



## **Trade News Bulletin**

*ISSUE NO.44*

Friday, 24 November, 2006

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<b>Table of Contents</b>	<b>Pages</b>
India, China to take on West at WTO	2
EU will not appeal WTO GM ruling	3
WB, IMF and WTO guilty of exploiting women'	4-5
US Sign Agreement with Columbia	6
US, EU wary of WTO showdown	7
WTO Chief calls for Trade Talks	8
India to make efforts for early re-start of WTO talks	9
WTO urges trade compromises	9
Spaghetti Bilaterals	10
US urges India, China to show flexibility at WTO	11
US probe into coated paper violates WTO rules	12
Ecuador motivates WTO complaint against EU	12
WTO says EU illegally blocked biotech food	13
Reviving Doha	14
Tibet delegation seek more trade through Nathu-La	15
India, China target \$40-bn trade	16
Peru-India to sign bilateral pact soon	17
60% US farmers get no subsidy'	18
Mozambique India sign work plan	19
Biotech ruling	19
Mbeki, Bush to haggle over free trade deal	20
WTO talks likely to get back on track in December	21
Don't squelch the transpacific FTA idea	22-23

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

## **India, China to take on West at WTO**

*Ministers say both have similar farm interests, problems*

If size matters, then it's time for developed nations to take notice. India and China, two of world's fastest growing economies, have decided to jointly take on the rich nations in the WTO negotiations, to protect interests of their farmers. "We're going to take a joint stand at the WTO talks in future," Commerce Minister Kamal Nath said here today standing next to his Chinese counterpart, Bo Xilai.

The WTO talks — aimed to boost world trade and reduce poverty — are currently facing an impasse over developed countries' stand to give high subsidies to their farmers and over lack of market access for Western companies in the poor countries.

The impasse must be broken as there is lot at stake for developing nations like India and China," Nath said. In the WTO talks, it is countries like India and Brazil which have led the developing nations in various groupings so that their interests are protected. China, on the other hand, has been a silent spectator. The WTO is a forum where 150-member countries are negotiating how to bring down trade barriers and boost their economies.

The current 'development round' of talks are meant to help poor countries but both European and Americans have refused to bring down subsidies as high as \$2 billion a day to their own farmers.

"We've decided to strengthen coordination so that our rights are protected," Xilai told The Indian Express soon after Chinese President Hu Jintao said India and China should jointly uphold the legitimate rights and interests of developing countries in WTO talks.

By taking a joint stand, both India and China stand to benefit as it would be difficult for rich nations to negotiate with two of world's biggest economies. Over a third of the world's population lives in India and China, making these two countries the world's biggest consumer markets.

China, which joined WTO in 2001, has gained immensely by globally integrating its economy. Its exports and imports have now crossed \$1.42 trillion a year.

India and China have said the outcome of the talks must expand trade opportunities for all, must achieve development and safeguard livelihood. Both countries, Nath, are also looking at the option of free trade agreement, depending on a feasibility study.

**Source: Express India, Mumbai 24 November 2006**

## **EU will not appeal WTO GM ruling**

*The EU will not appeal against the WTO ruling that Brussels is illegally blocking imports of GM food from the US and other pro-biotech states.*

The US says the decision means Brussels will have to speed up its GM approval process. But Brussels insists the move does not mean the flood gates will now be opened to GM. "The European commission has decided not to appeal the GM decision as the current regulatory provisions are not in any way affected by the judgment," a commission spokesman told reporters on Tuesday. "The current approval system works, as evidenced by the approval of ten authorizations since the (WTO dispute) panel was established. More authorizations are in the pipeline."

Washington says the EU's approvals process is based on "politically motivated delays." US ambassador to the WTO in Geneva said, "The findings of the WTO panel uphold the principle of science based policymaking over unjustified, anti-biotech policies." Earlier this year, the WTO ruled that the EU had broken trade rules by operating a "de facto moratorium" on GM products. It also ruled that national bans applied on certain GM products by six EU member states – Austria, Belgium, France, Germany, Italy and Luxembourg – were in violation of WTO rules. NGOs insist countries have a right to ban GM and have criticized the European commission for failing to appeal against the WTO position. "This sets a dangerous precedent for future environmental disputes," Friends of the Earth Europe said. "It is not for the WTO to decide what we eat or how we protect our environment."

**Source: China Views, China, 23 November 2006**

## **WB, IMF and WTO guilty of exploiting women'**

A two-day conference on the 'Impact of Economic Globalisation on Women's Work and Empowerment Issues', organised by ActionAid Pakistan, a non-government organisation (NGO), concluded on Thursday. The opening speech was made by Sitara Sohail, a home-based women worker in the bangle industry. She said a large number of woman workers were employed in the bangle industry, where they worked in hazardous conditions and had no access to medical and education facilities. She said women were paid very low wages and work long hours. She said home-based women workers were being exploited not only in the bangle industry but also in the garment industry.

Dr Rubina Saigol, a speaker, said women were employed in manual work and a large number of them had lost their jobs after introduction of new machines. Najam Siddiqui, another speaker, said hundreds of countries had amended their constitutions to give power to the "capitalist and hegemonic economy" through the World Trade Organisation (WTO) and policies of the World Bank (WB). Junya lek Yim, a gender expert, said big industrialists avoided their responsibilities by exploiting woman's work force.

Ms Pry, from Cambodia, presented a report on the policies of WB and the International Monetary Fund (IMF), which, she said, contributed to increasing poverty. Hoang Phuong Thao from Vietnam accused the European Union (EU) of doublespeak. "Instead of giving a subsidy to the developing countries, which they (EU) had promised, they actually increased taxes. Due to financial crisis, 60 to 70 percent labour force was laid off in factories," she said.

Dr Sab Gul Khattak from the SDPI presented her paper on "Subcontracted Women Workers in the World Economy: the Case of Pakistan". She stated that home-based women workers counted little in household decision making, nonetheless they spent their earnings according to their male partners. A report presented during the conference stated, "Neo-liberal economic policies of South Asian and South East Asian countries have helped create a macro-economic environment in the 90's. The macro-economic environment is an important determinant of choices that women and their households make with regard to their productive and reproductive labour. The relative skill levels of men and women, the conditions of work, employment levels and the pattern of real wages are all deeply conditioned by the macro environment, prevailing in the economy".

It claims, "Privatisation and colonisation of the industry, export led-growth and downsizing of government and semi-government corporations are key components of the WTO and SAPs, introduced by multilateral conditional ties attached to aid packages". "Even before the entry of the WTO, globalisation had taken place but most of it took

place through the WTO institution which has evolved into an all-powerful supra-national government with more autonomy and powers than the United Nations (UN). No balance is struck between ensuring provision of basic domestic needs and boosting exports. Far from making the world a free and fair market, the WTO has made it free for all MNCs. The South is reduced to being a source of cheap labour, commodities and sub-contractors and a captive market for the North,” it says. “These developments have critically impinged on the manner in which women enter the labour force. On the production side, liberalisation has impacted negatively on women’s prospects in the labour market from both the demand and the supply side. More than three fourths of urban employment for women takes place in the informal sector coupled with increasing work being pushed out from large scale units through sub-contracting. Not only wages are low but employment of women in urban areas is mainly in low productivity while working conditions are harsh and no employment benefits exist,” it says. “The impact of macro economic environment on women as home managers is primarily affected by the rate of inflation, especially in commodities consumed by low-income groups,” it says. The “state” has backed off from its responsibilities in providing social services and a notable decline in public expenditure on education, health, housing, physical infrastructure, provision of potable water and sanitation is a direct consequence of the IMF imperatives to reduce the budget deficit. The decline in wages has put extra pressure on women, it says.

Criticising the government’s role to protect women against social violation, the participants said, “Legal frameworks are weak to protect rights of women workers.” The experts at the conference said the introduction of investor friendly policies has weakened the role of workers and trade unions. They said the right to collective bargaining is not available while denial of union membership and restrictions on the right to strike are prevalent. They said exemption of export processing zones from all labour legislation is a source of many problems

**Source: Daily Express, Islamabad, 23 November 2006**

## **US Sign Agreement with Columbia**

### **The Bush administration has signed a multi-billion dollar free trade agreement with Colombia.**

The pact comes despite warnings from Congress - which is now controlled by the opposition Democratic Party - that it has deep reservations over the deal. Colombia's finance minister said the move would benefit Colombia's economy and its efforts to improve security. The deal is America's biggest in the Western Hemisphere since 1994's North American Free Trade Agreement (NAFTA).

However, the deal has yet to win Congressional approval. Agreements with Peru and Vietnam are awaiting similar approval, while US trade officials are trying to negotiate trade deals with countries including Malaysia and South Korea. Pressure for the agreements to be approved is mounting, as US President George W Bush's special "fast-track" authority to negotiate trade deals expires next year. After 30 June 2007, the US Congress will once more have the right to change or veto any agreement that Mr Bush signs. Congress has voiced objections to the trade pact with Colombia as it fails to protect internationally agreed worker rights such as the abolition of child labour, protection against discrimination and freedom to join a union. Opponents of the Bush administration also claim that such deals do little to protect US companies from unfair trade practices. "The agreement will deepen and strengthen our trade ties by providing new opportunities for US businesses, manufacturers, farmers and ranchers to export their goods and services to one of Latin America's most robust economies," deputy trade representative John Veroneau said. Once agreed, it is expected to make more than 80% of US consumer and industrial exports to Colombia duty free. Trade between the two countries reached \$14.3bn (\$11bn) last year. "The Free Trade Agreement will create permanent commercial channels so that our products could compete in the US market, therefore creating more revenue and jobs for millions of Colombians," Colombia's finance minister Jorge Humberto Botero added. Mr Botero also said the pact would "be a great tool" in the US-backed fight against terrorism and drug-trafficking.

**Source: BBC News, London, 23 November 2006**

## **US, EU wary of WTO showdown**

The European Union and the United States, knowing there will be no winners, are still hesitant about a bruising showdown at the WTO over government support for aircraft makers Airbus and Boeing, diplomats said. "The two sides keep arguing about procedure and are messing around for political purposes," said a diplomat who is not connected to either side in the transatlantic dispute. The United States and EU launched reciprocal complaints over subsidies to the world's two biggest civil aircraft makers in October '04, sparking the most complex dispute in the World Trade Organisation's history.

Last Wednesday, the case finally moved up a gear when the United States submitted evidence to the WTO panel that is meant to produce a ruling. For months the transatlantic trade giants have flirted with each other by stating their desire for an amicable settlement, and have slowed down the WTO process with procedural bickering. The global trade regulator is not expected to come up with its judgment until October '07, sources close to the case said. This would mean it had been on the table for at least three years, when an average complaint procedure usually runs for less than one year. "It is clear that both the US and the EU will be found guilty of illegally subsidising their aircraft makers," a diplomat said, highlighting the WTO's verdicts on Canada and Brazil over a comparable case involving aircraft makers Bombardier and Embraer. "You cannot have an aircraft industry without government support. The only long-term solution is for the Americans and the Europeans to sit down and do another bilateral deal like before and put a cap on their spending," he added.

The two sides reached such a bilateral agreement in 1992, but it was then renounced by the United States when the current complaint was filed two years ago. That deal limited the subsidies Boeing could receive to 3% of the annual sales generated by the US aircraft manufacturing sector. By contrast, EU governments were allowed to provide Airbus with up to one-third of the research and development costs on new aircraft in the form of loans to be repaid over a period of 17 years. Washington now says that Airbus' size means it no longer deserves these subsidies.

The United States effectively reactivated its complaint with Wednesday's submission, to which Brussels must respond by February 9, '07. Hearings are expected to begin about a month later.

**Source: Reuters, Brussels, 23 November 2006**

### **WTO Chief calls for Trade Talks**

Visiting Director-General of the World Trade Organization (WTO) Pascal Lamy on Wednesday called for relaunching the Doha Round of talks on world trade. He made the appeal while attending a ceremony commemorating the 20th anniversary of the Uruguay Round of talks, which gave rise to the General Agreement on Tariffs and Trade (GATT), the predecessor of the WTO. If the Doha Round of talks fail, the current multilateral trading system will gradually deteriorate, he warned. "Should the Doha Round succeed, the total elimination of export tariffs would have begun," Lamy told the local media. All WTO members have agreed that if the negotiations reach a successful conclusion, they will significantly increase market access.

The Doha Round of talks, which remained inconclusive for nearly five years, were indefinitely suspended in July due to bitter differences among major WTO members, particularly on agricultural issues.

**Source: Xinhua, Montevideo 22 November 2006**

### **India to make efforts for early re-start of WTO talks**

With the US Congressional polls over, India will now make efforts to get the Doha round of WTO negotiations back on track. "We will make efforts to see that the talks begin," Commerce and Industry Minister, Kamal Nath, said on the sidelines of the India Leather Summit organised by CLE.

The talks at the WTO have been stuck due to US refusal to cut down subsidies it provides to its farmers though other major developed block, European Union, has agreed to cut tariffs on farm imports from developing to the levels they desire. While refusing to budge on subsidies, US is seeking greater market access from developing countries and EU for its farm products. Even EU is asking access for its farm products from developing countries but it has not made it a sticking point. During his latest visit to India, EU Trade Commissioner Peter Mandelson reiterated the demand for greater flexibility from India on farm imports. After the last Ministerial meeting at Geneva ended in an impasse, the Doha round had moved from the limelight. One of the main reasons was the elections in the US. Now that elections are over, European Union, India and other key trading blocks and nations have begun efforts to restart the talks.

**Source: PTI, New Delhi, 23 November 2006**

### **WTO urges trade compromises**

The head of the WTO urged governments yesterday to be prepared to make compromises on their bargaining positions if they want to succeed in salvaging global trade talks. World Trade Organization director general Pascal Lamy, speaking at a trade event in Uruguay, said global trade negotiations had resumed, although ministers had not yet been reconvened to oversee final discussions. "We need the U.S. to accept a further reduction of their subsidies, and for the EU and Japan and India [to accept] a further reduction of barriers," Mr. Lamy said. "That is the key. All the members will have to make an effort, they'll do it if they see the major players ready to move," Mr. Lamy said. Global trade talks have been deadlocked over agricultural subsidies and market access. The WTO talks hit a dead-end in June when Australia, Brazil, the EU, Japan, the United States and India could not agree on a formula for cutting farm subsidies. The talks were launched in the Qatari capital of Doha in 2001.

**Source: Agence France-Presse, Geneva, 23 November 2006**

## **Spaghetti Bilaterals**

While the Doha Round of WTO multilateral trade negotiations head for failure, India, too, has joined the stampede for bilateral free trade agreements (FTAs). If like India, each of WTO's 149 members signs agreements with one another, there would be 11,026 bilateral deals. Although an FTA with China is not on the cards for now, that hasn't dampened India's desire for inking a bilateral agreement with Japan when Prime Minister Manmohan Singh visits that country next month. However, these FTAs have nothing to do with free trade.

These pacts form, in fact, an unruly mass of crisscrossing strings - which Professor Jagdish Bhagwati of Yale University says constitute a 'spaghetti bowl' - hampering, rather than facilitating, free trade, especially for those left out. Such FTAs entail different rules-of-origin and preferences that benefit only member countries. But whether the additional trade creation for such countries is welfare-improving for their domestic stakeholders like farmers and industrialists is a different matter altogether.

India's experience is highly instructive as it has signed bilateral FTAs with Thailand, members of the Bay of Bengal grouping called Bimstec—entered into a comprehensive economic cooperation agreement (CECA) with Singapore and is now finalising one with the Association of Southeast Asian Nations (Asean). Despite the government's eagerness, such FTAs face considerable domestic opposition. The outcome of negotiations to operationalise the Indo-Asean FTA by 2007 is, thus, far from certain. The reluctance to sign an FTA with China stems, in part, from the 'limited gains that may be achieved by India', according to economists like Rashmi Banga of the UNCTAD's-India programme. But this has also been the prospect for other bilaterals India has signed or is finalising. The Indo-Thai pact is in deep trouble due to the heavily skewed pattern of trade favouring Thailand. A study by the Malaysian Institute of Economic Research and the Indian Institute of Foreign Trade also notes that the Indo-Asean FTA's benefits in terms of trade potential are tilted in a 4:1 ratio against India.

If the Indo-Asean FTA and other bilaterals offer limited gains but impose huge costs for stakeholders like farmers and industrialists, the big question is, who is responsible for rushing India into them? Economists believe politics and non-economic factors are the main drivers of this process: for example, the need to show that India has arrived on the world stage. Bhagwati has also written that the short tenure of bureaucrats and politicians predisposes them towards immediate results. Thus, the 'spaghetti bowl' bilaterals are easy to sign and regret later.

**Source: Financial Express, India 23 November 2006**

### **US urges India, China to show flexibility at WTO**

Developing nations like India and China need to show flexibility in important issues like farm subsidy, market access and export competitiveness while carrying forward their trade negotiations at WTO, said a top official of US Department of Agriculture. "All parties involved with the trade negotiations have to show flexibility. Such negotiations have to be based on give and take," Mike Johanns, secretary of USDA, said at a FICCI organised interactive session with trade and industry here.

The important issue of market access, which has been debated extensively since Doha round of WTO, has to be resolved by all including developed and developing nations, he said. He said greater market access holds the key to improving the living standards of the poor in developing nations. "We want to be partners in the economic growth process of the developing economy like India. We want our partnership to go on for generations to generations," he said. Contrary to common perception, he said, 60% of the US farmers do not receive any farm subsidy. Farm subsidies go to five major crops - corn, sugarcane, rice, wheat and soyabean, he said, adding there is no subsidy on beef, pork, poultry and horticultural products.

India has blamed the US for the suspension of WTO talks, saying Washington's refusal to cut farm subsidy distorts global trade and is a threat to subsistence farmers in emerging economies. The USDA secretary said a consensus on the important issue of 'market access' would be tried during the next WTO ministerial and secretarial round in Geneva in December. "We strongly believe that with wider market access the developing economies can benefit immensely," he said and reiterated the US commitment to eliminate any trade imbalance subsidy.

**Source: Press Trust of India, New Delhi, 22 November 2006**

### **US probe into coated paper violates WTO rules**

The United States investigation into alleged subsidies for Chinese coated paper violates WTO rules, said Chong Quan, spokesman of China's Commerce Ministry, on Tuesday. Chong said China has provided data and legal evidence proving the investigation was "improper", said Chong. "The US decision does not abide by WTO rules and breaks its own laws and regulations," said Chong. "The United States ignore China's great achievement in the market reform over the past twenty years and insisted to treat China as a non-market economic country," he said. "The US decision did not comply with consensus the two countries have reached that resolving dispute through negotiation, " he said.

The Chinese government would closely monitor developments and reserve the right to safeguard the legitimate rights and interests of the Chinese side, he said. Each year China exports 300,000 to 500,000 tons of coated paper, which includes the high quality glossy paper used for magazines or wrapping paper, according to Chinapaper.net.

**Source: Xinhua, China, 22 November 2006**

### **Ecuador motivates WTO complaint against EU**

Fernando Yépez, undersecretary of the International Economical Politics of Ecuador, has explained the content of the Ecuadorian protest against the European banana import regime in a communiqué to the dispute resolution commission of the WTO. This complaint was made formal during last week. Ecuador is the first exporter of bananas in the world and the industry has a profound significance in the country on social, political and economical levels, as the industry employs over a million Ecuadorians directly or indirectly.

Ecuador has continuously shown its will to negotiate and to seek a legitimate and mutually contending solution, but the country has collected evidence during the meanwhile, which shows that the EU is not keeping itself to the obligations and norms as they were laid down and approved by the WTO before, according to Yépez.

**Source: Fresh Plaza, Tholen, 22 November 2006**

## **WTO says EU illegally blocked biotech food**

The World Trade Organization on Tuesday ruled that European countries broke international trade regulations by preventing imports of genetically modified foods. Argentina, Canada and the United States which brought the dispute to the WTO — said the decision proves there was no scientific evidence to justify the ban. The three urged the 25-nation European Union to immediately bring into compliance its laws on genetically modified organisms, or GMOs.

In a somewhat surprising development, the EU did not postpone the decision through an appeal. Environmentalists blasted Brussels for bypassing the chance to appeal Tuesday's decision.

U.S. Ambassador Peter Allgeier said “the findings of the panel uphold the principle of science-based policymaking over unjustified, anti-biotech policies.” He added that the EU's policies “have perpetuated an unjustified trade barrier that has impeded both U.S. exports and the global use of a technology that promises great benefit to farmers and consumers around the world.”

**Source: Reuters, Brussels, 22 November 2006**

## **Reviving Doha**

With the leaders of the 21-member Asia-Pacific Economic Cooperation (APEC) forum pledging to take the lead in the revival of the stalled global trade talks and similar voices emanating from other quarters, the conditions seem to be turning conducive for ending the deadlock. This group alone accounts for nearly half the global trade and around 60 per cent of the world's economic activity. The joint declaration issued after the APEC meeting in Vietnam avers that its member countries will move beyond their current positions in key areas. It also spells out that this commitment entails deeper cuts in trade-distorting agricultural support; offering greater market access in agriculture; making real cuts in industrial tariffs; and establishing new openings in services. No doubt, some key players in the World Trade Organisation (WTO) parleys on the Doha development round, notably the European Union, Brazil and India, are not members of the APEC, but all of them have separately expressed readiness to go back to the negotiation table. The US, on its part, has been losing no opportunity to express its willingness to relent on farm subsidies though it also wants a similar move by the EU, which it considers to be the world's largest subsidisers of agriculture. Of course, both the US and the EU are for greater opening up of the markets for agricultural as well industrial goods and services.

The current talks, which began in 2001, had broken down in July last on differences over farm subsidies and tariffs, with the developing countries led by India and Brazil taking a firm stand on subsidy cuts by the US and the EU. However, a lot seems to have changed since then, with these trading giants being agreeable now to reconsider their positions. What is more significant is that the US administration is doing so even after the victory of the Democrats in the recent US mid-term polls. Indeed, the US seems more keen now than ever before for a viable multilateral trade arrangement as its bilateral free-trade discussions with several countries are stuck. Besides, the US is also turning wary of the speed with which China is going ahead in entering into free-trade accords, especially with dynamic Asian economies like Indonesia, Malaysia, Singapore, Thailand and Vietnam, and further trade cooperation with India. Besides, the Bush administration also realises that its authority to seal a trade deal without clause-by-clause scrutiny by the legislators is expiring in July next and the chances of its renewal are remote in view of the poll reverses.

Indeed, what is significant from the developing countries' view-point is that the Doha mandate is as much for development as for fair and free trade, which can even be taken care of by the WTO. The livelihood concerns of the resource-poor people of the developing nations can, therefore, be addressed better through the framework of the Doha agenda than that of the WTO. The goal of development will get a severe jolt if the Doha agenda is given the final burial.

**Source: Times Network News, India, 23 November 2006**

### **Tibet delegation seek more trade through Nathu-La**

A trade delegation from Tibet, which arrived in Kolkata on Tuesday has told local businessmen that it is also eager to see a rise in volume of trade between India and China through the Nathu-La pass.

Speaking at a meeting, organised by Merchants' Chamber of Commerce on Tuesday, the leader of the delegation Ms S Deji said Tibetan merchants were very interested in seeing trade expand, if more items are added to the existing list. This, she felt, would benefit West Bengal and Sikkim too. Ms Deji is the commissioner of Shannan, one of the seven provinces in Tibet.

The Tibetan trade delegation had earlier visited New Delhi, Mumbai and Bangalore for direct interaction with local industrialists and traders. Ms Deji evinced an interest in iron ore and steel besides copper, silver, carpets and handicrafts.

Under the existing bilateral agreement, 15 items have been allowed to be imported from Tibet into Sikkim, through Nathu La. These include wool, goat cashmere (pasham), goat skins, sheep skins, yak tails, goats, sheep, yak hair, horses, salt, borax, china clay, butter and silk. A total of 29 items have been allowed to be exported to Tibet. These include farm equipment, blankets, copper products, clothes, textiles, cycles, coffee, tea, barley, rice, flour, dry fruit, dry and fresh vegetables, vegetable oil, gur and misri, tobacco, cigarettes, canned food, agro chemicals, local herbs, dyes, spices, watches, shoes, kerosene oil, stationery, utensils and wheat.

**Source: Times News Network, Kolkata, 21 November 2006**

### **India, China target \$40-bn trade**

Rows and rows of cheap, shiny plastic toys; colourfully-wrapped firecrackers, electronic gizmos and silk neatly stacked on shop shelves are the most visible signs of China in India. But prepare yourselves for the next wave of 'Made in China' products to appear on market shelves as the dragon gets ready to come to town. And also imagine this, the Chinese eating Indian basmati rice and buying made in India clothes.

The world's two fastest economies on Tuesday set the bar high for bilateral trade and agreed to increase the volume of bilateral trade to \$40bn by '10. Talks between Prime Minister Manmohan Singh and Chinese president Hu Jintao on Tuesday largely centred around increasing trade and co-operation, leaving the contentious for another day. In a joint declaration released at the end of the talks, the two countries promised to diversify the trade basket, remove existing impediments and optimally utilised the present and potential complementarities in their economies.

In a joint press briefing after talks, Mr Singh, who has met Mr Hu five times and is said to share a "good rapport" with him, said: "President Hu and I have agreed that comprehensive economic and commercial engagement between India and China will receive our urgent and particular attention.

Though the two sides talked at length on civil nuclear issues and resolving outstanding border issues, there was no forward movement on either. India, unsure of the Chinese stand, did not seek support from China in the Nuclear Suppliers' Group (NSG) while both sides just reiterated old stated positions on the boundary issue and urged the special representatives to accelerate their efforts to find a solution. The sides agreed on a 10-pronged strategy to carry forward bilateral ties and signed 13 agreements.

President Hu's visit, the first in 10 years by a Chinese president, was largely viewed as a symbolic one with no real forward movement expected on outstanding issues. But both governments clearly meant business on issues of increasing trade and promoting investment.

During talks, the Chinese side did not formally bring up its apprehensions, voiced by Chinese ambassador Sun Yuxi, of Chinese companies not getting a level playfield in India. Foreign secretary Shivshankar Menon said that the talks, which were positive, centred on how to increase investment and trade without going into any negatives. However, Beijing clearly had investment barriers in mind as Chinese foreign ministry spokesperson Jiang Yu back home urged India to clear trade and investment barriers to raise the level of co-operation. The spokesperson said she hoped India and China will make concerted efforts to remove trade and investment barriers and continuously raise the level of trade and economic co-operation.

**Source: Times News Network, 22 November, 2006**

### **Peru-India to sign bilateral pact soon**

Peru is likely to sign a commercial agreement with India soon to boost bilateral trade in areas like mining, steel and iron ore, ships and engines, textiles and pharmaceuticals. This was stated by the Peru-India Chambers of Commerce vice president Marco Hurtado at 'Peru-India: Project Partnerships - Opportunities in Trade & Investment' meet organised by the Confederation of Indian Industry (CII) on Tuesday.

Peru is a good investment destination for India in these areas because the free trade agreement (FTA) it has with the United States provides a platform for Indian investors to export to the US, Mr Hurtado said. Mining is one area where Peru is keen to attract investments with small and medium industries in the sector looking for investments from overseas. "Technology and capacity built up by India in the past few years have proved to be of great advantage to Peruvian investors," Mr Hurtado said.

India needs to be more aggressive in their investments in Peru, he said. The country has succeeded in promoting pharmaceutical products from India and would like to replicate this success to other sectors.

Peru is also an attractive investment destination because of its steady economic growth, said Victor Munoz, Charge d' affairs, Embassy of Peru, India. The country has maintained a growth of 6% for several years and has great mineral reserves and good potential in telecommunications and energy which will further enhance the trade relations between the two countries, he said.

Bilateral trade between India and Peru has shown a quantum growth from \$82 million in 2001 to \$190 million in 2005. "We need to build an integrated approach in our investments and partnership," Mr Munoz said.

External affairs ministry joint secretary R Viswanathan said there are opportunities for both the countries in signing up joint ventures in areas such as mining, metallic industry and oil. "Peru provides a huge market of over 25 million people with \$73 billion GDP," Mr Viswanathan said.

Exports from Peru touched \$17 billion and imports \$12.5 billion in 2005. Mining constitutes more than half of Peruvian exports. Copper, natural gas, gold, zinc, silver, iron and petroleum are major natural re-sources of Peru, he added.

V R S Natarajan, chairman, Bharat Earth Movers Ltd, said the two countries are exploring possibilities of co-operation in areas like IT, defence and handicrafts

**Source: Times News Network, New Delhi, 21 November 2006**

### **‘60% US farmers get no subsidy’**

A good 60 per cent of US farmers receive no cash subsidy, visiting US Secretary, department of agriculture, Mr Mike Johanns, today claimed while cautioning India against shutting its markets to agriculture produce. Coming at a time the US is under criticism for its subsidies to the farm sector, an issue that has led to the current impasse at the ongoing Doha Round of the WTO negotiations, Mr Johanns sought to dispel the impression that US farmers were heavily subsidized. “Let me make it clear that 60 per cent of US farmers receive no cash subsidy. Of the 40 per cent that do get it, receive it for five crops accounting for 90 of total subsidies,” he asserted.

A balanced outcome of the Doha Round, where trade distorting subsidies are lowered and finally eliminated, would have to be accompanied by market access, the US agriculture secretary said addressing an interactive session on ‘Indo-US Agriculture Trade and the Doha Round: Reaping Benefits of Partnership’, organized by the Federation of Indian chambers of Commerce and Industry (Ficci).

He was reacting to the commerce secretary; Mr GK Pillai’s contention that there was great deficit in trust on account of trade distorting subsidies and added that actual amount of subsidies has actually gone up after the Hong Kong Ministerial. Mr Pillai said it was not fair to compare the situation of Indian and US farmers. While in the US only two per cent of the population is dependent of agriculture, in India the figure was as high as 65 per cent. Even in terms of farm incomes, the position was incomparable, he pointed out. Admitting that Indian agriculture reforms were vital, Mr. Pillai said this would take time, perhaps two to three generations, because there are no safety nets to protect the vulnerable farmers from the impact of trade distorting subsidies. To this, Mr Johanns said “In a situation where you protect 20 per cent of your tariff lines, 98 per cent of your market gets protected from imports. Even under the G-20 formula, only 14 per cent of tariff lines would fall below the current and applied rates. That leaves 86 per cent with no new market access. It is important to remember this when discussing which lines really need special treatment. If no new trade is generated, there is no need for additional protection. The Doha Round is about reducing barriers, not building them.” He said the US made an ambitious offer to reform its domestic support programme at the Hong Kong Ministerial. The US was willing to cut trade-distorting domestic support by three times the level of the Uruguay Round reductions, but this has not been matched. “You (India) could lead the way towards unlocking the Doha negotiating by offering real market access,” he contended

**Source: Statesman News Service, New Delhi, 22 November 2006**

### **Mozambique India sign work plan**

India and the Republic of Mozambique today signed a work plan for cooperation in agriculture that envisages a financial support of Rs 2 million from the ministry of external affairs for the period ending 2007 to carry out activities included in the plan. Under the plan, the department of agriculture and the Indian council for agriculture research has provided seven slots of short-term training programmes in their institutes for training of Mozambican experts.

It was signed by Mr Mukesh Khullar, joint secretary (IC), ministry of agriculture and Mr Carlos Pedro Mucavel, director, agricultural development and funds, Mozambique. Mr Kanti Lal Bhuria, minister of state for agriculture and Mr Tomas Frederico Mandlate, minister of agriculture, Mozambique were present on the occasion of the signing. Mr Bhuria said the government would be extending all possible cooperation and technical assistance in the field of agriculture, horticulture, animal husbandry and fisheries for the development of these areas in Mozambique where it lags behind.

**Source: Statesman News Service, New Delhi, 21 November 2006**

### **Biotech ruling**

The European Union said on Tuesday it will not appeal a World Trade Organisation ruling that partially condemned the bloc for its moratorium on imports of genetically modified organisms. The complaint was brought by the United States, Canada and Argentina in 2003, and charged that the EU's ban on GMO imports was motivated more by protectionism than environmental or health concerns.

The EU lifted its overall moratorium in 2004, thus escaping WTO condemnation, but six individual member states kept the restrictions in place. In a statement submitted to the WTO's Dispute Settlement Body, the EU said that "despite many reservations as to the argumentation and conclusions of the panel report, the EC has decided not to appeal."

**Source: AFP, Geneva 21 November 2006**

## **Mbeki, Bush to haggle over free trade deal**

The reluctance of the US to offer developmental concessions in free trade negotiations with the Southern African Customs Union will be on the agenda when President Thabo Mbeki meets his US counterpart, George W Bush, at the White House on December 8.

Deputy foreign minister Aziz Pahad confirmed this yesterday, adding: "There are no major problems between us, there are differences. We have differences over the WTO [World Trade Organisation] process, we have differences of analysis on how to deal with the terrorist threat."

Pahad stressed that the agenda for the meeting of the two presidents had not been finalised. The subject of the free trade agreement (FTA) was bound to arise when the two presidents met because "economic diplomacy is one of the cornerstones of our foreign policy", he said. "The difficulties are over whether the free trade agreement is to be asymmetrical, or whether we both remove tariffs at the same time. We cannot sign a non-asymmetrical agreement with any developed country. Our economy is not strong enough or diversified enough to withstand it. We don't have it with the EU, we won't have it with India and I'm sure we won't have it with China."

However, Pahad pointed out that the department of trade and industry intended to continue talks with the Americans. "If we are not signing a full FTA in the near future, then we must go into other measures that will allow us to intensify our economic relations with them."

He said that the political changes in the US would make it appropriate to restart links with the Democratic Party. Pahad said that South Africa would be able to play an increasingly important role in developing economic relations between the countries of the South, both in the UN and the Group of 20.

He was confident that China would be much easier to deal with. "In our discussions, the Chinese leadership made [it] clear that they understand they cannot sustain a relationship based on the old style of colonial relations." He listed the \$5 billion (R36 billion) set aside for trading relations, a pledge to train experts from Africa and assistance to benefit resources and diversify economies as signs of China's commitment to building a mutual relationship. "I believe that given our own special strategic relationship with China we will be able to ensure that their commitment does play itself out in concrete ways."

**Source: South Africa Press Association, 24 November 2006**

### **WTO talks likely to get back on track in December**

The stalled multilateral negotiations at the World Trade Organisation (WTO) are likely to restart next month. While the chairpersons of various committees of the WTO have already started their informal consultations, formal sessions to move forward the Doha round of negotiations are expected to begin in December.

Addressing a session on India-US agriculture trade and the Doha round organised by Ficci and the US department of agriculture on Tuesday, commerce secretary GK Pillai said if things went well it would be possible to hammer out an agreement which would be to the liking of. “We should have enough on the plate by January. Not all expectations will be met, but there should be something for everybody,” he said. The ongoing Doha round of talks got derailed earlier this year when key countries failed to agree on the modalities for liberalising trade in agriculture, goods and services.

WTO director general Pascal Lamy suspended negotiations for some time to give time to members to resolve their differences informally. With the US elections over, members now seem to believe that it is the right time to resume elections. Major differences between members on liberalising agriculture were the main reason behind the suspension of talks. The US, which was the most inflexible in its offers, is continuing to play tough. Addressing the seminar, US department of agriculture secretary Mike Johanns cautioned India against shutting out its markets to agriculture produce as a balanced outcome of the Doha Round where trade-distorting subsidies are lowered and finally eliminated would have to be accompanied by market access. He pointed out that India’s demand of protecting 20% of its tariff lines would protect 98% of its total agric exports from tariff cuts. “Even under the G-20 formula, only 14% of tariff lines would fall below the current and applied rates. That leaves 86% with no new market access. It is important to remember this when discussing which lines really need special treatment. If no new trade is generated, there is no need for additional protection. The Doha Round is about reducing barriers, not building them,” he said.

Mr Pillai pointed out that India was just trying to protect food and livelihood security of its 600m farmers who could not be relocated in just a few years time. “In the absence of proper social security, we have to take measures to protect our subsistence farmers,” he said.

**Source: Times News Network, New Delhi, 22 November 2006**

## **Don't squelch the transpacific FTA idea**

The recently concluded summit of the Asia-Pacific Economic Cooperation (APEC) forum in Hanoi has shown that the 21-nation informal group has a long way to go before it could transcend its image as a mere talk shop. While we wouldn't call for the Philippines to bow out of APEC, Manila, however, should step up to the plate, taking a more proactive role in helping steer the group out of its decade-old rut. APEC summits have become occasions on which the US and its allies take to the pulpit and shift discussion toward the World Trade Organization (WTO). Last weekend's Vietnam summit was no exception, as the 21-nation group kept on playing second fiddle to the WTO, issuing its nth statement, urging members to jump-start talks on the global trading front. We don't favor junking the multilateral trading regime, as some leftists are wont to advocate. But we want APEC to fulfill its potential as a trade group.

Judging from the tone and content of the APEC joint communiqué, it would appear, however, that the proposal to transform the group into a transpacific free-trade area is a bait so members would agree to the endless spiel on restarting the WTO talks. This is why we find it disturbing that the Philippines was one of three members said to have posed reservations about the proposed Asia-Pacific free-trade area. The Agence France-Presse report failed to mention why Manila had objected, and our trade secretary's statement on the matter was fraught with more ambiguity than the Mona Lisa's smile.

We only hope that our trade officials are not playing stooge to their Western peers. The idea of a transpacific free-trade area should be welcomed as a hedge against a stalled multilateral trading regime. The Philippines unlike the US, the European Union and Japan cannot afford to gamble its developmental prospects by waiting for the WTO's impasse to break. A conclusion to the Doha Development Round unfortunately has become more elusive than Godot (with apologies to the late Bertolt Brecht).

Now is the time to explore other opportunities to expand trade and profit from it. We should look all around us, as previously closed economies like China and Vietnam are forging trade partnerships as if there was no tomorrow. The scramble to forge bilateral and regional trade accords is not an afterthought, as the more astute governments realize that, like the previous multilateral trading round of negotiations, the Doha round is likely

to take more time before any closure is reached. Until then, these governments have taken the initiative in striking out trade-expanding ventures with like-minded states.

As studies have pointed out, bilateral or regional arrangements need not contravene the multilateral trading regime. In a growing number of cases, they even complement each other. The Philippines, therefore, shouldn't dismiss offhand calls for the creation of a transpacific free-trade area.

**Source: Manila Times 23 November 2006**