



## **Trade News Bulletin**

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

### **Ecuador seeks WTO ruling in banana row with EU**

Ecuador has stepped up its fight with the European Union over banana import tariffs and asked the World Trade Organisation to rule on whether European barriers remain too high. According to an official advisory sent to WTO member states on Monday, Ecuador has formally asked for the setting-up of a WTO panel to investigate its complaint. The WTO dispute settlement body will meet on March 8 to discuss the request, which the EU is likely to block at the first time of asking. At the second request, the panel of three trade judges will be automatically set up.

Late last year, Ecuador sought consultations with Brussels, the first step towards a formal complaint, over the EU's single import tariff for bananas of 176 euros a tonne, in force since January 2006. The duty was revised after Brussels lost a previous case over bananas in 2001, in which Ecuador was backed by the United States in the so-called "banana wars". The European Commission, which negotiates foreign trade on behalf of the EU's 25 countries, says the new import rules comply with that 2001 ruling. Bananas are a sensitive issue for the EU, which gives preferential access to producer countries in the African, Caribbean and Pacific (ACP) group, mainly ex-colonies of Britain, France and Portugal. A number of other Latin American producers have also sought consultations with the EU over the levy, but it was not immediately clear whether they were joining Ecuador in the new dispute.

**Source: Reuters, Geneva, 26 February 2007**

### **Kamal Nath to reaffirm Brazil's support for WTO talks**

Surprised over the reported statement of US Trade Representative Susan Schwab that the US was making progress in talks with the EU and Brazil on the WTO's Doha Round, commerce and industry minister Kamal Nath will meet his Brazilian counterpart in Geneva next week to confirm the unity of the G-20 block of developing countries. "The minister will meet Brazilian trade minister Celso Amorim for bilateral talks and reaffirm the unity of G-20," top government officials said.

The USTR is reported to have said that countries like India tend to be "less proactive contributors" and "are just less inclined to play a leadership role". India has observed that the USTR's remarks are "inaccurate and unfortunate" and said it was "puzzled by the disconnect between the official-level engagement and the recent statements in the press". "The Doha round negotiations have just resumed in right earnest. Diplomacy and statesmanship are the need of the hour," a senior government official said. Officials said India wants to ensure that cracks do not develop in G-20 as the group is a formidable combination of developing countries in the Doha round of trade talks, focusing on the massive trade distorting farm subsidies given by developed nations like the US and EU. Sources said, though Brazil is offensive as far as agriculture was concerned and has similar interests as that of rich countries in agriculture market access, it is likely to remain with the G-20 group from which it has benefited. Officials said the US was reluctant to mention any "headline" numbers about cuts in farm subsidies at these meetings in London a week ago.

**Source: The Hindu, New Delhi, 27 February 2007.**

## **EU forces rethink on wine levy**

Faced with the EU offensive at the WTO and diplomatic pressures from Australia and Chile, the government is toying with the idea of lowering the customs duty on wine to the WTO peak rate of 150 per cent. Drinks makers in the 25-nation European Union are aiming at a stronger foothold in India, where spirits consumption has grown about 4 per cent a year since 2000. The smaller Indian wine market has expanded at an even faster rate of 9 per cent a year. India bought more than 4 million euros worth European wine in 2004, according to an EU report.

However, Indian wine makers are a worried lot as a reduction in the customs duty to the WTO peak rate of 150 per cent will result in increased competition from exotic wines “If the proposal is implemented, imported wines will become cheaper by Rs 150 to Rs 200 per bottle on an average,” an industry source said.

Indian beer makers are also unhappy. The All India Brewers’ Association (AIBA) wants the 16 per cent excise duty on barley malt to be removed. The industry body feels the excise duty of 16 per cent levied on malts is unjustified as malted barley is an entirely agro-based product and the actual process of converting barley to malt involves minimum mechanisation. “Malted barley forms the single largest raw material used by the beer industry, which itself contributes significantly to an agricultural economy, said Sundeep Kumar, director, AIBA.

The EU claims that India buys less than 1 per cent of its spirits from foreign suppliers, and imports about 15 per cent of the wine consumed in the country. The extra duties that India imposes bring total customs levies to between 177 per cent and 540 per cent on spirits.

The European Commission has decided to haul India to the WTO over what it perceives as a prohibitive tariff barrier erected against the import of wines and spirits.

In November last year, the EU had placed a request for consultations at the WTO, which forms the first step in the dispute process. The two sides must negotiate for at least two months before the European commission, the EU’s executive arm can ask the Geneva-based global arbiter to step in and begin work on a ruling. A legal decision may then take at least 18 months.

However, the Indian stand is that it imposes the extra taxes because some EU governments forbid the import of Indian whisky. “The two sides can only settle the dispute based on reciprocity,” commerce minister Kamal Nath has said.

**Source: Calcutta Telegraph, New Delhi, 25 February 2007**

## **Services want a place in a Global trade Deal**

Business leaders from Europe, North America and Asia warned trade negotiators this week that there would be no deal in global trade talks unless greater opening of markets for services was included in the package. "Without an ambitious deal in services, with substantial and commercially meaningful new market access, our members would find it difficult to support" the current round of trade negotiations, said Iain Vallance of the 40-member Global Services Coalition, an umbrella group. The round of talks began in Doha, Qatar, in November 2001 with the aim of lowering barriers to trade in goods and services. But so far negotiators have focused most of their energies and political capital on trying to secure a deal to lower subsidies and tariffs in agriculture and industrial goods. During two days of meetings with trade negotiators in Geneva, which ended Thursday, executives cautioned that failure to deliver in the services segment of the round would also make it hard to secure support for a deal in such capitals as Washington, Brussels, and New Delhi.

Moreover, it would also heighten the risk that the U.S. Congress would not renew President George W. Bush's trade promotion authority, known as TPA, they said. Under this "fast track" authority, the president has the power to negotiate trade deals and the Congress must vote yes or no on them without offering amendments. "The bottom line services has to be embraced in a meaningful way, backed by something we can take home and sell, otherwise we will not have TPA," said Robert Vastine, president of the U.S. Coalition of Service Industries. "We really need to take back something that is tangible." Pascal Kerneis, managing director of the European Services Forum, said the services deal "has to be much more than what is on the table today."

Service industry executives encompassing such trades as banking, insurance, telecommunications and transportation are concerned that if there is a breakthrough in agriculture and on industrial tariffs, services might get sold short.

They are pushing to ensure that the round of trade talks delivers new business opportunities for them in major emerging countries including China, India, Pakistan, Brazil, Argentina, South Africa, Turkey, Egypt and throughout Southeast Asia. "Our major concern is that we keep services as part of the tripod of major market access issues." Vastine of the U.S. services industry coalition said during an interview. "Any breakthrough that occurs must include a good package for services," he said. That means not only codifying steps some countries have already taken, "but obtaining new liberalization, new commercial opportunities to do business in these countries."

In 2005, global trade in commercial services increased by 10 percent to \$2.4 trillion, according to World Trade Organization data. The United States was the top exporter with \$354 billion; followed by Britain with \$189 billion; Germany, \$149 billion; France, \$115 billion; and Japan, \$108 billion. Services exports, however, are also important for many emerging countries like India, where they were valued in 2005 at \$56 billion; Singapore, \$45 billion; and Thailand, \$20 billion.

U.S. and European service providers emphasized that they wanted to see greater market-opening commitments in China, especially in its largely closed fixed-line telecommunications, in distribution services and in insurance. "The Chinese have been trying to fly below the radar and stay quiet and we have got to keep pressing them to make good offers," Vastine said. "Right now they haven't made good offers."

Similarly, in India they want to see an increase in foreign equity in such areas as insurance, and in Brazil, more market opening commitments in financial services and telecommunications. Emerging countries have given signs of willingness to move but underscore that all issues in the Doha round are linked.

India for example is pushing to ensure the United States and other rich countries put forward ambitious offers on the temporary movement of professional business personnel, which is politically sensitive in the United States. "Our priority is quite straight forward," said Ujal Singh Bhatia, India's WTO ambassador. "The U.S. is the biggest market for us," he said. "Unless the U.S. move in that domain we would find it difficult to engage in other areas." Clodoaldo Huguency, Brazil's WTO ambassador, indicated his country "was not closing the door" to services requests. But he emphasized that how far his country could go in accommodating some of these demands depended on what happened in other areas like agriculture.

He said that if there were significant movement on agriculture, Brazil would be more forthcoming in other areas.

**Source: International Herald Tribune, Washington, 23 February 2007.**

## **EU bilateral trade policy not good for Doha Round, WTO warns**

The EU's decision to seek bilateral free-trade agreements, as well as its rising agricultural tariffs, could be detrimental to the Doha negotiations on a global-trade pact says a WTO report. While the EU appears committed to the Doha Round, its decision to launch new bilateral trade negotiations with countries such as India, South Korea and the ten ASEAN states "could further complicate its trade regime, and divert interest from the multilateral trading system", according to a bi-annual report carried out by the WTO on the bloc's trade policies and practices.

The European Commission has nevertheless stressed that these new generation of bilateral trade agreements "will ultimately drive forward the multilateral trade agenda", as they are designed to complement the WTO system by tackling areas such as investment, intellectual property and public procurement, not currently covered by WTO rules. The EU shift towards bilateralism, after global talks were suspended in July 2006, reflects the bloc's desire to guarantee access to its main trade partners' markets in order to keep up with the aggressive bilateral agenda pursued by the United States and Japan.

The WTO report also highlights the fact that, even as European trade negotiators are seeking ways to lower farm tariffs to help save global trade talks, suspended for six months, tariffs on farm products have actually gone up in the past two years, from 16.5% to 18.7% in 2006, with rates ranging up to 427.9% on certain processed food products.

Underlining agriculture's "relatively low" contribution to GDP and employment in Europe (just over 2%), the report encourages the "reduction or elimination of export subsidies and tariffs on agricultural imports", saying that this would "benefit consumers and significantly contribute to the promotion of the world economy".

It makes clear that, while Europe has been attempting to protect its farmers, its share in the global market for manufactures – which accounts for 20% of EU GDP – has been decreasing steadily, mainly due to relocation.

The report says that the EU should focus on further liberalising services – which represent the backbone of the European economy, with a share of more than 77% in GDP and employment – both within the bloc and vis-à-vis third countries in order to boost its overall competitiveness.

**Source: Associated Press, Brussels, 27 February 2007**

## **Australia ready to work with India at WTO talks**

Australia is keen on a good outcome to the Doha round negotiations of the World Trade Organisation and willing to work with India to try and broker solutions that might be acceptable to other trading countries, says the Australian Trade Minister Warren Truss.

He intends making this offer to Commerce Minister Kamal Nath during the joint ministerial commission meeting later this week. "India has a particularly important role as a leader of the developing world in encouraging the opening up of the markets so that there can be a comprehensive, all-inclusive, and high quality outcome to the Doha round," Mr. Truss said in an interview to *The Hindu* group of publications here on Monday.

Highlighting the need for all countries to make a contribution, he said Europeans should remove their tariffs and Americans subsidies on agricultural products. "It will also be important for the developing world, particularly major economies like India, Brazil, China and Korea, to take steps to open up their markets for both agricultural and non-agricultural goods."

While Australia was in discussion with many countries, including India, on Free Trade Agreements, the successful outcome of the Doha round was its priority. "That is what we want to achieve ... because that will deliver a freer and fair trade ... all the countries will benefit." The FTAs need to be on top of the achievements at the WTO and deliver greater concessions, more market access than that would come through the WTO.

Apart from discussing the Doha round, a range of business and trade issues and any barriers that each country would like to be removed would be discussed at the ministerial commission meeting, he said. On the prospects of the Doha round negotiations concluding this year, Mr. Truss said: "This year is the window of opportunity and if it's lost it will take some time to resurrect the talks."

Pointing out that there had not been sufficient movement from any of the parties to secure high quality agreement, he said the aspiration of the developing countries to have access to markets in the developed world was reasonable. But the developing world should also be prepared to open up their markets from other parts. There was also a need to restrict the number of special and sensitive products to just handful and not hundreds.

Mr. Truss, who opened the Australian Consulate General in Chennai, said its establishment was an expression of the importance attached to south Indian market. On the bilateral trade balance weighing heavily in Australia's favour, he said the imports from Australia, especially commodities such as gold and coal, were absolutely critical to creating jobs and building the growth industries in India. The imports provided India an opportunity to develop trade surpluses with other parts of the world.

Welcoming the renewal of air services by Qantas between Australia and Mumbai and the announcement that Air India would fly to Melbourne, he said the direct air services

would help substantially open up the tourism and the business market. He said there was also a possibility of Jet Star, the low-cost subsidiary of Qantas, launching services to India.

About the issues in the Indo-Australia trade ties, he said the tariff barriers and other behind-the border barriers prevented the import of a wide range of agricultural products into India. They disadvantaged Indian consumers and prevented Indian agriculture from achieving its true potential.

**Source: Press Trust India, Chennai, 27 February 2007.**

## **EU duties on farm goods rose last year, WTO says**

Even as top trade negotiators were seeking ways to lower farm tariffs to help save global trade talks, the average duty on farm goods coming into the European Union rose in the past year, according to a report released Monday by the World Trade Organization.

At the same time that Europe was trying to protect farmers, the WTO study found, the EU share of global manufacturing declined largely because of relocation of production to lower-cost countries.

The WTO economists highlighted the fact that in 2006, the average applied tariffs for agricultural goods were far greater than the duties levied on imports of manufactured goods. "Agricultural products are the most tariff-protected," the report said, with an average duty of 18.6 percent in the EU, compared to an average of 4 percent for non-farm goods. This represented an increase in the agricultural duties from 16.5 percent in 2004, while tariff for industrials posted a slight decrease from 4.1 percent two years earlier, the report by the WTO secretariat noted. EU products with high tariff protection, according to the report, "are almost exclusively agricultural or processed food." The tariffs were more than 400 percent for some meat products, and more than 200 percent for some pineapple juice. Peter Allgeier, the U.S. ambassador to the WTO, told trade envoys taking part in a review of the EU trade regime that the EU should "address its high tariffs to provide market access opportunities to other WTO members."

The head of the EU delegation, Peter Balás, stressed, however, that Brussels was looking for movement in other areas of the global negotiations. "We have already put a lot on the table, not least in agriculture; in return, we expect equally ambitious offers from others," he said. Balás also noted that the EU was the world's largest exporter and importer of agricultural products, and received almost 60 percent of all agricultural exports from the world's least developed nations.

In the so-called Doha round of trade liberalization talks, which began in 2001, the United States, the Brazilian led G-20, and the Australian-led Cairns Group of farm exporters are leaning on the EU to come forward with a more ambitious offer on agriculture. The talks collapsed in July largely over farm trade differences, but got back on track in late January following the personal intervention of world leaders, including President George W. Bush. But they have still to hammer out the breakthrough deal needed to successfully conclude a package deal.

In 2005, the EU was the world's top exporter of merchandise exports, with extra-EU shipments valued at \$1.3 trillion, or a 17.1 percent share of the world total. In the same period, the EU was also the world's biggest exporter of commercial services with transactions valued at \$480.3 billion, or 27.1 percent of the global total.

**Source: Reuters, Geneva, 27 February 2007**

### **Report seeks flexibility for developing nations**

A developing country's right to take on lesser commitments in areas such as industrial tariff reduction and intellectual property in the WTO negotiations should have legal binding, the World Trade and Development Report released by Union commerce & industry minister Kamal Nath has suggested. Developing countries' coalitions should seek a legally-binding status for special and differential treatment (SDT) provisions in the WTO framework conferring policy flexibility to developing countries in the multilateral negotiations, it said.

The report, prepared by Delhi-based think-tank Research & Information System (RIS), stated that the flexibilities could be based on an objective criteria such as a threshold of per capita manufacturing value added (MVA) and should allow developing countries to take on lower commitments under non-agricultural market access, trade-related intellectual property rights, trade-related investments or SCM agreements.

While the mandate of the on-going Doha round of negotiations provides for SDT for developing countries, lack of a binding status results in developed countries ignoring to factor in the provision while negotiating with developing countries.

In fact, India, and some other developing countries allege that the proposals being forwarded by developed countries for tariff reduction in industrial goods will result in greater reduction burden for developing countries.

The RIS report also proposes strengthening the SDT for developing countries so as to make it "precise, operational and effective". It is important to retrieve the development policy space to developing countries that has been "squeezed by different WTO agreements and proposals," the report said.

It added that all negotiating texts and drafts should be introduced in open-ended meetings and no decisions should be imposed on members without wide consultations and discussions.

**Source: Times News Network, New Delhi, 26 February 2007.**

## **Mexico files trade grievance**

### **The country accuses China of paying illegal subsidies to gain an export advantage.**

Mexico on Monday became the latest nation to file a complaint with the World Trade Organization over the Chinese government's alleged payment of illegal subsidies to manufacturers. The action signals Mexico's growing frustration with a flood of Chinese imports, which has led to a soaring trade deficit with Beijing.

It follows Japan's announcement last week that it would join the United States in formally protesting state subsidies that it claims make Chinese steel, paper and consumer products artificially cheap. The actions represent an orchestrated effort to pressure China to live up to its WTO agreements more than five years after the Asian nation joined the world trade body. And it underscores growing impatience by trading partners who say they are losing jobs and market share as a result of China's illegal trade practices.

In a statement, Mexico's Economy Secretariat said its complaint was motivated by "the policy of Mexico to combat unfair trade that could affect the country's competitiveness" as well as "the concern stated by diverse sectors" of Mexico's manufacturing base. The release did not specify the products or industries covered by the complaint or estimate the monetary damages that Mexican companies allegedly have sustained. Mexican trade officials could not be reached for comment.

Mexico's action echoes a complaint filed by the U.S. government Feb. 2 with the Geneva-based WTO. The office of the U.S. trade representative claims that the Chinese government offers hefty tax breaks to Chinese companies that gear most of their production for export. The agency said China also offered financial incentives for its factories to purchase Chinese-made machinery, putting foreign equipment makers at a disadvantage. "We should not have to compete with the deep pockets of the Chinese government," said Frank Vargo, vice president for international economic affairs with the National Assn. of Manufacturers, a Washington-based trade group. Vargo said his organization and U.S. officials have been urging trading partners such as Mexico to join the U.S.-led effort. The Democratic majority in Congress has been pushing the Bush administration to get tough with China, with which the U.S. ran a record trade deficit in 2006 of \$232.5 billion.

Mexican officials have likewise been feeling the heat. The nation's trade deficit with China has increased nearly tenfold since 2000, to \$22 billion last year. Mexico has lost tens of thousands of factory jobs as production of textiles and electronics has migrated across the Pacific.

**Source: The Times, Mexico City, 26 February 2007**

### **RP role in trade talks lauded**

Director General Pascal Lamy of the World Trade Organization has recognized the Philippines' crucial role in advancing trade negotiations, but has urged President Gloria Macapagal-Arroyo and her economic team to remain as one of the world's key partners in promoting better access for global trade.

These were among fundamental points raised by Lamy after his 45-minute closed door meeting with President Arroyo, Trade and Industry Secretary Peter Favila and Agriculture Secretary Arthur C. Yap. "Lamy recognized and thanked the President because the Philippines has been a constructive partner in the WTO," Yap said.

However, Lamy also pointed out that the main purpose for his visit was to achieve a consensus among member-countries to resume trade negotiations after it bogged down since the Hong Kong WTO Ministerial Meeting in December 2005. "He told the President that what he was doing is to build a consensus and possibly a compromise to get the stalled talks moving and for major players to really agree on the terms to make a breakthrough in negotiations," Yap said in an interview Friday night.

Arroyo noted in the discussion with Lamy that other major players in the WTO, including Brazil, India and China, have identified their respective positions, which had been limiting and narrowed down windows of opportunity to really score a breakthrough, he said. Lamy, on the other hand, assured President Arroyo that he recognized the importance of trade mechanisms being pushed by the Philippines, Indonesia and the rest of the Group of 33 developing countries. "He stressed how important is the Special Products (SPs) trade mechanism for us, for developing countries with sensitive agriculture and rural sectors," Yap added.

Lamy cited that "developing countries will be allowed to shield part of their imports from the impact of tariff reductions through these trade mechanisms."

However, Lamy also stressed "that the effort to protect the interests of the developing countries should not be allowed to derail the overall objective of increasing market access for global trade," he said. The Philippines and Indonesia are battling for the full implementation of the SPs and Special Safeguard Mechanism (SSM) necessary for developing countries to reduce at their own pace the duties on sensitive agricultural products because of their importance to food and livelihood security and rural development. The SPs and SSMs were official declarations during the WTO Ministerial Meeting in Hong Kong that the developed countries opposed.

The implementation of enhanced special safeguard mechanisms would allow developing country-members of the WTO to charge higher duties on products threatened by cheap imports.

Lamy also mentioned that he would not hesitate to use his powers to actively arbitrate among member-countries if it was really necessary to finally achieve a breakthrough in

negotiations, according to Yap. Developed countries such as the United States and the European Union have reportedly insisted on implementing further tariff reductions without committing reductions in their own domestic and export subsidies.

A study by the Organization of Economic Cooperation and Development (OECD), a group of rich countries, showed that the EU provided \$114.5 billion in farm subsidies while the US extended \$54 billion in producers' support annually since 1999.

**Source: Reuters, Manila, 27 February 2007.**

### **Ecuador makes WTO arbitration in banana dispute irrevocable**

Ecuador retook its WTO procedure against the European banana import regime this week, which discriminates bananas proceeding from the dollar countries of Latin America, according to Ecuador. Bananas from ACP countries (Africa, Caribbean and Pacific) enjoy a preferential treatment and this is the point against which Ecuador is filing protest by means of WTO arbitration.

According to the EU however, the import tariff of 176 euro per MT which was implemented in January last year complies with earlier WTO decisions. According to the spokesman of EU agriculture commissioner Mariann Fischer Boel, Michael Mann, the EU has done all the necessary to meet these demands. The EU regrets the choice of Ecuador to request arbitration, as the EU would have preferred to reach a solution through negotiation, but one does respect the Ecuadorian right to request arbitration. The dispute resolution commission of the WTO will meet on March 8 to discuss the formation of an arbitration panel.

**Source: Fresh Plaza, Tholen, 27 February 2007.**

### **Opening up of agricultural markets may harm developing nations**

WTO director general Pascal Lamy recently admitted that US, the European Union and India are close to a compromise that would break the deadlock in WTO negotiations.

What sort of compromises are on the cards? Lamy has already indicated that US should reduce its farm subsidies, EU its farm tariff and India its farm and industrial tariffs. But by how much and in what ratio, future developments will tell. Lamy made this disclosure on Wednesday. Interestingly, on the same day, agriculture minister Sharad Pawar echoed the view.

At the sidelines of a conference of vice-chancellors of state agriculture universities in Delhi, he told media persons: "I am in favour of a liberalised import and export regime in agriculture as farmers would get a better price for their produce." He said with the present ban on export of pulses, wheat, oilseeds, maize and skimmed milk powder, the farmers were unable to reap the benefits of global prices. He also said if wheat production in the current season turned out to be good, he would try to initiate an open export-import regime in wheat. A day earlier, the government lifted the export ban on a variety of winter pulses kabuli chana (dollar gram). The ban on sugar export was lifted in January this year. The government had slapped a ban on export of some agricultural commodities as prices of essential commodities shot up in the domestic market. The government had facilitated easy import of wheat, pulses, sugar and vegetable oils. But price rise was due to several factors, including mismanagement in demand-supply and hoarding of stocks and deliberate market manipulation.

Anyway, the writing on the wall is clear. The onus will fall on developing countries to open up their agriculture markets.

Lamy, of course, says US should reduce its farm subsidies and EU its farm tariffs. But by how much? If any cosmetic reduction is done, it would not prompt the developing world to open up their markets. Pawar, while suggesting an open export-import regime in farm goods, had said the developed countries' subsidies should be reduced and that commerce minister Kamal Nath was trying his best for it.

Lamy was also on a visit to Indonesia on February 21, trying to convince the Indonesian government to be flexible, particularly on the issue of Special Products and Special Safeguard Mechanism.

Indonesia is the leader of G-33, consisting of about 40 countries, which have defensive interest in agriculture. Indonesian farmers have reacted sharply to the proposal for any opening of the agriculture market. Lamy is confident of taking EU on board despite France's opposition to any move for farm tariff reduction. But Lamy dares not to call for a WTO ministerial meeting till concrete proposals are on the table.

Opening up of farm markets may lead to consequences for the developing world. Pawar should read closely the admission made by former US Trade Representative Charlene Barshefsky that the Doha round was never for development. India has already suffered on

opening up for imports of vegetable oils and cotton. Thus the developing world should move with caution on the issue of opening up of agriculture, till global trade is free from any distortion.

**Source: Press India Trust, New Delhi, 26 February 2007**

**India withdraws tariff concessions: Pakistan avoids retaliation**

Pakistan on Monday demonstrated restraint and avoided a tit-for-tat reply to India's unilateral decision to withdraw tariff concessions under the South Asia Free Trade Agreement (Safta). Pakistan announced it would explore all possible options to challenge the Indian move to withdraw the tariff liberalisation programme.

Pakistan said the decision was in violation of Article 7 of the trade agreement which had been in effect since July 2006. The decision came at the second meeting of the Safta Ministerial Conference in Kathmandu. "Pakistan will not review the tariff concessions extended to all Saarc countries, including India," said Secretary Commerce Syed Asif Shah at a press briefing in Islamabad. "Pakistan remains committed to continuing with the trade liberalisation programme as stipulated in Safta," he said when asked if Pakistan would come up with a similar action.

Mr Shah said the Indian decision would be debated at an appropriate level. "We would take all possible steps available under the agreement," he added.

He said Commerce Minister Humayun Akhtar Khan was in Kathmandu to resolve the issue. He would be back on Tuesday to lay down parameters for a future action on the issue. "We would evolve a strategy and move ahead. You can't just sit, you have to react, which we will. We will consult all stakeholders on the issue," he said in reply to a question.

**Source: Dawn News, Islamabad, 27 February 2007.**

### **Trade Negotiator Hints at Resolving Beef Row With US**

South Korea's chief negotiator in free trade agreement (FTA) talks with the United States said yesterday that the two sides could resolve a trade dispute over the country's rejection of U.S. beef shipments, one of the few lingering obstacles in the nine-month-old negotiations.

Last year, South Korea resumed imports of American beef, lifting a three-year ban prompted by a mad cow disease scare, but has since turned back three shipments totalling 22.3 tons after tiny bone chips were found in them. South Korean quarantine officials defended their actions as health-oriented, saying the U.S. should export only boneless meat under an agreement, but Washington accused Seoul of applying safety regulations too strictly to block U.S. beef imports.

While the beef row is not technically part of ongoing FTA negotiations between the two countries, U.S. negotiators have said a deal won't be approved by Congress unless Seoul fully reopens its market to American beef. At the centre of the beef spat is whether the tiny bone fragments can be viewed as bones. "The agreement says only boneless meat can be imported, but it's a matter of interpretation whether the boneless meat can include bone chips," Kim Jong-hoon said in an interview with MBC radio. "If we review international standards or examples of other nations, we could sufficiently resolve the beef issue," Kim said. The top negotiator also called for his country's quarantine officials to have "reasonable and scientific grounds." "Quarantine officials should not leave room to cause a row with other nations," Kim said.

South Korea and the U.S. will hold their eighth round of FTA talks March 8-12 in Seoul and South Korean trade officials indicated there would be one more round of talks next month to reach a deal.

**Source: MBC News, US, 27 February 2007**

### **List of non-tariff trade barriers given to India**

Pakistan on Monday handed over a copy of the non-paper on tariff, non-tariff and para-tariff barriers, restricting flow of border trade with neighbouring countries, to India. Commerce Minister Humayun Akhtar Khan gave the copy to Indian Commerce Minister Kamal Nath at the sidelines of the Safta Ministerial Conference held in Kathmandu. Secretary Commerce Syed Asif Shah released the copy of the report to media at a press conference here on Monday.

The 30-page report titled “an overview of trade policy of India on trade in goods” elaborates in detail tariff, non-tariff and para tariff barriers put in place in the trade regime of India, which restricted market access for Saarc countries, including Pakistan. According to the report regarding textile sector, only the ad valorem component was reduced to 12.5 per cent in the last year Indian budget, the specific component wherever applicable, remained unchanged. This means that there was no reduction in this sector.

Under the para-tariffs border charges and fees other than tariff countervailing duty is levied on similar articles produced or manufactured in the country, special duty at a rate of 4 per cent was imposed on all imported goods including agriculture and farm products since last year. National calamity duty (NCD) is applied to tobacco products, motor spirit, polyester filament yarn, motor vehicles and two-wheelers, additional excise duty on (textile and textile articles) and the commodity cess are also levied as additional duty, the rate of which varied in numbers. The education cess at the rate of two per cent of the aggregate duty of customs and excise was levied on all imports. All these levies are not imposed on domestic production and are definitely para-tariff.

According to the report, rampant non-tariff barriers constitute a hallmark of Indian trade regime. Even during the 1990, India had started liberalising its trade regime, quantitative restrictions on import of agriculture and stringent import license procedures on a large number of textile and industrial production remained entrenched with full force. The Indian main non-tariff barriers include agriculture permits, phyto-sanitary certificates, Indian standard of quality, licensing requirement for import of vehicles, textile specific barriers, health and safety regulations, and tariff quotas etc. Pakistan is in a position to market its textiles in India but the strict conditions laid down under Textile (Consumer Protection) Regulation of 1988) are a major barrier. These include producer identification and production composition, the colour and even the form, size and colour of letters and signs.

The rules and regulations regarding food items are very complicated, which provide

enormous power to the customs authorities to detain and even completely stop imports on minor infringements of rules and procedures.

Inter provincial movement of goods was another major hurdle in trade. In India each state has its own set of rules, regulations, and levies and further inspection on border crossing. Dispute based on these disparities could result in more costs both in terms of time and money.

**Source: Daily News, Islamabad, 25 February 2007**

## **Lula in Uruguay for trade talks**

Brazil's president is visiting neighbouring Uruguay to smooth over strained economic ties. Luiz Inacio Lula da Silva's visit comes amid heightened speculation over whether Uruguay will stay in the South American trading bloc Mercosur, or write its own deal with Washington

A country of over three million, Uruguay is being courted by Brazil's president and George Bush, the US president, who will visit for several days next month.

Tabare Vazquez, the Uruguayan president, claims Mercosur favours bigger countries and is threatening to a free trade deal with US.

In Uruguay on Monday, Lula gave the Uruguayan president a bear hug and both said they had strengthened ties during talks. Lula said he could assure smaller countries in the strained Mercosur trade bloc that they had the ear of the more powerful economies, like Brazil's. "Brazil's relationship with the region is not one of hegemony," Lula told a news conference. Vazquez, Uruguay's first leftist leader said he spoke about the need to promote trade rules to protect smaller countries that will serve as more than "handouts". He demanded a better deal for Uruguay. "Lula Da Silva came to Uruguay to find an agreement. Uruguay doesn't want charity we want justice so that the block will give benefits to all partners. "The Mercosur bloc includes Brazil, Argentina and Venezuela - South America's top three economies - and the smaller nations of Uruguay and Paraguay.

Lula wants the Mercosur members to trade with the United States as a single entity.

In Uruguay people are divided between those who want to strengthen the relationship with other Mercosur members and those who want to continue an independent bilateral relationship with Washington. For now, the Uruguayan government is trying to do both.

In a glass factory outside Montevideo, one of its founders is excited about Lula's visit to Uruguay. Eight years ago Daniel Paredes was nearly homeless after losing his job there. Today, thanks to a \$3 million investment by Venezuela, Daniel and his eight co-workers are hiring 60 more employees and getting ready to export their products throughout Latin America. "We see Lula's visit to Uruguay as a sign of Latin American integration," says Daniel. "We need to be united among Latin Americans. In September we want to export to Brazil because they have the biggest market ... then, who knows."

Jose Mugica, a former left wing guerrilla in the 1970s, is now the minister of agriculture and one of the most pro-Mercosur members of government. "Uruguay depends on Argentina and Brazil ... But none of them depends from Uruguay... The only asset Uruguay has is that nobody wants it against them. We need to export small quantities to a lot of people but without losing our Latin American soul." "President Bush's visit next month will probably increase the divisions within this country and within the region - between those who want to look up north towards Washington and between those who don't."

**Source: Al Jazeera, Jeddah, 27 February 2007**

### **FTA reiterates position on NAMA, tariff lines**

Fair Trade Alliance, a broad coalition of NGOs from the agriculture and industrial manufacturing sector, said it does not believe that the breakthrough announced by WTO Director General Pascal Lamy is achievable within months.

Wigberto Tañada, the lead convener of FTA, said Lamy did not mention any timetable when the United States would slash subsidies for its agriculture sector. Tañada said: “We don’t believe in his pronouncements because those are too vague. We want specific concessions from the developed countries, particularly from the US, by cutting huge farm support. He didn’t explain how big the cuts would be. Would it be on staggered basis? When will be the final elimination?”

In a separate statement, FTA reiterates its position in the ongoing Non-agricultural Market Access (NAMA) negotiations, particularly in determining the coefficient for the adoption of the Swiss formula for the tariff cuts. “We propose a target of 50 percentage points, or minimum of 35, because having gone over various simulations prepared by the Tariff Commission and Board of Investments, we believe that targeting a coefficient of 50 will maximize the current policy space of NAMA tariff lines whose average bound rates is pegged at 23 percent,” it said. “We also propose the adoption of a mark-up of 50 or a minimum of 35, to provide flexibilities for the treatment of unbound tariff lines, considered to be sensitive and instrumental to economic development.

The FTA also supports the inclusion of sensitive products in the exclusion list, saying that the proposed minimum of 10 percent of total tariff lines will be good for the Philippines: “The FTA firmly stands for the preservation of the current policy space and work towards the development of a roadmap for industrial policy harmonization and upgrading that will make our industries more globally competitive.”

Reacting to Lamy’s visit to the Philippines, the Tambuyog Development Center, an NGO for fishery sector development said the WTO must reconsider the positions of developing countries by focusing negotiations to export distorting support instead of market access. Tambuyog said talks should also include subsidies being given to industries in more developed countries rather than tackling market access issues that only favour industrialized countries. Besides these issues, Tambuyog said the global trade body must recognize the need for protection of less developed countries, particularly their sensitive sectors through the use of special products (SP) and special safeguard mechanism (SSM) would be detrimental for our industries that remain weak that’s why we should seek more protection,” Tañada said

**Source: Manila Times, Philippines, 25 February 2007**

## **Biannual WTO Review of the EU's trade policy**

Along with the other major trading powers in the WTO, the EU is reviewed every two years by the WTO Trade Policy Review Body – the previous review was held in October 2004. The report drawn up by the WTO recognises the predominant role of the EU in the WTO as one of the world's largest trading powers and the biggest individual trading power for agricultural products and services.

Some key points:

- The report notes the EU's instrumental role in the Doha negotiation and in the process of integrating developing countries into the multilateral trading system. These efforts include for example, negotiations for Economic Partnership Agreements with the ACP countries, the reform of the EU's GSP system, development assistance and aid for trade.
- The report notes the potential value of further liberalisation in the EU services market, something facilitated by the current consolidation of the Internal Market and the adoption of the Services Directive in December 2006, which by and large removes the final obstacles to creating EU-wide services markets.
- The report notes the need for further liberalisation of the agricultural sector in Europe and recognises in this context the 2003 reform of the Common Agricultural Policy and the far-reaching conditional agricultural offer made by the EU in the ongoing Doha Development Agenda negotiations, which would slash trade-distorting farm subsidies, eliminate all export subsidies and significantly reduce agricultural tariffs.

The report notes the importance of ensuring that the multilateral trade system remains the priority for the EU. The EU has recently proposed a new generation of bilateral trade agreements with ASEAN, India and South Korea designed to complement the WTO system by tackling areas like investment, intellectual property and public procurement not currently covered by WTO rules. Bilateral agreements of this kind will ultimately drive forward the multilateral trade agenda.

**Source: Europa, Brussels, 26 February 2007**

## **The HACCP certification challenges**

The World Trade Organisation (WTO), where the agreement on the application of the Sanitary and Phytosanitary (SPS) measures and the Technical Barriers to Trade (TBT) are being acted upon, worldwide initiatives have removed internal and external trade barriers, thereby producing a more open market.

In all aspects of food legislation and regulation, domestic standards have been harmonised with international standards such as CODEX. The CODEX Alimentarius Commission has gained greater recognition under WTO. The CODEX standard guideline and recommendation including HACCP and guidelines for HACCP application has become the benchmark for international food safety requirement.

## **Food-borne illnesses**

Most food-borne illnesses are considered as food poisoning. They are caused by harmful micro-organisms present throughout the environment in soil, air, water, and in the bodies of people and animals. These micro-organisms are invisible and detected only through laboratory testing. Any food can become contaminated if not properly handled before consumption. Sporadic cases of food poisoning often occurs during regular servings, large parties, school canteen, or picnics where food may be kept or handled at conditions that allow the pathogenic bacteria to quickly multiply.

Symptoms of classical food poisoning (caused by enterotoxin produced by *Staphylococcus aureus*) usually appear two to three hours after ingestion. The victim experiences nausea followed by vomiting and abdominal cramp. Diarrhoea may occur. Other symptoms may include fever and chills, weakness and headache. However, different pathogens will show characteristic symptoms for specific pathogen.

Fortunately, people seldom get sick from ingesting contaminated foods because most people have a healthy immune system. Food-borne illness in healthy adults is self limiting and occurs for a short duration. However, cases of poisoning especially among the vulnerable groups like children, pregnant women or the elderly may result in death or other complications.

## **Food safety system**

The term HACCP (Hazard Analysis Critical Control Points) has caused apprehension to the hospitality industry because of the requirement in HACCP. A hazard is something which can cause adverse health effect on the consumer. HACCP is a process control system that identifies where hazards might occur in the food production and service processes and puts stringent actions to prevent it from occurring. HACCP is an effective food safety tool. It is a systematic approach to ensure food safety by implementing

preventive measures to manage the hazards associated with food. It is a system which has been recognised internationally and required under CODEX Alimentarius.

The HACCP application consists of a logical sequence of 12 steps encompassing seven basic principles. It enables defects which have an impact on food safety to be readily detected and corrected at specific points (critical control point or CCP) during receiving of ingredients, handling, processing, storage and distribution of foods, instead of relying on end product inspection and testing. HACCP has been proven effective in managing food safety because it focuses on real hazards and its management, it needs less inspection and relies more on preventive steps, and increases customer confidence with the food service.

### **Challenges and strategy**

Food preparation and service has become global and more food is prepared and consumed away from homes. Examples include local/global travel, office lunches, frequent eat-outs. Consumers want food that is not only tasty but healthy and safe too.

To ensure total food safety, prevention has to be taught throughout the food chain. But we must make the beginning somewhere. However, zero risk is not possible and no one method will eliminate pathogens or toxins throughout the food chain. A combination of safety measures and processing methods is used to ascertain both the nutritional quality and safe foods reaching the consumers - a proper slaughter, hygienic packing and refrigeration can eliminate the hazards. However, bacteria may survive despite aggressive controls at all processing levels, and food can become contaminated during preparation, cooking or serving. Thus, controlling food-borne pathogens is a constant challenge.

HACCP, the world over, is being inculcated into the corporate mentality of food processing plants, restaurants, catering and food services. There needs to be active move to apply HACCP-based approach to farm levels as well. Implementation of the seven principles of HACCP systems will in time change the way food is procured and served. HACCP certification will be a prerequisite not only for international market but also locally. Additionally, consumers can implement some of the HACCP practices from purchase of meat from the market or grocery stores to the time they cook and serve the meal; there are many steps to take to ensure food safety.

Food safety should be viewed not only from health point of view but also from the economics perspective. Food service companies that do not handle food properly can be taken to court or may result in closure of business. If India is known as a country that lacks food safety standards and its enforcement, it might be unable to attract global tourists.

### **What must be done**

Frequent reminders to food handlers on food safety and safe food handling should be continuous rather than seasonal. Knowledge about food safety is best carried out at all

levels - from food operators and food handlers to its carriers. Food safety is not the domain of regulatory agencies only, but rather a concern for all.

The hospitality industry should view regulatory agencies as partners to ensure safe foods for consumers. The implementation of the food safety system should be seen as a vehicle or mechanism to increase marketability of their services. Good and safe products/services are a top priority in the market, and this can be achieved in the joint efforts of both the enforcement and the food industry. The enforcement officers should view their job as assisting rather than just to inspect or punish. Similarly, the food handlers should not be defensive when dealing with enforcement; both must complement each other.

The consumers should be better informed to allow them to make choices in the type of foods available to them and yet be aware of their relative risk status to food-borne diseases. Zero risk is not possible, but together we can protect the food from them. It is clear that operating a food service business without food safety system such as HACCP is unacceptable. Therefore it is logical that eventually, HACCP should be made compulsory.

The food service sector needs special attention. HACCP does not really fit in their business because their menu items and ingredients used are endless and change frequently. These companies have many problems in adopting HACCP. The adoption of compulsory HACCP therefore should be in stages, based on the degree of risk and type of food products. The regulatory agencies should play a role in communicating, educating, promoting and assisting the food industry in food safety issues. The hospitality industry should keep abreast with the development of food safety. They should 'listen' to the consumers' increasing demand for food safety. The most important thing for the industry is to decide where food safety figures in its policy - it should their highest priority. It is important that the industry obtain the commitment from the top management to ensure that the planning and the implementation stage of the food safety system runs smoothly. The industry must be prepared to allocate adequate funds and resources for food safety programmes.

Training and education in HACCP, GMP and GHP for different category of industry staff need to be enhanced. GMP and GHP should be emphasised; it is important that they understand and implement this basic requirement before HACCP. India should also be sensitive and prepare to accept the harmonisation of food safety standards and regulations. We should prepare ourselves for the upcoming challenges coming from the international food safety authority to enhance HACCP such as 'risk analysis' and the concept of 'equivalence' to fulfil the trade barrier requirement.

It is the responsibility of the hospitality industry and the government authorities to take the measures necessary to supply consumers with a safe product. It is important that the measures are consistent with standards internationally recognised to facilitate trade. The participation of all parties is of prime importance for the safety assurance system to be justified.

On their part, the government agencies should assist the hospitality industry with all aspects of food safety. Their job is to educate the consumers and the industry on the importance of food safety. Communicating and promotion of the need of food safety systems such as HACCP to the hospitality industry is of prime importance.

**Source: Atul O Ganediwala the director of Paradigm Services, certified management consultancy firm in the field of designing, implementation, developing, maintaining and improving of various food, safety, environmental, and quality management systems.**