embark on to come into compliance with the WTO ruling. And only if the country does take the actions that the WTO recommends, is there the prospect of retaliation. Retaliation, in turn, is a process by which the winning government can impose duties on products from the other country, to offset the amount of harm that's been caused and to try to bring the other country into compliance with WTO rules. The government that has the right to retaliate can decide how it chooses to retaliate, usually trying to do so in the way most likely to lead to compliance by the other government. How this will affect an individual company depends completely on how the other government decides to mat out its retaliation.

In this particular case, the harm caused to Boeing by European subsidies so vastly outstrips and is so significant to that which the EU alleges the US provides to Boeing, that any retaliation would more likely affect Airbus than it would Boeing. You can only retaliate to the extent of the harm that's been caused to you. But the first step is: can the

government come into compliance with the ruling? As to research and development support and US state programmes currently questioned, these could be easily adjusted if the WTO recommended doing so. I think the impact on Boeing would be inconsequential even if the EC prevailed in its case.

How likely is it that both sides would decide to actually use their right to retaliation and engage in a two-way sanctions battle?

Novick: Our hope would be that it doesn't lead to retaliation. The ideal would be that the issue is resolved before there's even a WTO decision. If that doesn't occur, then it would be that countries would come into compliance with the ruling. For example, if the WTO found that launch aid was a WTO-inconsistent subsidy, the only thing that the EC or the Airbus governments would have to do to come into compliance would be to stop providing the money and eliminate outstanding subsidies. Only in the last resort would one want to get into a place where there's retaliation by the governments.

Do you believe that this dispute could harm transatlantic trade relations and, on a larger scale, put multilateral trade talks at risk?

Austell: Absolutely not. There was an early characterisation that this case, that this issue, was too big. That it would somehow tip over the relationship and that the WTO institution didn't have the capacity to handle such a complex issue. In fact, just the opposite is the case. This is a fairly narrow case about money and companies and the WTO has been demonstrating all along that it was ready and has the capability to deal with the issue.

There was even a reference early on that it would tip over the Doha process, but again, it is completely unrelated. The WTO is the best institution, the best process, that we have to deal with problems in trade relationships – that's what is established to do. I think it's fair to say that, in a very disciplined way, the process will work. The US and the EU have quite a good history in terms of working out their problems through the WTO. One of the more recent cases was the tax dispute between the two that the EU prevailed upon. The notion that this case is too important, or too big or too complex is false. It is well in the capacity of all to work through the matter. And it is in everyone's interest to demonstrate to everyone that the WTO process works: that it can resolve disputes and moreover that it can impose solutions not just on the smaller countries, but on the US and the EU.

Again – this does not negate in any way the opportunity to work through the negotiation in an amicable way. The process encourages that.

Do you have any forecasts as to the outcome of the Doha Development Round negotiations? Are you pessimistic or optimistic, especially with the looming expiry of the Trade Promotion Authority and following the victory of the Democrats – often portrayed as more “free-trade sceptic” than the Republicans – in the November US mid-term elections?

Austell: Of course, our interest is that the Round be concluded. World economic growth drives downstream product demand for both Airbus and Boeing. When there is greater movement of people, goods and services, it means more demand for aircraft. Trade liberalisation in the multilateral system drives that. The Doha Development Round is very important for our and other industries and for the economy as a whole and we are very supportive of bringing the process forward.

As for future prospects, I would say I'm realistic. Certainly the Trade Promotion Authority is an important instrument for the US, but I think it's too early to say that the President will not be able to get the TPA next summer. I don't want to leave the impression that the incoming Congress is anti-trade. In fact there's been terrific support in the past from both Democrats and Republicans, just as there have been challenges on both sides of the aisle too.

Novick: I would just distinguish between the TPA generally and the TPA for a particular purpose. I think there's a much stronger chance that a TPA to achieve a particular trade agreement – whether it's a multilateral agreement or an FTA or a regional agreement – has significant chances. And if an agreement comes to the Congress and it looks like it's a good agreement, they'll find a way to conclude it. If that means extending the TPA for limited purposes, they'll do it that way.

Extending the TPA would have been difficult anyway, whoever dominated the Congress. The question whether there's going to be something that compels people to move forward on it? If there's a good multilateral agreement, I don't have any doubt that the Congress will make sure that it's passed as agreed; it won't force them to go back and renegotiate. If there's not a good agreement, the issue of extension will be a tough political debate. The Congress likes to see what's to buy first – which makes sense.

Source: EurActiv, 19 November 2006

Former WTO boss warns of global recession

The United States' massive current account deficit could lead to a "deep-seated and prolonged" recession if Asia and Europe don't work to reverse the trend, the former head of the World Trade Organization (WTO) warned on Friday. "If the deficit of the US is reduced drastically, it will mean there will be a long effect on the global economy," said Supachai Panitchpakdi, the former head of the WTO and current director general of UNCTAD. "That is something we don't want to see happen."

Supachai, addressing the APEC CEO Summit in Hanoi, warned that the US's current account deficit of an estimated 840 billion dollars this year posed a threat to the world economy, which has enjoyed unprecedented growth for the past five years, especially in the dynamic Asia-Pacific region which now accounts for half the world's trade and nearly half the world's foreign direct investments. "I don't think the world should be relying only on the health of the US economy, which is spending more than it saves, to drive forward the global economy," warned Supachai, who added that Asia and Europe would need to do more to sustain growth in the future. "In Asia, for example, we may need to support domestic consumption, whereas in the developed economies they may need to save more," said the former WTO chief. "Otherwise, left alone, there will come a day when deflation will hit the world economy and the recession will be quite deep-seated and prolonged," he warned.

Economists worry that a slowdown in consumption in the developed economies such as the US's, combined with excessive production at low costs in Asia, could lead to a downward cycle of deflation that would slow world growth. Supachai made his comments at the APEC CEO meeting; an annual forum held on the sidelines of the APEC leaders summits that will be hosted this year by Hanoi on Saturday and Sunday.

The summit will draw 21 Asia and American leaders to Hanoi, including US President George W Bush, who arrived on Friday. This year's summit is expected to focus on garnering support for efforts to restart the stalled Doha Round of trade talks and winning regional backing for efforts to bolster alternative energy initiatives. Current WTO chief Pascal Lamy attended APEC's ministerial meetings on Wednesday and Thursday. "Despite the fact that Doha is under threat of failing, I don't think the global community, or the APEC community which is so pro-trade, can afford to stand by and let the round go down the drain," said Supachai.

Source: Reuters, Hanoi, 18 November 2006

WTO head at Uruguay Round XXth anniversary

World Trade Organization Director General Pascal Lamy is scheduled to visit Montevideo the coming week to participate in the twentieth anniversary of the GATT Uruguay Round.

Mr. Lamy is expected to make a call for the resumption of the Doha Round negotiations, was reported in Montevideo.

Carlos Amorin, Uruguay's head of International Affairs from the Ministry of Foreign Affairs said that for the occasion Mr. Lamy will be accompanied by other outstanding figures of the GATT Uruguay Round, 1986/1994, such as the current Brazilian Foreign Secretary Celso Amorim. "Mr. Lamy will take advantage of the celebration to call on all participants to retake Doha Round negotiations currently stalled", anticipated Mr. Amorin who said these talks are undergoing a crucial moment for the multilateral trade system.

Mr. Lamy is scheduled to meet with Uruguayan president Tabare Vazquez next Tuesday and will later hold talks with the Interministerial Comité for Foreign Trade Affaire and with the Uruguayan Internacional Relations Council. On Wednesday the main celebrations will take place presided by Uruguayan Foreign Affairs minister Reinaldo Gargano.

Source: Reuters, Montevideo, 20 November 2006

U.S. Bipartisan Commission tells Congress China's Failure to promote free trade and global security

China, as one of the world's major powers, is not meeting its growing responsibilities to promote free trade and international security, according to the latest report by a congressionally mandated bipartisan commission. The analyses of the report were presented by the U.S. State Department on Friday, and the following are the findings.

In its 2006 annual report issued November 16, the U.S.-China Economic and Security Review Commission (USCC) found that China has not acted forcefully enough to counter North Korean nuclear proliferation activities, is a destabilizing force within Darfur, Sudan, and has not moved decisively in countering intellectual property violations. "While China is a global actor, its sense of responsibility has not kept up with its expanding power," Commission Chairman Larry Wortzel said at a press conference November 16.

The report follows a yearlong series of hearings and independent studies on a wide range of issues and includes 44 recommendations for congressional action. Wortzel said the commission sought to highlight its top 10 recommendations, which primarily deal with closer congressional scrutiny and increased bilateral dialogue on security issues, but also touch on China's compliance with its World Trade Organization (WTO) commitments and protection of intellectual property rights.

Relations with North Korea receive particular attention in the report, which urges Congress to instruct the Bush administration to press China "to take more significant measures to denuclearize the Korean peninsula and counter North Korean proliferation activities." The commission recommends that Congress ask the administration to hold China to its commitments under U.N. Security Council Resolution 1695, which in July demanded that North Korea suspend all activities related to its ballistic missile program and required U.N. member states to refrain from trading with North Korea on missile-related goods and technology, and Resolution 1718, which imposed sanctions on North Korea after the Pyongyang government claimed to have tested a nuclear weapon in October.

In particular, the commission calls for the establishment of a joint U.S.-China inspection operation to search for contraband in shipping containers that pass through Chinese ports on the way to or from North Korea, and a bilateral agreement to inspect ships at sea that are headed to or from North Korea. Targeting China's own proliferation activities, the commission recommends expansion of existing sanctions against Chinese companies involved in proliferation of equipment and technology related to weapons of mass destruction and their delivery systems, and asks Congress to require the U.S. Defense Department to trace the supply chains of "all components of critical weapons systems"

Although China successfully sent a man into space three years ago, the commission highlights for the first time the possibility that the U.S.-China security balance might go beyond global considerations. It recommends that Congress urge the Bush administration to engage in a strategic dialogue with China on the importance of space surveillance and the military use of space and space weapons. The commission calls for more effective assessment of the "nature, extent, and strategic and tactical implications of China's military modernization and development." And in response to "China's efforts to isolate Taiwan," the commission urges a long-term effort to facilitate Taiwan's participation in international organizations where statehood is not required for membership.

The report also highlights the conflict in the Darfur region of Sudan for the first time. The Chinese government provides military, commercial and diplomatic support to Sudan's National Islamic Front regime, which is believed to be responsible for ongoing genocide in the western Darfur region. Since the mid-1990s, Beijing's China National Petroleum Corporation has been the dominant player in oil exploration and production in Sudan.

Trade Issues Remain A Concern

Issues that received top priority in previous annual reports took lower precedence in 2006. For example, the commission did not highlight Chinese currency manipulation or Beijing's control of China's media and flow of information. But China's fulfillment of its WTO commitments remains a significant economic issue in the 2006 report. The commission recommends that Congress urge the U.S. Trade Representative to "press ahead aggressively" with a WTO case against China "for its manifest failures to enforce intellectual property rights. "At the press conference, Wortzel said China has "fallen woefully short" of complying with international rules for the protection of intellectual property rights, and called it a "glaring example" of China's WTO failures.

The United States-China Economic and Security Review Commission was established by Congress in 2000 to investigate, analyze and provide recommendations on the economic and national security implications of relations between the United States and China.

Source: Asian Tribune, Washington, D.C. 19 November 2006

Banana multinationals delayed Ecuadorian WTO complaint

Dole: 'small participation' in Africa

The position of Ecuador in the procedure of the formal WTO complaint against the European banana import regime is supported by the American lawyer Charles Row. The complaint has been filed much later than expected, as the country has been planning and discussing a possible new WTO complaint for more than a year. According to the Ecuadorian ambassador in Brussels, Alfredo Pinoargote, this is due to the influence of multinationals like Dole and Del Monte, which are planting over 15.000 hectares of banana plantations and have interests in Africa. The proof of this, he sees in a letter from Michael Carter, vice-president of Dole, to Susan Schwab, representative of the commercial office of the US and to Peter Mandelson of the European Commission. Dated October 18, the ex-functionary requests that that the EU should stimulate the negotiations with Latin American countries, to avoid any procedures with the WTO.

Dole: 'small participation' in Africa

At the Latin American side of the Ocean, Mario Padilla of Dole stated that the company has not executed any pressure on the Ecuadorian government to start a legal process. He did admit however, that Dole has interests in Africa, but he called a small participation in a company. In the country itself, Dole does not have production of bananas.

Source: Fresh Plaza News, Tholen 20 November 2006

U.S. a disproportionate loser in WTO rulings

The World Trade Organization has ruled against the United States in trade feuds more than twice as often as it has against other members of the global trading club, the WTO's legal director said Thursday.

Probes of trade feuds under the WTO's dispute settlement system have ended in rulings against, or partially against, the United States 31 times, said Bruce Wilson, head of the trade body's legal affairs unit. That's more than double the 14 times the European Community faced adverse or partially adverse WTO rulings. Next in line is Canada with eight rulings against it and Argentina with six. India, Mexico, and South Korea had four apiece. The United States, the world's biggest economy, has also been involved in the top number of WTO dispute cases, either by initiating the suit or responding to a complaint in half of WTO cases. It is also a party in almost all disputes, Wilson said. The next most active member is Europe.

Since 1995 to the end of last month, 351 cases had been brought forward to the WTO's dispute system, where countries can formally complain about another country's tariffs. Often nations are worried that a trading partner's tariffs are too high or that state subsidies preclude competition.

Disputes can pass through a number of stages before the WTO will condone retaliatory measures. Wilson told trade officials in Washington the WTO's system for ending trade disputes, while often a target of criticism, had worked reasonably well.

He also said most of the WTO's 150 members had a good record on implementing the WTO's findings, even though that sometimes requires countries to pass new laws.

The U.S. Congress, for example, altered some of its farm subsidies after a landmark 2004 verdict, in favour of Brazil, on U.S. subsidies to cotton farmers. "The congressional actions to comply with adverse rulings are most welcome by the international community and tend to reinforce the legitimacy of WTO rules," Wilson said.

A WTO compliance panel is now examining whether the United States' subsidy changes were sufficient.

Source: Reuters, US 18 November 2006.