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

Ethiopia sends memo for WTO membership to Geneva

Ethiopia's Memorandum of the Foreign Trade Regime, which took three years and 11 months to draw out and get approved by the Ethiopian government, was finally sent to the World Trade Organization (WTO) headquarters in Geneva, Switzerland, two weeks ago. This 140-page document, which included the Ethiopia's trade policies, legislations, directives and proclamations with summaries accompanying each aspect covered, was sent to Geneva on December 22, 2006.

The 148-member WTO was established in January 1, 1995, in replacement of the General Agreement on Tariffs and Trade (GATI). In order to become a member state of this Organization, countries have to make a request to the General Council; once they receive approval for accession, the applying country has to fulfil requirements, of which the Memorandum of the Foreign Trade Regime is one of the most important, and submit the report to the Working Party, which is formed by the Council. The Party will then take the document, translate them into the WTO languages of English, French and Spanish and provide copies to all member states, which in turn will evaluate them, raise questions on lacking factors and prepare a panel for discussion and questions. Ethiopia received approval for accession on January 13, 2003, after remaining a WTO observer for some time. On February 10, 2003, the General Council formed a Working Party for the country, and appointed the British Ambassador to WTO, N. McMillan, as Party Chairman.

Once accession was approved, Ethiopia had to form a task force that would be in charge of preparing the Memorandum for the Working Party. Therefore, the government selected representatives from the ministries of Trade and Industry, Revenues, Finance and Economic Development, Justice, Foreign Affairs and Works and Urban Development. Moreover, it also had experts from the National Bank of Ethiopia, the Federal Customs Authority and Science and Technology Commission. The 15-member technical group was formed in February 2003. This Committee was led by the Ministerial Committee that was established in 2001 and chaired by Minister of Trade and Industry, Girma Birru. At the time, Girma Birru told Fortune that the preparation of the document was to take one year, be submitted to the Council of Ministers who will review and approve it within another year, in which instance it would be sent to WTO. However, things did not quite go as planned; September 2004, which was the date on which the document was to have been sent to the Organization, was in fact the date the report was submitted to the Council of Ministers. After a two-year delay, the Council of Ministers finally okayed the document on November 10, 2006.

Although the document submitted to WTO was supposed to include the most recent laws and directives issued, the report only had updated data until the time it was proposed to the Council of Ministers. Therefore, the technical group was, from November 2006 to now, compiling documents from 2004 and 2005 to include in the report.

"We compiled and sent off the report via DHL in three weeks as instructed to us by the Council of Ministers," Habtamu Tadesse, head of the WTO Department under the Ministry of Trade and Industry (MoTI) told Fortune.

As Ethiopian law prohibits any foreign investors to enter the financial and telecom sectors of the country, the country's accession to WTO will receive great challenge in these aspects. In order to understand what the advantages and disadvantage of freeing this sector will entail, MoTI hired two international consultants last week. The German BKP and the American, Nathan Associations, will begin their work, as soon as the World Bank approves their contract. The Bank granted the study a 300,000 dollars loan. After the approval is received, the companies will be expected to finalize the impact assessment in three months. The consultants will be studying the impact assessment of the sectors that will also serve as responses to the enquiries placed by the WTO member countries. "As soon as the documents leave our hands, it is as if they have been submitted to the WTO," said Habtamu. "All we need to do now is wait until the Working Party organizes the questioning panel and they call us forward."

If all goes as planned by the Ethiopian government, the country will undergo all the WTO accession guidelines and will become a full-fledged member of the Organization by 2012. Others although are sceptical about the matter as they believe that unless Ethiopia opens up the financial and telecom sector for investment, the likelihood of the country becoming a member in the coming six years is very slim.

Source: Addis Fortune, Ethiopia, 5 January 2007

Nicaraguan banana growers show solidarity with Ecuadorian WTO complaint

According to Marcelino Garcia, president of the Nicaraguan Union of banana plantation workers Trabanic, Nicaragua and Honduras should join Ecuador, Colombia, Panama and the US in their complaint against the EU with the WTO. It would be positive if the government of Daniel Ortega would integrate in a joint request for revision of the European banana import regime, according to Garcia. He is convinced that millions are lost to the Nicaraguan banana sector. The import regime discriminates against Latin American countries, he thinks.

Source: Fresh plaza News, Tholen, 04 January 2007

India, Mauritius discuss CECPA, WTO; Skirt taxation agreement.

Trade ministers of India and Mauritius today discussed the comprehensive economic cooperation partnership agreement (CECPA) and means to end the deadlock at WTO, while skirting the contentious taxation agreement. "We discussed the CECPA and bilateral cooperation in trade and commerce. The issues concerning double taxation avoidance agreement (DTAA), however, did not figure in the talks," Mauritian Minister of Foreign Affairs and International Trade Madan Murlidhar Dulloo said after a meeting with Commerce Minister Kamal Nath.

Both countries have formed an empowered team for negotiating CECPA, following the recommendations of the joint study group. Many rounds of talks have already been held so far by the empowered team. Dulloo said as the issues on the DTAA were being taken care of by a technical group, it did not figure in the talks.

The discussion also focused on breaking the impasse in the Doha round of negotiations at the WTO. "Apart from trade, we also discussed how to unlock the WTO impasse," he added.

Trade ministers of key players at the WTO are likely to hold informal consultations at Davos by the end of this month to find a way forward for the Doha round, Dulloo added. Before the Davos meet, trade ministers of the African Union would hold discussions on multi-lateral trade talks. The key trading bloc African, Caribbean and Pacific (ACP) - of which Mauritius is a member, would also meet to discuss WTO. Meetings of major developing countries in the run-up to talks at Davos are significant as their stand would determine, to a large extent, if the talks could be revived.

Source: Financial News, New Delhi, 05 January 2007.

Norwegian agriculture policy criticised by WTO

WTO Chief Pascal Lamy strongly criticised Norwegian agricultural policy in a speech at the annual conference of the Norwegian Employers' Confederation on Thursday.

Norway has a solid record of being a stable nation with good qualifications and opportunities. Given this, Norway must be willing to give up its protection of Norwegian special privileges. If not Norway's reputation of being a solidaric and just nation will quickly disappear, Director General Pascal Lamy said. If Norway is to contribute to the fight against world poverty, Norway must accept free trade and enter into trade agreements which will help lift those in the poorest circumstances up to a higher level.

It is unreasonable to clutch onto own privileges, and at the same time refuse to give the poor admission to sell their agricultural products in Norway. Norway cannot expect to sell fish, which you have a surplus of, to others without any limitation and to a high price, while at the same time locking out other foodstuffs which others have a surplus of, Lamy said. Your ancestors, the Vikings, who incidentally also happen to be my own ancestors since I come from Normandy, opened new trade routes to lands to the north, to the west and to the east back in the IX century. The Viking long ships were then initiating the first waves of trade expansion, Lamy went on.

He then urged Norwegian industries to help achieve rapid conclusion of Doha Round.

If we are to reach a result, all Members have to show flexibility. No one is being asked to undertake disproportionate commitments, and certainly flexibilities exist to cater for specificities. With an additional effort we can unlock agriculture which in turn will open the last stage of talks on the other topics. Given Norway's large interests in this Round and the flexibilities available in the Doha agenda to accompany a genuine reform in agriculture; I believe that this Round is a win-win deal for Norway and that WTO remains a good compass to lead you through the current globalised waters.

Norway has a long tradition of caring about developing countries, and in particular the very poorest of them. You are a great contributor to the various WTO assistance programmes and I want today to thank you for that. Norway has always protected the multilateral and systemic value of the WTO and its sustainable development. Although far from being a perfect model, given it's economic and political dimensions, the WTO is nevertheless a laboratory for harnessing globalization and contributing to the construction of a system of global governance for our sustainable development.

Today I am asking for your help to achieve this objective and this starts with the rapid conclusion of the Doha Round Agenda. I count on the Norwegian Longship's experience in sailing through the harsh Northern waters to steer the WTO boat of multilateral trade negotiations through the current storm of globalisation, the WTO Chief concluded.

Source: Reuters, Oslo, 5 January 2007

Europe says U.S. summit is crucial moment for reviving WTO talks

The U.S. must make a "serious" commitment to cut payments to its farmers if global trade talks are to be salvaged, a European Commission spokesman said Friday.

A meeting between U.S. and European Union leaders in Washington next Monday will be a crucial moment to revive the talks at the World Trade Organization, E.U. trade spokesman Peter Power said.

Talks for a deal aimed at dismantling global trade barriers broke down in acrimony last summer. Europe, Brazil and India blamed the U.S. for refusing to make big cuts in its farm subsidies, which they said led to the collapse of talks that began five years earlier. Washington in turn said it could make no cuts until Europe, Brazil and India lowered their import tariffs. The E.U. Commission president and top E.U. officials including European trade chief Peter Mandelson will meet Monday with President George W. Bush and his trade negotiator Susan Schwab. The trade talks will be one of the main points of discussion. Time is short: Bush's power to negotiate trade deals on behalf of Congress runs out this summer and is not expected to be renewed. Democrats have been less willing than Republicans to cut trade barriers, reducing the chances of a WTO deal. E.U. officials will also meet with Democrat members of Congress. "The U.S. needs to come to the table with a genuine and serious offer in terms of what it can do" to cut farm subsidies, Power said. Such a move must precede any concessions from Europe or other countries, he added. A trade row being fought between the two trade partners over subsidies to U.S. aircraft giant Boeing (BA) and its European rival Airbus may also come up during the talks, Power said.

The office of U.S. Trade Representative Susan Schwab earlier declined to comment on Monday's meeting.

Source: MarketWatch, Brussels, 05 January 2007.

SA 'facing a critical year' over world trade talks

The trade and industry department says this will be a critical year for SA's trade negotiations in the international arena, marking out the country's parameters in international trade relations. Deputy Minister of Trade and Industry Rob Davies said on Thursday these parameters would be determined by the outcome of talks on three trade treaties. This involves the possible revival of the collapsed Doha round of World Trade Organisation (WTO) talks; the further economic integration of the Southern African Development Community (SADC); and the economic partnership talks between the European Union (EU) and several southern African states.

Davies said WTO director-general Pascal Lamy was trying to revive the Doha talks. However, Lamy had conceded that there was not much optimism about the success of the project. Talks on the issue would take place on the fringes of the World Economic Forum due to take place in Davos in the next few weeks. "In three months we will know whether the negotiations will proceed or whether they will go into hibernation until after the next US presidential elections at the end of 2008," Davies said. "The ball is now in the court of the US administration as to whether they can come up with a better offer on agricultural support," he said. On economic integration of the SADC, Davies said the critical question for negotiators this year was whether the integration should proceed on the basis of a negotiated external tariff common for all member countries, or whether it would target a free trade area internally but with each country having its own external tariff system. If the latter option was chosen, the economic system would be built on the foundations of the existing Southern African Customs Union.

A decision on the way forward would have to be taken this year, Davies said. The talks would be based on resolutions agreed to at the summit of SADC heads of state in Maseru last August. The summit agreed to the establishment of a free trade area by next year, a customs union by 2010, a common market by 2015, monetary union by 2016 and a single currency by 2018. Davies said most countries, with the exception of Angola and Democratic Republic of Congo, were on board for the completion of a free trade protocol by next year. It was hoped that the completion of political changes following the successful Congolese elections of Joseph Kabila paved the way for that country's effective participation.

Issues that the SADC still had to thrash out included how to deal with rules of origin and the removal of duties on sensitive products. However, Davis said, there were "huge question marks" over the 2010 deadline for a customs union. The third set of negotiations that would come to a head this year related to the economic partnership agreements between the EU and six regions of Africa, the Caribbean and the Pacific which were due next year. SA has pushed for an alignment between the proposed EU agreement with some Southern African countries and its own free trade agreement with the EU. It wants a

single trade deal to govern all trade between the EU and the SADC as this would contribute to regional integration.

The EU has been negotiating an economic partnership agreement with the SADC since 2004, but SA is not part of the negotiations because of its existing free trade agreement with the EU.

Source: Business Day, Johannesburg, 05 2007.

Member Countries Willing to Conclude Doha Talks

The political will to resume the suspended multilateral trade talk in the World Trade Organisation (WTO) is being reaffirmed by the negotiating parties, the Director General of the organization, Mr. Pascal Lamy said in Geneva. Otherwise called Doha round, the WTO multilateral trade negotiation was suspended in July last year when it was becoming clear that it will reach a deadlock. Mr Lamy blamed the failure of the trade talk "on lack of political will of the member countries other than technical difficulties."

Addressing the General Council of the organisation recently, he however said that "new flexibilities have been announced by major players in general. The challenge remains to translate this political will and these flexibilities signal into substantive changes in position, which are necessary in order to unlock the process" He said the number of contacts that had taken place among member nations since last summer has increased significantly. He said he believed it is an indication of their willingness to enter into discussions on some of the grey areas in the talk. Mr Lamy who was in Nigeria in September to solicit the support of the country towards the resumption of the suspended negotiation, explained that "it was time to start to multilaterise these contacts and bring them back to the Negotiating Group in Geneva"

He therefore charged the Negotiating Group Chairs to further carry out contacts and consultation as "they judged appropriate" saying it was only they "who could determine the way ahead in each area and the speed with which the work should take place". He said "I have so far done my best to push things as hard as possible and I am seeing some positive signs."

Source: Daily Trust, Abuja, 04 January 2007.

CARICUM Heads Meet.

Current CARICOM Chairman, St Kitts and Nevis Prime Minister Dr Denzil Douglas said on Monday that 2006 was punctuated with the implementation of the CARICOM Single Market and Economy (CSME), to which his nation, along with several other OECS member countries, signed on at last year's Heads of Government Conference of the Caribbean Community that was held here in Basseterre, St Kitts and Nevis.

In his traditional address to the Federation to mark New Year's Day, Douglas said that the commemoration of the 25th Anniversary of the signing of the Treaty of Basseterre that brought into being the Organization of Eastern Caribbean States (OECS) was also of special significance, because it was in St Kitts and Nevis that the celebrations culminated with the raising of the OECS Flag for the first time. "This symbol of OECS cooperation was further exemplified with the signing of documents of intent relating to the formation of an OECS Economic Union," said Douglas.

He said his St Kitts-Nevis Labour Government is persuaded that regional integration, at both the CARICOM and the OECS level, can bring great benefits to the Federation. "In particular, the effective development of the CSME and the OECS Economic Union would promote and enable further business development in the region, and as a result help to strengthen individual economies and foster employment from local and regional investment initiatives. The CSME would also expand the economic space in which our enterprises operate and provide new avenues of growth and development for them," said Douglas. "But if we are to take full advantage of the opportunities created by deeper regional integration we must continue to devote considerable attention to human resource development. At the core of this matter is the necessity to transform our human resources into highly competitive and productive units in terms of skills, education, productivity, quality of service and all of the other attributes of excellence," said Douglas, who emphasised that human resource development, "i.e. investment in our human capital, must occupy an important place in our projections and plans for the year ahead and for the medium- and long-term."

Source: Caribbean News, Basseterre, St Kitts, 03 January 2007.

“Preliminary” WTO discussions between US and Brazil

Brazil's Foreign Affairs minister Celso Amorim, met Wednesday with United States Trade Representative Susan Schwab in New York as part of efforts to get World Trade Organization talks restarted, but both called the discussion preliminary.

The so-called Doha round of talks on easing trade global restrictions was put on hold last July, as acrimony escalated over how much developed countries should open their markets to allow poorer nations export their agricultural output, thus cutting farmers' support and exports' subsidies. With President Luiz Inacio Lula da Silva just installed in Brazil for a second term, and a shift in power soon to be completed in the U.S. Congress, Amorim and U.S. Trade Representative Schwab said it was time for them to resume discussing how to get real negotiations started. "There's a lot of hard bargaining ahead. ... I confirmed that today," Amorim said. "We're not here to negotiate, much less to find a specific breakthrough, but to look for ways to having a breakthrough."

The talks are complicated by Bush's possible loss in July of "fast-track" authority to negotiate trade deals unless Congress, now under Democrat control, extends it. "We now are in a period where we'd like to see a step-up in pace," Schwab said, "but it's the content, not the calendar, that will dictate."

Amorim agreed but added that there was a sense of "urgency" in getting talks restarted. "It's not a question so much of artificial deadlines, but of the credibility of the process," Amorim said. "People can wait up to a point, but after a certain period, they will look for other possibilities." Amorim has warned that Brazil's foreign policy priority in President Lula's second mandate will continue to be integration with South American countries, particularly through Mercosur and other developing nations from Asia and Africa. Brazil is also one of the leaders of the G 20 or Group of 20 nations which combats farm subsidies in rich countries and has become a spokesperson for WTO negotiations.

Source: Associated Press, Washington, 03 January 2007.

Argentina takes Chile to WTO on Chilean safeguards on dairy products

Argentina has filed a dispute complaint against Chile before the World Trade Organization (WTO) after Chile in mid December imposed a 23-percent additional safeguard on some dairy products imported from Argentina. "The Argentine government considers that the imposed safeguard is incompatible with the obligations the Republic of Chile has within the regulations of the 1994 General Agreement on Tariffs and Trade (GATT) and the WTO Safeguards Agreement," the Argentine Foreign Ministry said in a statement. The complaint was filed in late December.

On December 14 Chile decreed a definitive 23-percent safeguard on liquid milk, powder milk, and Gouda cheese coming from Argentina. The safeguard was provisionally in force since October 6 as a consequence of an investigation conducted by the Distortions Committee from Chile Central Bank. The probe had been requested by Chile National Federation of Milk Producers (Fedeleche) that claimed an alleged damage to the dairy sector as a consequence of increasing Argentine dairy products imports. Fedeleche had even requested a safeguard as high as 31.5 percent "to discourage imports of dairy products... and to restore normality into the domestic trade of fresh milk and dairy products in general."

In the face of the Chilean safeguard, Argentina "has started proceedings established by the WTO to settling disputes, once it verified the violation of rules established within the framework of the organization of which both countries are members," the Argentine Foreign Ministry said. That is why Chile has been requested to hold consultations regarding the proceedings governing the settling of disputes within the framework of 1994 GATT and the WTO's Safeguards Agreement.

Argentina argues that Chile applies safeguards only to Argentine imports, in "flagrant violation" of WTO rules. Under the Safeguards Agreement safeguards are applied with disregard of the origin of the products. Argentina also claimed that the Chile provided no evidence of increasing imports, or that an increase caused or threatened to cause serious injury to Chilean producers, or that there may be a direct link between growing imports and actual or threatened damage, and of any unforeseen development warranting exceptional action such as safeguards, as required under the Safeguards Agreements. When Chilean authorities started their investigation in August, Argentina warned that if safeguards were to be applied, Argentina would resort to the WTO.

In early December the WTO ruled in favour of Argentina in a dispute about Chile price bands for imports of wheat and grain flour. Last year Argentina and Chile engaged in a tough dispute after an energy shortage in Argentina caused it to suspend agreed natural gas exports to Chile.

Source: Merco Press, Argentina, 03 January 2007.

Farm policy debate centering on extension of current policy

A year ago, an extension of the 2002 farm bill was the best agricultural commodity organizations could have hoped for as debate on the 2007 farm bill began. Today, the 2002 farm bill is “the foundation on which we can build, it is no longer a ceiling,” said U.S. House Agriculture Committee Chairman Larry Combest, R-Texas, speaking at the USA Rice Outlook Conference in Las Vegas.

The reason the debate has flipped, according to Combest, is primarily due to higher commodity prices driven by the strong demand for renewable fuels, which has cut the cost of farm policy. “Those who have long criticized the 2002 farm bill contending it costs too much must now lament the irony that simple extension of current farm bill policy is in fact the lowest cost option.”

Combest noted that projected higher commodity prices and lower farm payments in the future would not only keep farm policy costs down, but would keep it WTO compliant. “As a result, any change in policy would have to fit within a small, low budget baseline for the farm bill. Making such a change is very difficult, if not impossible. “The 2002 farm bill that critics deplore so much has already saved an estimated \$17 billion and is expected to rack up even more savings next year and beyond if current policy is maintained,” Combest said. “Compare this to just earlier this year when some predicted that the 2002 farm bill would somehow spend so much in 2006 and 2007 that it would wipe out any previous savings. “So when we hear talk from right wing think tanks about the need for small government and low spending, we should ask them why they’re not supporting a bill that accomplishes both.”

Combest also cast doubt about the renewal of Trade Promotion Authority and of a WTO agreement, adding that current farm policy is the most WTO compliant. “It will be a very tough sell for foreign competitors to argue (in a WTO case) that farm payments which are low, or not even being paid out in some cases, can somehow cause them serious prejudice,” he said. “As for commodities with low prices where some level of payments may be made, there remains some exposure. But what litigants and the WTO need to appreciate is that the mindset of leadership in Congress is that they are not likely to dismantle or injure yet one more domestic industry and the jobs it provides to American workers. Trade is wonderful thing. We’re glad we participate in it, but it’s only helpful if in fact, you’re making money.”

Combest noted that the additional legal action on Brazil’s WTO case against the U.S. cotton program regarding U.S. compliance efforts may come soon. “Whatever happens, the WTO response will be scrutinized here at home. If any accommodations to the WTO ruling are made, they would be made within the context of the 2007 farm bill and in ways which would cause minimal disruption to the affected producers. “Combest, who chaired

the House Intelligence Committee, called on the administration and Congress to heed the advice of former CIA Director James Woolsey who has stressed the need to aggressively pursue domestically produced renewable fuels rather than rely on Mid East oil, the proceeds of which can be used to fund terrorism.

Combest urged environmentalists to invest in research “that would make it feasible and economical to expand the universe of commodities that can participate in making our country energy independent if they really want to be a constructive force for protecting the environment, as opposed to stirring emotions and raising money to keep them in business. “Crop diversification and renewable, clean-burning fuels are both served if they do that. Let’s hope they get serious about conservation and protecting the environment rather than raising eyebrows and money.

Congress can help too, according to Combest. “My hope is that the administration and Congress will see that they can more positively reduce the cost of farm policy — which has already been a bargain by increasing investment in an energy title or an energy bill than by making cuts to the farm bill that would hurt our economy, reduce our competitiveness in the world, and cost us good paying American jobs. “Combest, who earned a 95 percent conservative rating when he served in Congress, said the passage of the 2002 farm bill, was good farm policy and good fiscal policy and was the thing to do. “The inclination of most members of Congress is to say that we have a policy in place that has a strong safety net that America that is working and it can be maintained at a much lower cost than anyone ever expected and it can do as good a job as any alternative in terms of minimizing WTO litigation risks. It’s hard to argue with that.”

Source: Farm Press, world news, 5 January 2007

Coughlan praises Irish agricultural food sector

The Minister for Agriculture, Mary Coughlan, has said that although the economic character of rural Ireland is no longer synonymous with farming, the agricultural food sector remains a major contributor to the economic and social viability of rural areas.

Speaking at a conference in Oxford, Ms Coughlan said that while the importance of agriculture has been declining, the sector continues to play a defining role in the rural landscape and is the means by which major public support is channelled into rural areas. The Minister said the continued development of the agricultural food sector remains a key component of the overall Government approach to national and rural development. Ms Coughlan said agriculture should not be treated in policy terms like other sectors, and she warned that the family farm structure in Ireland, and many parts of Europe, would largely disappear if public support was discontinued. The Minister rejected criticism that the Common Agricultural Policy represents a disproportionate burden on the EU budget. She called for the immediate simplification of the administrative and bureaucratic burdens imposed on farmers and governments by the CAP.

However, Ms Coughlan said there should not be further radical policy change in the short term. She also insisted that the EU's agricultural policy should be decided on what is needed for European farming and not on the basis on what would satisfy partners in negotiations on World Trade.

Minister Coughlan insisted she would not accept a new WTO agreement which threatens other sectors in relation to recent reform of the EU's sugar regime to meet WTO obligations led directly to the closure of Ireland's sugar industry.

Source: FWI, 05 January 2007.

WTO to probe U.S. duties on Indian shrimp

The World Trade Organisation (WTO) has set up a panel to investigate the U.S. anti-dumping duties on shrimp, which Washington is already defending in two separate trade disputes.

India argued that the U.S. policy was illegal in forcing Indian shrimp exporters to take out a customs bond equal to about a year's worth of duties. "The United States continues to impose the WTO-inconsistent continuous bond requirement on importers of certain warm water shrimp from India in an arbitrary and discriminatory manner," India told the WTO's dispute settlement body. The Governments imposed anti-dumping duties when they suspected that producers were exporting products at below the market price in their own country usually because exports were subsidised or if it was believed there was an attempt to corner the market. India said it was "compelled to seek recourse to dispute settlement" after a failure by the U.S. to address its concerns.

The WTO already was investigating whether the U.S. duties on shrimp imports from Ecuador and Thailand violated international trade rules. The United States also applied anti-dumping fees on shrimp from Brazil, China and Vietnam.

Source: Reuters, Kochi, 05 January 2007.

WTO wants states under one trading bloc by 2008.

By 2008, the East African Community member states should commit themselves to only one trading Customs Union, The World Trade Organisation (WTO) has urged.

According to the deal, the EAC member state, Kenya, Uganda, Rwanda and Burundi will have to pullout of COMESA and Tanzania from SADC within two years to concentrate on the East African Community. A source near WTO said the EAC members would have to abide by the Customs Management Act that requires them to abandon the other Customs Unions by December 31 this year. The WTO rules like the East African Customs Management Act demand that members of a trading bloc belong to not more than one Customs Union. It was scheduled that- the Customs Management Act enacted by the Assembly in 2004, which governs the administration of the Customs Union, including legal, administrative and operational matters, -be amended after the swearing-in ceremony of the recently elected EA Legislators.

However, the inauguration of the Assembly was suspended after the East African Court of Justice barred the Kenyan nominees from being sworn-in, and therefore the amendment of the Act, which was slated to be effected on December 4, according to the agenda, could not be enforced. "The World Trade Organisation wants all the EAC member states to pull out from the other Customs Unions by 2008. We only have two years to do that. And for the case of the Customs Management Act the Summit (Heads of State) that sat at the end of November this year agreed that the period of amendment be extended until when all the members have sorted their membership with the other trading blocs. However, Tanzania has reiterated that it would not leave EAC project because of its multiple belongingness in the SADC. The country has also committed USD 500,000 towards construction of SADC headquarters in Gaborone, Botswana.

The summit has superior powers over the Legislative Assembly," the technical official, who also sits at secretariat of the Community, said-

Source: SomaliNet, Somalia, 05 January 2007

International efforts to revive stalled Doha talks

A flurry of diplomatic activity from Washington to New Delhi and on to the alpine ski resort of Davos will mark the first month of the New Year as one final attempt is made to provide a kiss of life to the failing Doha trade talks.

Amid concern that only three months are left to save the package of liberalization measures, pressure will be put on the main protagonists -- the US, the EU and India -- to settle their differences. Sources in London said Britain has not given up hopes of a deal, despite the breakdown in the WTO talks last July. British Prime Minister Tony Blair has been urging US President George W. Bush, German Chancellor Angela Merkel and Brazilian President Luiz Inacio Lula da Silva to give a political push to the negotiations, and two senior Cabinet ministers -- Chancellor of the Exchequer Gordon Brown, and Trade and Industry Secretary Alistair Darling -- will visit India later this month. Trade ministers from around 20 countries will then hold talks at the annual meeting of the World Economic Forum in Davos in late July, although trade experts believe a more significant event will be the swearing in next month of the new Democrat-dominated Congress in the US. WTO Director-General, Pascal Lamy, has called this year a "defining year," and in Geneva it is recognized that the next few months will be crucial both for the Doha round and for the credibility of the WTO. No trade round has failed since the protectionist decade of the 1930s.

With next year seen as a write-off because of the US presidential election, the WTO says that if there is no deal this year it will be mid-2009 before negotiations can resume. The talks involve plans for freer trade in agriculture, tariff cuts in manufacturing and the opening up of global trade in services. Bush now has a number of important decisions to make, Lamy believes. First, he has to decide whether he is serious about a global deal or not; if so he has to make bigger cuts in subsidies to US farmers than currently offered.

Second, he has to face down demands for a new farm bill when the current package of support runs out this year. WTO sources said a new farm bill would spell the end of the Doha round. Finally, Bush has to avoid partisan warfare in Washington between a Republican White House and a Democratic Congress. Bush will lose the ability to fast-track a trade bill through Congress under his Trade Promotion Authority unless legislation is tabled by the end of March. That, however, would require negotiators to show a degree of urgency lacking since the talks were started in the Qatari capital in November 2001. EU Trade Commissioner Peter Mandelson believes that the way to unblock the round would be for the US to put a ceiling of US\$15 billion on subsidies, compared to current spending of US\$19 billion. An EU trade source said: "Doha is not dead: definitely. There is a very narrow window to pull it off, and the politics are difficult. But some of the political stars are coming into alignment."

Source: Guardian, London, 03 January 2007.

Ripe US policy invites Indian mangoes

It Seems Indian mangoes can finally make their way into the US market in the summer of 2007. After dilly-dallying for nine months, the US department of agriculture has started acting on US President George Bush's promise to lift a 17-year-old ban on Indian mangoes. The US has notified to the World Trade Organization (WTO) its intention to amend its fruit and vegetables regulations to allow import of mangoes from India under specified conditions.

A deadline of January 16, 2007, has been fixed by the US for WTO members to come up with any comment or observation on the proposal following which steps would be taken to bring about the required amendments. President Bush had promised to allow Indian mangoes in the US market during his visit to New Delhi in March 2006, and the two sides had also signed a related agreement.

Premier varieties of Indian mangoes such as Alphonso, Chausa and Langra are exported to more than 80 countries including Japan, Canada and a number of countries in Asia and Europe. Interestingly, the US decision to remove the ban on Indian mangoes is not just a friendly and generous gesture of a superpower towards a developing economy.

According to government sources, India's decision to place restrictions on US almonds exported to the country in January 2004 played a major role in softening the US stand on Indian mangoes. Since India is the third most valuable export market for California almonds, after the EU and Japan, the US was keen that the restrictions should be lifted. Not surprisingly, just four months after President Bush announced his intentions of allowing Indian mangoes into the US; India removed restrictions on almonds imports by revising its plant quarantine regulations.

The US agriculture department, however, took its time to come up with its notification on allowing Indian mangoes at the WTO. While the US notification does not put a date on when the amended rules would be implemented, the Indian officials are optimistic that it will be well before the mango season of 2007 begins.

Source: India Times; New Delhi, 05 January 2007.

China trade sanctions threat to U.S. cotton

Cotton growers in the Southeast have survived floods, droughts, chronic low prices, increasing production costs and are coping with herbicide resistance, but whether they can survive the new leadership in the U.S. House and Senate remains to be seen. It's no secret to cotton growers in the Southeast that a majority of their crop goes to China, and in return a high percentage of the crop comes back in low cost, Chinese textile products.

While the outgoing U.S. Congress has been supportive of fewer trade restrictions and have passed trade guidelines making trade with China lucrative for both countries, the makeup of the new Congress may not be so supportive. Nancy Pelosi, the new Speaker of the House, once got into a tussle with Chinese guards in Beijing when she tried to post free trade banners in Tiananmen Square.

Congresswoman Pelosi has called the U.S. China Policy "a disgrace". She has been active for nearly 20 years in efforts to curb Chinese human rights violations and has advocated tying human rights policy to U.S.-China trade. A recent university study found that 16 House seats and five Senate seats switched from pro-trade to trade cynics. The study conducted by a Swiss university contends the environment is no longer conducive in the U.S. Congress to pass more free trade legislation.

Though the DOHA round of WTO trade talks ended in July, many groups continue to meet informally in efforts to get some type formal negotiation back on track. One of the leading proponents has been the Agriculture Committee, which has continued the so called 'quiet diplomacy' since DOHA talks ended in July.

Sallie James, an economist at the CATO Institute for Foreign Trade, explains that trade negotiations are vitally important to U.S. farmers. "The WTO decision on U.S. cotton subsidies has proven U.S. subsidies are vulnerable to litigation. U.S. farmers and their legislative supporters can either reform farm support programs via negotiations or expect enforced reforms via WTO disputes," she says.

Desmond Lachman, an economist for the American Enterprise Institute, contends the current U.S. trade policy for China isn't working. He says China has over the past decade or so deliberately undervalued its currency and has built up a \$250 billion surplus in trade worldwide. The biggest contributor to that surplus (\$166 billion) is the United States.

Though exactly what Congresswoman Pelosi's get tough policy on China will be is still in question, James says it could include some form of punitive tariffs. Such tariffs could provide a quick boost in revenue for U.S. cotton growers, but in the long-term could kill the proverbial golden goose.

In response to the economist's contention that the Chinese were under-valuing the Yuan by 15-40 percent, senators from New York and South Carolina sponsored a bill to place a

27.5 percent tariff on all goods coming into the U.S. from China. The bill never came to a vote in the Senate as cooler heads prevailed in Congress. The new Democratic leadership in Congress has rekindled the 27.5 percent tariff, which is an average of the economist's prediction that China has deliberately undervalued its currency from 15-40 percent.

Should the U.S. Congress decide to place such a tariff on Chinese goods coming into the U.S., it would certainly fit into the "big stick" policy that at one time ruled U.S. trade policy. "The problem is you have this big stick, but placing a tariff on China would be like hitting yourself with the stick," James contends. Such a tariff may also be in violation of the WTO findings. If such a tariff was placed on China, the Chinese could appeal to the WTO. They could also tax U.S. goods, including cotton, though that would certainly not be in their best economic interest. A more likely response would be to look elsewhere for cotton.

Source: Farm Press, Virginia, 05 January 2007

Global Textile: The year gone by and shape of things to come

The textile world flattened further in 2006. In 2005, trade quotas were abolished, thus ending decades of control and incentives for inefficiencies. This was the beginning of the flattening of textile world. Although the overall growth rate of textile production was secular, there were significant developments on the trade frontiers

The textile world flattened further in 2006. In 2005, trade quotas were abolished, thus ending decades of control and incentives for inefficiencies. This was the beginning of the flattening of textile world. Although the overall growth rate of textile production was secular, there were significant developments on the trade frontiers. Vietnam got entry into the WTO group of countries in 2006. Giants like India and China which ramped up their exports in 2005, witnessed the steep growth tapering away in 2006. While China's exuberance was limited by barriers of USA and EU beginning 2006, India on the other hand, along with China, was losing to fresh wave of competition from smaller players like Bangladesh, Vietnam, Cambodia and Indonesia in USA's apparel market.

India, Indonesia and Pakistan were major trade gainers in 2005, of course with China on the top. These countries saw their rank in world trade move up the ladder. However, 2006 saw emergence of smaller players in global textile trade.

In 2007, the industry would continue to expand further in Asian region in terms of investments and supplies. Today, Asia is the major producer of synthetic textiles. Trade competition will hot up further as smaller countries will be catching up with low cost production levels of India and China. Middle East will be thriving on supplies of raw material to textile industry in Asia. There could be a likely slow down in USA economy in 2007, which will impose bigger challenges to its exporters. China will have to wait for 2007 to end to reap the benefits of open and frictionless trade. India will be preparing to go up the value chain to capture niche markets worldwide. Crude oil prices will stabilize between US\$55-60 a barrel, unless blighted by geopolitical issues and Hurricanes.

In 2006, oil prices did impact synthetic textiles via fibre intermediates. PTA/MEG which produces polyester comes from paraxylene and ethylene which in turn are produced of naphtha, a petroleum base product. Similarly, acrylonitrile - for acrylic fibre, comes from propylene via naphtha. Nylon is produced from caprolactum which comes from benzene, again a petroleum based product. Thus, you see the entire synthetic textile chain is tied up with crude oil.

Let us review what happened in Asian market. Crude oil was dearer by 17-21% in 2006. Trickling down, naphtha prices rose 20%. Impact on downstream - paraxylene and ethylene prices increased sharply by 24%. Propylene was dearer by 16% and benzene by 8%. These increase percolated unto the fibre intermediates. PTA and acrylonitrile prices rose 12% in 2006. However, caprolactum prices averaged down by 4% but were seen rising sharply by 20% in November and December 2006. The impact was apparently

belated on caprolactum in 2006. Now let us review the impact on synthetic fibres. While most of products prices until the fibre intermediate stage have direct input cost effect, fibre and filament yarn prices are generally governed by demand/supply balance and have lesser direct impact of input costs. With this underlying, polyester fibre prices rose 5% over and above the 9% rise of 2005. In contrast, polyester filament yarns were cheaper by 1% but from a high base growth of 12% (in 2005). Acrylic staple fibre prices shot up 6% on top of 10% in 2005. Nylon filaments yarns prices, however, declined 6% largely owing to softening of caprolactum prices. Thus, overall values of synthetic fibre and yarn were adversely impacted by the rising crude oil prices in 2006.

Cotton supply was ample this season and prices were range bound with no upheavals. 2006/07 world cotton production is forecast at 24.9 million tons, up 1% from last season. Driven by China, world cotton consumption is forecast at 25.5 million tons in 2006/07, up 3% from last season. The Cotlook A index averaged 56 cents per pound marginally less than previous season's average.

Source: Reuters, India, 04 January 2007.