



## *Trade News Bulletin*

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

## **WTO set for crunch trade talks in Davos**

Ministers from around the world will gather in a Swiss Alpine resort this week for their most important discussions on how to save global trade negotiations since they broke down last year.

Time is running short for a World Trade Organisation (WTO) deal that could boost economies and the flurry of contacts and number-crunching in Davos will indicate whether the impasse can be broken soon or will drag on for years, negotiators say. "Davos will be important as a weather vane," said a European Union official. "It probably won't go into full ministerial negotiating mode. What's important will be the political signal, and the strength of it, to facilitate resuming negotiations." Hopes for a deal took a hit last July when the WTO suspended its Doha Round of negotiations to lower trade barriers around the world, mainly because of big differences over farm goods. Launched in 2001 after the attacks on the United States with the aim of easing poverty around the world as well as helping economic growth, the round has suffered several setbacks. Without a breakthrough in the coming weeks, it could be on hold for several years. US President George W Bush is due to lose his "fast-track" powers for trade deals in June and the 2008 presidential election will dominate US politics soon.

Trade experts say failure of the Doha Round would not only limit growth in trade and investment flows but also hurt the credibility of the multilateral system that is supposed to give poor countries more muscle when dealing with industrial powers. The alternative of a "spaghetti bowl" of bilateral deals risks making business more complicated, and on terms less favourable to developing countries, they say.

Around 30 trade ministers will meet on the sidelines of the annual World Economic Forum in Davos beginning on Wednesday, culminating in a broad trade gathering on Saturday. The US and EU trade chiefs will play crucial roles. Last year they swapped blame for the July breakdown. But they have recently talked of new momentum after Bush said this month he was committed to a deal, boosting technical-level talks to narrow transatlantic differences on farm trade. "(Countries have decided that) rather than talking past each other about the bumper-sticker numbers, where we encountered our impasse in July ... let's go behind those numbers and look at key priorities, key sensitivities in conjunction with the top-line numbers," US Trade Representative Susan Schwab said last week. Brussels and Washington both hope for signs in Davos from developing countries, led by Brazil and India, that they could go further with planned cuts to tariffs on imports of industrial goods, such as cars and chemicals, and give more access to foreign service providers, like banks and port operators.

But the developing countries have so far held out for more farm concessions from the rich world.

Negotiators say there is little chance of completing a deal by June 30, when Bush's fast-track powers expire, but they hope the Democrat-run Congress might put party politics

aside to extend them for a few months, if an outline is on the table. But Europeans are worried that Congress could push for a new US farm bill that leaves farm subsidy ceilings intact, a move that would jeopardise big efforts in the WTO talks to cut them.

EU trade Chief Peter Mandelson faces domestic pressure from European farming countries led by France, which has warned him not to go too far with cutting import tariffs for farm goods.

**Source: Reuters, Zurich, 22 January 2007**

### **Financial firms vow to back African businesses.**

Regional financial institutions yesterday offered their support to African countries in developing business enterprises using the Bahrain Model.

A meeting in Bahrain to discuss the projects was led by United Nations Industrial Development Organisation (Unido) director-general Dr Kandeh Yumkella, a former minister of trade, industry and state enterprises in his country, Sierra Leone. He opened the high-level consultative meeting on the Investment and Enterprise Development Programme in the Mano River Union.

The meeting was organised jointly by Unido and the Arab Gulf Programme for United Nations Development Organisations. It was attended by the ministers of trade industry and small enterprises as well as the secretary-general of the Mano River Union countries of Sierra Leone, Liberia and Guinea. Leading regional financial institutions such as the Jeddah-based Islamic Development Bank (IDB), Bahrain-based Kuwait Finance House (KFH) and Dubai-based EMAAR Industries & Investment, as well as Agfund, offered their support to fund projects in African countries in partnership with Unido.

The Bahrain Model of Enterprise Development is to be used as a blueprint to nurture development in the countries, said Unido-Investment and Technology Promotion Office (ITPO)-Bahrain head Dr Hashim Hussein. Dr Yumkella visited the Bahrain Business Incubator Centre in Hidd yesterday. The meeting yesterday at the Unido-ITPO office was also attended by Sierra Leone Trade and Industry Minister Dr Kady Sesay, Liberia's Commerce and Industry Deputy Minister Pete Norman, Unido ITPOs co-ordination unit chief Victor Zakharian, Unido Arab Programme chief Dr Mohamed El Gallaf, and officials from various financial institutions. Before leaving Bahrain, Dr Yumkella will meet Industry and Commerce Minister Dr Hassan Fakhro to discuss the development of co-operation programmes between Unido and Bahrain. Dr Yumkella will speak on Unido's involvement and activities in the water sector at the official opening of the fourth International Water Middle East 2007 at the Bahrain International Exhibition Centre today. Dr Yumkella is accompanied by senior staff from Unido headquarters in Vienna and the Unido country office for the Mano River Union countries.

**Source: Financial Times, Manama, 21 January 2007**

## **Argentina, Brazil Join WTO Complaint**

South American agricultural powers Argentina and Brazil have joined Canada in a complaint against the United States over what they claim are illegal government handouts to American corn growers, trade officials said Monday. The request for consultations, filed by the two countries and Guatemala last week at the Geneva-based World Trade Organization, threatens a major commercial dispute in the Western Hemisphere at a time when global free trade talks remain stalled over agricultural tariffs and subsidies and the U.S. begins debating a new multibillion-dollar farm bill.

Under WTO rules, a three-month consultation period is required before a country can ask the trade body to launch a formal investigation. A WTO case can result in punitive sanctions being authorized, but panels take many months, and sometimes years, to reach a decision.

Canada lodged its complaint on Jan. 8, claiming that some US\$9 billion (euro7 billion) paid out by the U.S. annually in export credit guarantees and other subsidies unfairly and illegally deflated international corn prices. "This is not just about corn," said Clodoaldo Huguene, Brazilian ambassador to the WTO. "Brazil is the world's largest ethanol exporter, so this is an important issue for us."

Huguene said any country's large subsidy program concerns Brazil as a major agriculture exporter. Sean Spicer, a spokesman for U.S. Trade Representative Susan Schwab, said he could not immediately comment on the move by Argentina, Brazil and Guatemala. The office, however, was critical of Canada's action earlier this month. "Corn prices have increased significantly in both the United States and in Canada. In addition, U.S. corn exports to Canada have declined in the last year," Gretchen Hamel, a USTR spokeswoman, said at the time. "Given the dramatic improvement in the market over the past year, we're surprised that Canada believes that our corn programs are now causing harm in breach of WTO rules."

The WTO, in a case brought by Brazil, already has ruled that some cotton subsidies are illegal and the administration of U.S. President George W. Bush has been coming under pressure to reform a number of its farm support programs. "Many of the issues in Canada's complaint we have also complained about concerning U.S. cotton programs," said Huguene in a telephone interview from Geneva.

Canada's complaint over U.S. corn support also challenged whether the billions of dollars in overall farm subsidies paid out by the U.S. government comply with international commerce rules.

It argued that U.S. subsidy levels for a number of years on farm products including wheat, sugar and soybeans were illegal and urged Washington to address its concerns when drafting the farm bill that will set out American agricultural support programs for the next five years. The U.S. says it has offered cuts as part of the WTO's global free trade talks, but others have called the pledges largely artificial, addressing only permitted levels of government subsidies and failing to cut what Washington actually gives to its farmers.

With the so-called Doha round of talks currently stalled, following an acrimonious collapse in July, it is unclear whether the new farm bill will change significantly from its current form. The United States is the world's largest producer and exporter of corn, accounting for more than 40 percent of global production and nearly 60 percent of all exports in 2004-2005, according to the U.S. Grains Council.

Argentina, Brazil and Canada are the next biggest exporters in the Western Hemisphere, and all rank in the top 10 globally.

**Source: Associated Press, Davos, 22 January 2007**

### **India shares WTO lessons with Africa**

Amid calls for making concessions to restart the Doha round of trade negotiations, India is turning to some old fashioned economic diplomacy to ensure broader support in future World Trade Organisation (WTO) negotiations.

In a classroom at the Indian Institute of Foreign Trade (IIFT), top and middle level commerce ministry and foreign office officials from 26 African countries including Libya, Kenya, Egypt, Nigeria and Zimbabwe are imbibing an Indian perspective on WTO issues ranging from anti-dumping to safeguards to trade defence mechanism to the contentious issue of agriculture subsidies. “For the first time, most of us are looking at issues from a developing country’s perspective. India and Africa share the same concerns and we now have an idea of what happens in actual practice and during negotiations,” said John Bosco Rujagaata Suuza, a senior state attorney in Uganda. “India is a leader and this should mark a sustained relationship between India and Africa.” And, this is exactly what the ministry of external affairs wants to hear. “The WTO agreement is skewed and we have similar views. So, it is important to network with similar thinking countries. It is in our interest and theirs to cooperate with each other in WTO negotiations,” said Rakesh Mohan Joshi, professor at the IIFT.

The push to update officials from the African countries on WTO issues actually came from the African side. The Kenyan ambassador wrote to the permanent mission of India in Geneva asking for a course to train African officials on WTO issues. The ambassador had also pointed out that a lot of African countries were in the dark about a number of WTO issues. The MEA seized the opportunity and through its Indian Technical and Economic Cooperation (ITEC) programme, brought 38 senior and middle level officials dealing with policy making and WTO negotiations to the IIFT for a refresher. “A lot of developing countries are still groping in the dark about WTO issues and do not have policies in place. They are not aware of on going negotiations like trade defence mechanism and anti-dumping issues. Many of the African countries are also into a lot of RTAs but are unaware of the implications,” said Vijaya Katti, director of IIFT.

Some officials, who are at the forefront of forming policy in their own countries, are getting help in unravelling some of the contentious and complex issues for the first time. Many African countries share India’s concerns on the issue of agriculture subsidies. Samuel Kibor Chemisto, a senior trade development officer in the ministry of trade and industry from Kenya, said there should be a level playing field in the subsidies and the feeling in his country is that all subsidies should be eliminated. The officials largely expressed concerns that subsidies given by the EU and the US would ultimately make African products non-competitive. Many countries are already forced to export subsidised products from Europe. And for countries like Ethiopia, Algeria, Sudan and Libya the apprehensions are on becoming WTO members. “We don’t know how the accession process works. We are right now in the process of undertaking studies and

consulting stakeholders, and India is a member. So, we can learn from how India has practically applied.

This information is going to be important for us,” said Demilew Mekonnen Chekol, team leaders in the WTO affairs department in Ethiopia. And, the one consensus seems to be that African countries can learn a lot from India’s experience.

**Source: Times News Network, New Delhi, 22 January 2007**

### **WTO to name judges for China auto row**

World Trade Organisation (WTO) chief Pascal Lamy will name three judges to probe a complaint against China over auto parts brought by the European Union, the United States and Canada, diplomats said on Friday.

Lamy was asked to step in after the four WTO members failed to agree on who will serve on the three-person panel that will investigate import duties that the EU and its allies say unfairly limit access to China's \$19 billion auto parts market. The WTO agreed on Oct. 26 last year to set up the panel after consultations between the two sides failed to yield any accord. It is normal for the WTO director-general to name the panel when litigants cannot agree on its membership. Lamy will have 10 days in which to make the appointments, after which the panel will have up to nine months to reach a verdict. The case is the first involving China's trade policies since the Asian economic powerhouse joined the WTO in 2001.

In their complaint, the three Western trading powers argued that China broke the terms of its WTO entry agreement as well as global trade rules by imposing a 25 percent tariff that gives Chinese manufacturers an edge over foreign firms. China says the contested measures are consistent with its accession commitments as well as global trade rules, and are necessary to prevent tariff evasion. Carmakers from both sides of the Atlantic have invested heavily in China to set up joint ventures to make vehicles.

**Source: Reuters Washington, 22 January 2007**

## **WTO Plans Threaten Sea Life, Says Greenpeace**

Pirates and licenced trawlers are pillaging the world's oceans, while proposals on the table for trade ministers meeting in Switzerland next week could prove the final blow to sea life, Greenpeace has said.

Three-quarters of global fish stocks are now classed by the United Nations as fully or over-exploited, and the conservation group said World Trade Organisation plans to slash or cancel fish and fish product tariffs would be a disaster. "Under trade liberalisation, only a few countries will benefit, and then only in the short term," Mr Daniel Mittler, a political adviser on trade for Greenpeace, told reporters. "The reality is, all other countries will lose. There must be regulated trade and proper management...The last thing the world needs is a relaunch of the Doha global trade round."

The world's seas are already ravaged, with waters off developing nations most at risk from pirate trawlers flying cheaply purchased flags of convenience, Greenpeace said.

At any one time, some 600 foreign vessels are fishing off the Kenyan coast, said Mr Athman Seif of the Kenya Marine Forum, particularly targeting lucrative hauls of yellow fin tuna. Some of the boats are licenced, many are not, he said. "They are sophisticated and unscrupulous, and something must be done," he said

**Source: The Nation, Nairobi, 22 January 2007**

### **U.S. Advises Ethiopia to Liberalise Service Sector**

Ambassador Peter Allgeier, Deputy US Trade Representative and Permanent Representative to the WTO, has advised the Ethiopian government to liberalise its service sector. Ambassador Peter Allgeier, who met with Prime Minister Meles Zenawi this Tuesday, discussed Ethiopia's accession to the WTO and the need to liberalise the financial, telecom and energy services. Ambassador Allgeier congratulated Meles for Ethiopia's submission of its Memorandum of Foreign Trade Regime (MFTR) to the WTO Secretariat in Geneva.

In a press conference held at the Sheraton Addis, Ambassador Allgeier said the financial, telecom and energy services have a profound effect on the competitiveness of the entire economy. "If you pay twice as much as your foreign competitors pay for the telecommunications service and if it is not as efficient as your competitors you will have a big disadvantage. If you can not get access to different kinds of financial services that your competitors are getting you are not going to be able to compete successfully. It is like putting a big tax on you," he said.

Ambassador Allgeier noted Ethiopia's submission of the MFTR to the WTO was a significant step forward. "It sends a very strong signal to investors that Ethiopia is very serious about economic reform," he said. He acknowledged that Ethiopia needed time to liberalise the service sector. "It can't happen over night but it has to happen over time," he said. Ambassador Allgeier came to Addis Ababa to participate in the AU trade ministers meeting held on Tuesday. Speaking at the meeting WTO secretary general Pascal Lamy warned African trade ministers against pushing too hard in trade negotiations because the failure of the talks would hurt poor economies most.

**Source: The Reporter, Addis Ababa, 21 January 2007.**

## **Uncertainty As Sun Sets On Cotonou Agreement**

The Cotonou Partnership Agreement, to which Kenya and 76 other African Caribbean and Pacific (ACP) countries and the European Commission are signatories, sets December 31 as the deadline for the introduction of a new trade regime to replace the current 25-year non-reciprocal preferential arrangement.

The non-reciprocal arrangement is not World Trade Organisation (WTO)-compatible and countries such as Honduras and Thailand had challenged the EC on its legality. The EC sought and obtained a waiver from the WTO in 2001 to allow the arrangement to go on until the end of this year. For Kenya's trade sector, therefore, this is an important year when the new trade arrangement will be concluded through the ongoing negotiations of Economic Partnership Agreements (EPA). Kenya, in preparation for this, has since February, 2004, been engaged in EPA negotiations along with 16 countries in eastern and southern Africa. Through the leadership of the Trade and Industry ministry, comprehensive preparations for and negotiations at regional level and with the EC have taken place. The process has involved national consultative meetings with key ministries, the private sector, civil society and academia. Why is Kenya pursuing EPA negotiations? The most cardinal is the fact that the European Union remains an important trading partner as a market and source of raw material and intermediate products. For instance, Kenya's exports destined to the EU accounted for 26 per cent of the country's total exports in 2005. More than 35 per cent of imports from the EU enter the market duty-free as raw material, intermediate or essential finished products such as medicines.

Need to sustain market preferences and avoid macro-economic instability and disruption of economic activities, especially in agriculture whose growth has relied on the EC market for the past 25 years. Unless there is an EPA with the EU by the end of this year, there will be an immediate loss of market opportunities for commodities that have gained market access on account of preferential tariffs. Such commodities include horticultural produce, which attracts no duty in the EU market. Cut flowers, pineapple juice and French beans will experience preference erosion, ranging between 8.5 and 15.7 per cent. This will put investments estimated at more than \$700 million (Sh49 billion) and directly employing more than 500,000 people directly and a similar number indirectly at stake.

## **Revenue loss real**

This would also have negative implications on Government revenue from domestic taxes generated in this sector as well as balance of payments associated with horticultural export decline. The market loss will be to competitor countries such as Morocco, Ethiopia, Tanzania, Uganda and Zambia, which are guaranteed duty free market access to the EC even after this year. The threat is thus real.

It is thus necessary to improve EU market access for products through negotiated non-tariff requirements and other market access enhancing measures. These include sanitary and phyto-sanitary measures - introduction and enforcement procedures and processes, simplified rules of origin for products, including fisheries, and safeguarding benefits under commodity protocols. It is also crucial to safeguard against WTO-driven preference erosion through targeted developmental measures aimed at preservation of the eroded margin through competitiveness.

The Government has targeted development of sectors such as marine fisheries through an envisaged bilateral agreement with the EC under the EPA framework to unlock the huge potential, targeting EC as the principal market. Central to this prospect is the revision of the EC fisheries Rules of Origin, which Kenya advocates under EPAs and marine resources' development programmes which have already been identified with the EPA framework.

Other sectoral developments are underpinned on market opportunities in the region and the EC for processed agricultural products. The Government would like to assure the private sector and other players that it is taking measures to ensure that as the non-reciprocal trade arrangement comes an end, an alternative arrangement will be in place to safeguard preferential market access in the EC. These measures are being pursued in the framework of EPA negotiations. They are enshrined in broad positions, which are embedded in the ESA Draft EPA text being negotiated with the EC. One is the development of a cooperation framework to address the supply constraints. Deepening links with the regional market in various fields where ESA, in pursuit of an EPA with the EC, is charting regional positions geared towards regional preferences is another.

Another measure is a 100 per cent duty free and quota-free EU market access for all agricultural and non-agricultural products under simplified rules of origin and excluding some products from the Free Trade Area with the EU on the basis of their sensitivity to the ESA economies. The exclusion list is the means by which the region addresses the welfare loss and threats posed by EPAs on agricultural and industrial development aspirations of ESA region. Regional meetings between ESA and EC have been planned geared to the conclusion of EPA negotiations. But the Doha Development Agenda impasse poses a key challenge. Kenya wants the talks restarted and to include a provision to revisit critical areas, including agriculture and non-agriculture market access issues.

***Source: The East African Standard, 22 January 2007. The writer is the Trade and Industry Permanent Secretary (Kenya)***

## **Saving Free Trade**

Free trade is under siege. The Doha Round is failing, China's success is encouraging other developing countries to experiment with state-managed capitalism, and newly elected Democrats in Congress are questioning U.S. allegiance to open trade.

This is a tragedy, because no public policy can create wealth quicker than free trade based on comparative advantages. However, these benefits will be realized only if the rules, established by the World Trade Organization and other international agreements, are enforced. Sadly, presidents, back to Ronald Reagan, have been reluctant to assert U.S. rights, and the system is spinning out of control.

The idea is simple. Let each country export what it makes best and productivity rises everywhere. For example, the United States sells \$1.5 trillion in exports, annually, and these finance imports of like amount. Moving workers from export to import-competing industries increases GDP about \$160 billion, because workers are about 10 percent more productive in export industries than import-competing industries. Unfortunately, U.S. imports exceed exports by \$800 billion, and workers released from making those additional imports go to industries that do not compete in trade, where productivity is at least 50 percent lower. This slashes GDP by \$400 billion to \$500 billion. Hence, free trade, coupled with a huge trade deficit, reduces GDP at least \$250 billion.

Professionals at multinational corporations, banks and law firms that manage globalization enjoy big incomes; however, those benefits are dwarfed by costs borne by workers who lose good jobs to imports, don't move to export industries, and wait on tables. Americans feel richer, even as some suffer, because the Chinese and other foreigners lend them about \$50 billion each month to finance the trade deficit, and consume more than they produce. The accumulated debt is about \$6 trillion, and the annual debt service is about \$300 billion. When credit runs out, living standards will tank.

Many factors, including the federal budget deficit, create the trade deficit; however, the budget deficit is less than 2 percent of GDP and can't solely instigate a trade deficit

exceeding 6 percent of GDP. The rest of the problem is not hard to find. Through currency market intervention, China significantly undervalues the yuan, and Ben Bernanke has labelled this tactic a subsidy. This intervention exceeds \$200 billion, annually, or about 25 percent of the value of its exports. Other Asian governments follow similar currency strategies, and with China, deploy aggressive industrial policies that subsidize exports and limit imports. Together, they are racking up annual trade surpluses with the United States of about \$400 billion. WTO rules permit the United States to precisely offset with duties the subsidies exports receive from governments. When applied, these ensure that comparative advantages, not mercantilist policies, motivate exports.

Since 1984, the Commerce Department has refused to address subsidies in non-market economies. Hence, China, the largest offender, can offer incentives to exporters that Canada, Chile or France cannot without a U.S. response.

Further, the Treasury, which oversees U.S. currency policy, does not acknowledge that China manipulates the yuan to gain competitive advantages. Apparently, the economists at Treasury had different training than Ben Bernanke. Ending special treatment for Chinese subsidies would reduce the trade deficit, and applying subsidy laws to currency manipulation would reduce it a lot. Similarly, internationally recognized labour standards, like those prohibiting child and forced labour, are widely flaunted in Asia, lowering labour costs and boosting exports beyond those dictated by comparative advantages. Also, lax environmental enforcement abroad disadvantages U.S. manufacturers much like a government subsidy.

WTO law permits the United States to exclude imports made in ways that damage the environment if the practice violates an international environmental agreement and the United States imposes equally reasonable standards on domestic and foreign producers. For example, the WTO Appellate Body upheld a U.S. prohibition on imported shrimp caught in ways that harm sea turtles, which are protected by the Convention on International Trade in Endangered Species.

The United States should be able to exclude imports made by child labour or workers denied basic rights under International Labor Organization Conventions. Domestic manufacturers and organized labour have asked the Bush Administration to address Chinese subsidies and currency manipulation, and lax enforcement of labour and environmental standards, but it has not.

Many Democrats believe labour and the environmental rules should be directly written into trade agreements, but that won't do any good if the President won't enforce the rules. The United States does not need new agreements as much as it should assert U.S. rights under existing agreements. Then trade would be based on comparative advantage, and no one should complain about having to compete on those terms.

**Source: Professor Peter Morici, Robert H. Smith School of Business, University of Maryland, 22 January, 2007,**

**Kick starting free-trade negotiations are a priority for this year's APEC meetings, but the resumption of talks rests with global lawmakers rather than bureaucrats.**

In Canberra this week, economic and trade working groups have been laying the ground work for September's Asia Pacific Economic Cooperation (APEC) Leaders meeting, discussing the practicalities of closer economic and trade ties within the region.

The meetings are the first of many to be held in Australia this year to set the agenda for the APEC leaders, including Prime Minister John Howard, US President George W Bush, Japanese Prime Minister Shinzo Abe and Chinese President Hu Jintao. "There was a clear message that came from the meeting that the WTO (World Trade Organisation), particularly the Doha Round, remains the number one priority for APEC this year," said Chris De Cure, Chairman of the Committee on Trade and Investment. "But at this stage I think the sense is that much of the drive is essentially a political process, and there is a limit to what we can do at this stage of the negotiations. "However, Mr De Cure, who is also Head of the APEC Task Force in the Department of Foreign Affairs and Trade, said there was also recognition that the WTO should not be neglected as an institution.

His committee is supporting the free-trade process through education on free-trade and regional-trade agreements and other technical issues.

Alongside Mr De Cure's team, the Economic Committee has been discussing competition policy between economies, regulations that impact on business, and legal structures, or the so-called 'behind-the-border' economic reform agenda.

Professor Robert Buckle, Chairman of the Economic Committee, said not only have APEC leaders come to recognise 'behind the border' values in order to achieve economic integration, but the business community also has emphasised its interest in this new dimension for APEC. "All these policy objectives are aimed at making markets work better, facilitating trade and economic integration which will all contribute to improved productivity in the region and improve everyone's living standards," said Prof Buckle, who is from the New Zealand Treasury.

**Source: Associated Press, Canberra, 23 January 2007**

## **Details of WTO subsidies case show USA believes Airbus drove rivals Lockheed and McDonnell Douglas from commercial airliner market**

### *Details of WTO case over subsidiaries emerge, revealing allegations of sharp pricing practices and unfair competition*

Airbus has been accused of driving US rivals Lockheed and McDonnell Douglas out of commercial aviation, as the first details emerge on the USA's case over unlawful aircraft subsidies.

In its submission to the World Trade Organisation, the US Trade Representative (USTR) charges Airbus with conducting a campaign of targeting market share at the expense of profitability, principally through sharp pricing practices. Part of the WTO's role is to arbitrate on and resolve transatlantic disputes between Europe and the USA.

In documents now publicly disclosed, the USA gives detailed examples of subsidies it claims Airbus received for infrastructure developments, research and development in addition to highly preferential financial support at state level. The USA says that the combined effect of this support has allowed Airbus an unfair competitive advantage on pricing.

"Airbus governments thus enable Airbus to launch aircraft at an otherwise unsustainable scale and pace, if it could have launched them at all. Thus they expand the range of the Airbus product family against which US producers must compete, and lower the price at which Airbus is able to offer those products." This, it says, has had a serious effect on Boeing: "The sole remaining US producer has seen its market share fall below 50%. In the past five years alone, the US share of worldwide deliveries has fallen by nearly 20 points, industry revenues have decreased by 35% and industry earnings have decreased by 25%."

The USA adds that this will continue to happen - risking tens of thousands of US jobs - despite Airbus last week having conceded defeat to its US rival on total civil airliner orders for 2006. "The subsidisation of Airbus jeopardises the durability of any recent improvement in Boeing's competitive situation," says the USA.

Citing evidence of aggressive Airbus pricing in US sales campaigns between 2001 and 2005, the USA says it believes the European airframer's price undercutting has, over the past five years, led to a steep decline in Boeing's civil business despite major cost-cutting and steady productivity gains. "Both companies compete head-to-head for virtually every [100-plus seater] sale in the world in a largely 'zero sum' competition - a win for one producer is almost always a loss for the other," says the USA.

US aviation analyst Scott Hamilton points out that it was their own industrial strategy and the failure of Rolls-Royce that largely led to the exit of the US airframers from commercial aviation. "The USTR right off the bat notes that Lockheed and McDonnell Douglas were 'forced' from commercial aviation, but there are so many things wrong with this statement that it's hard to know where to begin," he says.

"Boeing's decline in the marketplace is the centrepiece of the USA's case, and the underlying thesis is that Airbus has hurt Boeing, but perhaps it will really depend on legal

technicalities as the issue of subsidies - both direct for Airbus and indirect for Boeing - were agreed to in the 1992 GATT agreement."

Dr David Pritchard of the University of Buffalo points out that the current EU/USA dispute risks challenging the way all aircraft manufacturers finance new programmes - pioneered by Boeing's 787 system integration business model, where 90% of key components and subassemblies will be designed and manufactured by external suppliers.

"The complex web of global subsidies which transcends national borders achieves risk reduction, market penetration, containment of launch costs and the use of foreign risk-sharing partners as a conduit to foreign government funding," says Pritchard.

"My view is that both sides in this dispute have sinned. They would be much better to fight it out between themselves, because the ramifications of this dispute run throughout the whole global aerospace supply chain.

"Many elements within the industry benefit from some form of subsidy and this could open a can of worms. It is one of those down alley whispering things, but the industry would not be happy with either a US WTO win or a counter-case led by Europe," he adds.

Europe meanwhile is promising to deliver its response to the USA's case with a scheduled date of 9 February for submission. "We will have a robust response as regards all the claims included in the US submission," says a senior EC source.

**Source: Reuters, Washington 22 January 2007.**

### **Davos meet could signal relaunch of WTO round: Lamy**

Trade ministers meeting in the Swiss resort of Davos this week could send out a signal that they are ready for a full relaunch of stalled global free trade talks, WTO chief Pascal Lamy said on Tuesday.

Although the Swiss-hosted session on Saturday would not get down to negotiations, it could provide a springboard for resuming the 5-year-old talks which were suspended by the Geneva-based World Trade Organization (WTO) last July. "I think that there might be, depending on their will, a signal of a full scale activity," Lamy told journalists. The WTO's Doha round, launched in 2001 in the aftermath of the September 11 attacks to boost the world economy and help lift millions out of poverty, was halted by divisions between major trading powers, notably over reforming world farm trade.

A flurry of bilateral meetings between key trade ministers in recent weeks and a resumption of technical level discussions in Geneva have raised hopes that the liberalisation negotiations could soon formally resume, but differences remain deep. "We have started this year in a much more positive mood, not least because in the meantime the big bosses ... have had time to reflect on the big picture," Lamy said. The former European Union trade commissioner said that what had already been agreed during the years of negotiations was already far more than had been achieved in the last global trade negotiation -- the Uruguay Round -- which was concluded in 1994.

**Source: Reuters, Brussels, 23 January 2007**

### **Coffee Pacifica to market Jamaican coffee**

Coffee Pacifica, Inc. has announced that, pursuant an agreement with the Blue Mountain Coffee Co-Operative Society Ltd (BMCC) of Jamaica, Coffee Pacifica will be the exclusive world-wide marketer and distributor of the Penlyne Castle brand Jamaican Blue Mountain coffee beans produced by BMCC in Jamaica.

BMCC is a Jamaican incorporated society that has been actively involved in the production and exportation of the Jamaican coffee since 1949. BMCC represents approximately 3,000 coffee farmers within the Blue Mountain coffee region of Jamaica. BMCC was established to enhance and improve the economic benefits of its members. “Joining Coffee Pacifica’s distribution system allows us to participate globally on a 'Growers Direct' basis to increase visibility, demand and prices for our world renowned Jamaica Blue Mountain green beans. Coffee Pacifica’s 'Growers Direct' system will enhance prices paid to our 3,000 co-operative farmers who represent approximately 30% of the Jamaica Blue Mountain green bean annual production,” stated O’Neil Blake, General Manager of BMCC.

Terry Klassen, CEO of Coffee Pacifica, stated, “It is our goal to expand and add coffees from other origins to our current PNG coffee. Supply of high quality green beans from Jamaica is expected to increase revenue, cash flow, and earnings for Coffee Pacifica while maximizing value for the shareholders.”

**Source: Reuters, Las Vegas, 19 January 2007**

## **CARICOM Secretary General praises Prime Ministers Douglas and Manning for critical roles during 2006**

The Prime Minister of St Kitts and Nevis, Dr Denzil Douglas and his counterpart of Trinidad and Tobago, Patrick Manning, played critical roles in ensuring the deepening of the regional integration process last year. So says CARICOM's Secretary General, Dr Edward Carrington in his New Year's message to Caribbean nationals.

He expressed confidence that the Caribbean Community has erected a solid foundation towards achieving its goals as 2006 was a year of undoubted progress with far-reaching implications for Caribbean integration. "It began on an historic note with the coming into being of the CARICOM Single Market on 1 January, with the entry into force of the Revised Treaty of Chaguaramas. This was a very significant milestone in the journey on which the Founding Fathers of CARIFTA embarked over a generation ago," said Carrington.

He said 2007 "holds great promise but requires even deeper commitment from all of us." Carrington noted that having as a people taken that giant step to forge a Single Market and Economy, unprecedented among developing countries, "it is incumbent on us to discharge our responsibilities with diligence, urgency and sensitivity, to ensure effective implementation. In that regard, the time must surely have come for a definitive decision to be taken on the long, outstanding issue of enhanced governance of the Community." "Therefore, apart from consolidating the fledgling Single Market, this year we are determined to press on and complete the framework for the Single Economy by 2008. To achieve this however, a lot of dedicated work and intense collaboration among the institutions of the Community and involving all sectors of the society – government, private sector, labour and civil society - lie ahead of us. Let us therefore, hold fast, be resolute and keep the focus as we build a competitive single economy," said Carrington. He noted that the Single Economy will include among other things, "closer monetary and financial co-operation, integration of our capital markets, common fiscal and investment policies, changes in our corporate structures, harmonised taxation structures as well as exchange and interest rate policies – all resulting in higher levels of income and more jobs. "A critical element of this process is a properly planned and effectively implemented outreach programme. This has already begun with Belize and will continue throughout the New Year to all Member States. For indeed the success of the integration movement will be measured by the extent to which the citizens can genuinely refer to it as our Caribbean Community," said the Caribbean's Senior Civil Servant.

Carrington noted that in July 2006, following democratic elections, Haiti was welcomed back into the Councils of the Community. "Since then we have been working assiduously, together with the Haitians, to fully re-integrate that country into the Community. To that end, we will soon be re-opening the CARICOM Representational Office in Port-au-Prince, as well as celebrating with the Haitian people, the 200th Anniversary of their Parliament. This coincides with the observance of the 200th Anniversary of the Abolition of one of the most degrading episodes in human history, the

Atlantic Slave Trade. The Community will also participate in these observances,” he said.

He said that the instability swirling around the global environment should drive “us as a people to redouble our efforts to build for ourselves and our children a stronger Caribbean Community. “For it is only as such a unit that we can brave those winds, a realisation that has informed our approach to our external economic and trade negotiations, especially that for a beneficial Economic Partnership Agreement with the European Union,” said Carrington.

The CARICOM Secretary General said that 2007 will see an unprecedented regional initiative with the proposed CARICOM/United States Conference on the Caribbean in Washington D.C. “This promises to herald an exciting reaffirmation of our relationship with one of the Community’s most important traditional partners, the United States of America,” said Carrington, who noted that it is also within such a united framework that the Caribbean is facing up to the challenge posed to its people by the HIV/AIDS virus.

The Secretariat, the Secretary General noted has joined in this struggle by the wider Caribbean, but despite the continuing success of the Pan Caribbean Partnership Against HIV/AIDS (PANCAP), the situation is such that there is no basis for complacency. “Nor is there any, with regard to that other pervasive Community social ill – crime. Both require the strongest and most sustained, concerted counter measures for their eradication,” he said. Carrington is of the view that a unique reward emanating from the common approach is the opportunity to stage the Cricket World Cup in the Caribbean Region in 2007. “By mid-February, functioning as a single domestic space, we would be welcoming the world to our shores as we host, compete - and hopefully win, the Cricket World Cup 2007. This is most fitting as cricket is our oldest and certainly one of our most successful symbols of regional integration, along with the University of the West Indies. These are symbols of unity we must treasure,” he said.

Carrington said that Caribbean people must also grasp this opportunity to ensure that the World Cup, the first to be held in such a large number of different venues nine is truly the best ever. “We must also take advantage of the beneficial legacy which it bequeaths. Likewise, we must use the opportunity to show the world that the Caribbean, quite apart from being a unique and desirable tourist destination, has people with the organisational skill to successfully stage a world-class event,” said Carrington.

He said the event would no doubt provide a boost to the Community in its efforts at moving the integration arrangements forward and this would be just reward for the strenuous efforts of the region’s leaders and their officials. Carrington said that the Caribbean Heads of Government, under the leadership of the two Chairmen of the past year - Dr Denzil Douglas, Prime Minister of St Kitts and Nevis, and Patrick Manning, Prime Minister of Trinidad and Tobago, played critical roles in ensuring the deepening of the integration process in 2006. “To Dr the Honourable Ralph Gonsalves, Prime Minister of St. Vincent and the Grenadines, our Chairman from January to June 2007, and the Rt Honourable Owen Arthur, Prime Minister of Barbados, Chairman from July to December

2007, we extend our best wishes and fullest support as you assume the mantle of leadership of the Community,” said Carrington.

Addressing the people of the Caribbean Community, Carrington said: “you have built over the past 34 years the longest existing and one of the most successful integration movements among developing nations - despite its continuing shortcomings. “It is an achievement of which we can all be justly proud. In many ways however, the journey has just begun. And it is a journey that, to be worthwhile, must lead us to a viable and prosperous Caribbean Community, one worthy of the highest aspirations of all its people, particularly the youth. And that is indeed our aim,” said the Secretary General.

He said that as the people of the region, leave 2006 and enter 2007, “we must pay tribute to three significant contributors who departed the scene in the past year, having made sterling contributions to the Caribbean and to the world in general. I refer to the former United Nations Secretary General His Excellency Kofi Annan, the former Prime Minister of Jamaica, the Most Honourable P.J. Patterson and the former “regional airline” Bee Wee!

It is with these thoughts and commitment that on behalf of the Caribbean Community, as its Secretary-General, I welcome the New Year and wish the entire Community a very productive and prosperous 2007.”

**Source: Caribbean Net News, Antigua Sun, Basseterre, St Kitts, 14 January 2007**

## **Finland offers support to India in forthcoming WTO round of talks**

Finnish President Tarja Halonen Tuesday offered Finland's wholehearted support to India in the forthcoming developmental rounds of WTO, hoping that these will reach the logical end to ensure sustainable social and environmental development of both the developed and developing world.

India, she said, is one of Finland's key partners in the WTO and will play a very significant role in the next WTO negotiations. She said with necessary Finnish support, both India and Finland would come closer to forging a partnership in the field of education, environment and knowledge in making quality products.

She was speaking at the Indo-Finnish Business Meeting jointly organized by ASSOCHAM, the Confederation of Indian Industry (CII) and Federation of Indian Chamber of Commerce and Industry (FICCI) here Tuesday. Speaking on the occasion, Finnish Minister of Trade and Industry Mauri Pekkarinen also called for intensification and diversification of current bilateral relations between India and Finland, emphasizing that these are much below the potential.

Earlier, speaking on the occasion, Indian Union Minister of Industry Kamal Nath said that the trade balance was currently in favour of Finland but that in due course of time, with growing understanding for better political and economic relations, India's trade engagements with Finland would mount substantially. The minister sought the support of Finland for the Doha developmental round of WTO talks, urging it to support India and its stand on agricultural subsidies as this round has to be concluded successfully to ensure that trade flows increase between the developing and developed world.

Speaking on the occasion, Kamal Meattle, chairman of ASSOCHAM's USA Committee, said that besides telecom and some portion of infrastructure, both India and Finland should strengthen their trade flows in other areas to diversify their current trade volume. Arun Bharat Ram, former president of CII, said that India has already succeeded in gaining a remarkable foothold in some of the leading global companies in need of excellence in software production in the Finish market. But, he said, it should still be further diversified.

FICCI representative Rakesh Bakshi, in his welcome remarks, identified energy as one of the most promising areas for bilateral cooperation besides healthcare, telecom, infrastructure and manufacturing.

**Source: IRNA, New Delhi, 23 January 2007.**

## **Canada Ag: Cattle & Beef Imports, Corn Consultations at WTO**

### ***AGRICULTURE MINISTER PLEASED WITH USDA PROPOSAL TO EXPAND LIST OF ELIGIBLE BOVINES FROM CANADA:***

Chuck Strahl, Canada's Minister of Agriculture and Agri-Food and Minister for the Canadian Wheat Board, issued a statement saying that Canada was pleased that cross-border trade in older animals and breeding stock from Canada was a step closer following the publication of what is commonly referred to as Minimal Risk Rule #2, a USDA proposal to expand the list of allowable imports from countries recognized as presenting a minimal risk of introducing bovine spongiform encephalopathy (BSE) into the United States. Currently, Canada is the only minimal-risk country designated by the United States. The rule, as proposed, provides for the resumption of live cattle imports from Canada for any use born on or after, March 1, 1999, the date determined by APHIS of effective enforcement of the ruminant-to-ruminant feed ban in Canada. Under a January 2005 rule, Canadian cattle under 30 months are allowed entry into the U.S. for slaughter or feedlot purposes. That rule defined the eligibility of beef from Canada, but APHIS published a notice of a delay of applicability of certain provisions of that rule that resulted in only meat and meat products from animals under 30 months of age being eligible for importation. If the recently proposed rule is made final, APHIS will lift the delay and also allow the importation of beef and certain beef products from Canadian bovines over 30 months of age.

**CANADA REQUESTS CORN CONSULTATIONS AT WTO:** The Canadian government has requested consultations with the United States at the World Trade Organizations on corn subsidies provided to US corn growers, as well as the use of export credits and its total spending on agriculture support programs. This is the first time that Canada has challenged the US farm subsidies at the WTO. In a press release on the Agriculture Canada website, Minister of Agriculture Chuck Strahl explains the decision. He states "Canada is concerned that these U.S. subsidies continue to cause economic harm to our corn farmers. That's why we took the action we did, in order to provide the best possible support for our producers by pushing for a level playing field so that they can compete." Gretchen Hamel, spokesperson for the Office of the U.S. Trade Representative stated that U.S. farm support is not harming Canadian corn producers and complies with WTO rules, pointing to the Canada's International Trade Tribunal who found no injury to Canadian corn producers from subsidized US corn. This move by the Conservative government is being welcomed by most in the Canadian grain industry. Some trade analysts view this as a bold move designed to check protectionist efforts to get subsidies as high as possible in the next farm bill. Others see this as bowing down to pressure from Canadian corn growers and not part of a larger plan to influence the U.S. farm bill that is in process of being written.