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WTO boss urges Africa not to push on trade talks

World Trade Organisation Secretary-General Pascal Lamy warned African trade ministers today against pushing too hard in trade negotiations because the failure of the talks would hurt poor economies most. WTO international trade talks known as the Doha Round were launched in 2001 seeking to increase exports by poor nations.

But they hit a snag in July mainly due to disagreements over farm subsidies in developed countries. "If Doha negotiations fail, we all know that the biggest losers are African countries," Lamy told a conference of African Union (AU) trade ministers in the Ethiopian capital Addis Ababa. "If the Doha negotiation was eroded, big countries like the US, the EU and China may face small problems, but not as much as Africa." Lamy said the US, Belgium, Germany and a conference of Asian heads of state had indicated that they were committed to the success of the negotiations.

The AU ministers insisted there should be a development component of the talks. "We are strongly opposed to the erosion of the development dimension of the Doha Round and to any attempt to modify the existing mandate," said a declaration by the ministers, which also urged their major trading partners to be flexible. A deputy US trade representative at the WTO cited the American Growth and Opportunity Act (AGOA) - which gives clothing exports from 37 African countries duty-free access to the US market - as having doubled US imports from the continent since its enactment in 2000. "Non-oil imports under AGOA, everything from autos to apparel to agricultural goods, leapt from \$1,4bn in 2001 to \$2,9bn in 2005," Peter Allgeier said.

The stalled talks have partially resumed in Geneva and a group of ministers is due to meet this month in Davos, Switzerland, in a bid to agree a road map for future discussions.

Source: Reuters, Addis Ababa, 16 January 2007

Africa worries over slow pace on Doha Round, EPAs talks

Concerned with the erosion of the development dimension in the Doha Round of global trade talks, African trade ministers are due to hold an extraordinary session here Tuesday to underscore their shared interest in a pro-development outcome of the Round.

The talks have been suspended since July 2006, but Pascal Lamy, the director-general of the World Trade Organisation (WTO), is expected to tell the one-day ministerial conference at the headquarters of the African Union (AU) when the negotiations would resume. Trade experts from all AU Member States Monday started doing groundwork on two declarations, which the ministers will adopt as continental positions on the Doha Round and on the Economic Partnership Agreements (EPAs) between Africa and the European Union (EU).

According to sources at the experts meeting, the declaration on the Doha Round will express the continent's strong opposition to the erosion of the development dimension and to any attempt to modify the existing mandate because of the special situation of African countries and the need to achieve the Millennium Development Goals. On the basis of the progress made in the WTO and the EPAs negotiations, a Kenyan delegate, whose country currently chairs the AU Trade Ministers Conference, said it would be important to assess progress vis-a-vis the development dimension that the world promised in Doha. "Africa must pronounce itself on what elements of negotiations must be part of the final package to ensure that it does not lose out in these talks. "The future of Africa depends on our active participation in both negotiations and this meeting should give clear guidance to our negotiators. "We must remain focused on our development agenda that contains how to deepen trade amongst ourselves and how to benefit from trade between ourselves and the rest of the world," said the delegate.

At the launch of the Doha Round in November 2001, WTO members pledged to place the needs and interests of developing countries, especially the least developed, at the heart of the trade negotiations. The negotiations remain deadlocked because the flexibility announced in general terms by major players had not been translated into real changes in positions, particularly in what refers to corrections of restrictions and distorting domestic support in the agriculture sector. "The agriculture sector, on which most Africans depend for subsistence, holds the key to unlocking the rest of the Doha Development Agenda," said Cristina Hernandez, trade policy advisor with the UN Development Programme (UNDP). "Agriculture is equally the sector where most African countries at present hold their greatest growth potential. "For this reason, bringing back on track the multilateral trade talks under the principles of transparency and inclusiveness, represents for Africans the hope of improving their living standards and attaining the objectives of the MDGs," she added.

Regarding the EPA negotiations, trade wonks see African countries as facing a challenging endeavour to decide on the terms under which they would continue with the talks.

A draft of the ministerial declaration on EPAs calls on the European Commission to respond positively and adequately to key concerns of Africa. These include failure of the negotiations to have a development focus, the imbalance in the negotiations towards trade liberalisation, and narrowly construing economic integration in Africa as only a process of adopting common external tariffs. Other concerns are the rigid interpretation of compatibility with WTO rules, and lack of appreciation of the major adjustment challenges that African economies would face in implementing the EPAs.

Also, a fundamental divergence of view remains in relation to a call by the African, Caribbean and Pacific (ACP) group of countries for the EU to make binding commitment for additional resources to cover the implementation of EPAs.

Source: Pan African Press, Addis Ababa, Ethiopia, 16 January 2007.

Ethiopia's Efforts To Join WTO Encouraging: Director General

World Trade Organization (WTO) Director General said the activities launched by Ethiopia to be member of the WTO were encouraging,

In a statement he gave here on Monday after conferring with Prime Minister Meles Zenawi, Pascal Lamy said Ethiopia delivered its trade policy to WTO a few weeks ago. He said the policy, which was well designed, would be distributed among WTO Member countries after being translated into various languages. Pointing out that least developed country like Ethiopia, Lamy said as being member of the WTO, would not be obliged to open their market for global market, Ethiopia is supposed to open its market only to certain and selected products during transition.

Least developed countries would be treated in a special way, he said adding that they would not be treated like developed countries. He said after it becomes a member of WTO, Ethiopia would have an easy market outlet in all members' countries. Amy said if the country encounters unfair trade, it would be provided protection according to regulations of the organization.

He said WTO would support Ethiopia its efforts to join WTO."This Director General had met and held discussions with Prime Minister Meles Zenawi on the subject at various occasions. Meles said during the discussion held with Lamy that Ethiopia is committed to join WTO with an intention of enhancing development.

According to Trade and Industry Minister Girma Birru, who attended the talks between the two officials, the document Ethiopia presented to WTO would be distributed among member countries. He said consecutive negotiation would be held with WTO based on ideas to be proposed by member countries. Irma said the conclusion of the negotiation would help developing countries such as Ethiopia has a significant importance.

Source: Ethiopia News Agency, Addis Ababa, 15 January 2007.

Farm bill divides lawmakers, President Bush

Lawmakers begin work on a new multibillion-dollar farm bill at odds with President Bush over whether big changes really are needed. The two sides are far apart. Just how far, farmers saw for themselves during the American Farm Bureau Federation's recent meeting in Salt Lake City. "I think the bill could look a lot like what we have now. What I think we're going to end up doing, you could say, is extending the farm bill," Rep. Collin Peterson, D-Minn., chairman of the House Agriculture Committee, told farmers.

Contrast that with Bush's agriculture secretary, Mike Johanns, who said at the meeting that farm programs need an overhaul. "I will be the first to argue that the 2002 farm bill was good policy for its time," Johanns said. "But the agricultural and economic realities that influenced the development of the '02 farm bill _ they simply don't exist."

The farm bill _ really a series of federal programs _ gives farmers payments and other help to supplement their incomes, support crop prices and manage supplies. Near \$18 billion in public money was spent on these programs last year. The current farm bill, written in 2002, expires at the end of this year. Congress and the administration disagree mightily on what the new farm bill should look like. Which side is closer to the wishes of Farm Bureau, the biggest general-interest agriculture group? Right now, probably the House Agriculture Committee chairman, said Bob Stallman, the organization's president. Johanns advocated massive changes, Stallman said. "That, frankly, is not what our delegates are saying," he said. Not that farmers are in lock step. Illinois delegate Dale Hadden wants changes in farm programs and liked what Johanns said. With the Illinois River just a few miles from Hadden's corn and soybean fields, he ships most of his crop to the Gulf Coast to be exported. "If we're going to be a player in international trade markets, we need to be sure we don't run into a lot of problems," Hadden said.

Among the disagreements are: Trade. The U.S. and other rich countries are under pressure from around the world to reduce their farm subsidies. Conflict over the issue led to the collapse last summer of World Trade Organization talks. Without an agreement, American farmers face high tariffs and other barriers when they sell crops abroad _ and they export a big chunk of their products. Against this backdrop, Johanns has pushed for change as U.S. farm programs themselves come under fire. The WTO, in a case brought by Brazil, has ruled that some cotton subsidies are illegal. Canada is pursuing a complaint

about U.S. corn subsidies. "Now of course the temptation may be to say to the WTO, 'You know what, folks? Take a hike,'" Johanns told farmers. "Now, surely there are people in this room who grow rice," he said. "Fifty percent of the rice that you grow goes into the international market. Do you want us to ignore the WTO and jeopardize that market?" Some farmers do want to ignore the trade issue. Johanns drew a smattering of unexpected applause at the idea of telling the WTO to take a hike.

Peterson, too, is disinclined to worry too much about the WTO. "I want to write a farm bill that's good for agriculture," he said. "If somebody wants to sue us, we've got a lot of lawyers in Washington."

Cost: There probably will be fewer dollars for farm programs when Congress writes the latest bill. The Democratic-run Congress is insisting on budget cuts to pay for new spending, and Bush has pledged to balance the budget in five years.

Johanns seems to be preparing lawmakers to do more with less. High subsidies, he told Farm Bureau members, do not necessarily equal a strong farm economy. At the same time, Peterson argues against reducing farm spending. That is a tough sell because the farm bill has cost billions of dollars less than lawmakers thought it would. Peterson says agriculture somehow should be credited for wise spending. "We feel like we've done our part," Peterson said. "I'm not going to say this is going to be easy, but we feel like we're going to be able to get the resources." Peterson also wants to include a permanent disaster aid program in the farm bill; Congress has considered drought and hurricane aid separately. But Farm Bureau delegates voted against such a program because they worried it could take money away from other farm spending. Payment limits: Johanns favours ending practices that allow some growers to collect millions of dollars annually above the \$350,000 limit on payments. He has broad support in Congress except from Southerners, who would feel limits more keenly because their cotton and rice crops cost more to grow and get higher subsidies.

Peterson said a farm bill cannot pass without support from Southern lawmakers. "I'm not interested in putting our agriculture friends in the South in trouble. They've got enough problems," he said.

Source: Associated Press, Farm Bureau, Washington, 15 January 2007.

Philips seeks WTO help in CD-ROMs patent dispute with Taiwan

Philips will file a formal request to the European Commission to seek a ruling from the World Trade Organisation in a patent dispute with Taiwan government, sources close to the company told the Financial Times. The Dutch electronics group's complaint focuses on the governments' decision to grant a compulsory licence to local company Giga Storage to produce and sell CD-ROMs using patents held by Philips. The move reflects growing discontent among foreign businesses with the island's attitude towards protecting intellectual property rights, the newspaper noted.

Source: AFX News Limited, London, 15 January 2007.

French trade view irks Mandelson

Peter Mandelson has accused France of being "needlessly defensive" over farm subsidy cuts as he and other officials try to revive global trade talks.

The EU trade chief also called on France to ensure global trade reform did not become a "political football" ahead of April's presidential election. Differences over a range of issues have left global trade talks stalled and time is running out for a deal in 2007. Business groups say failure to secure a deal could have far-reaching effects.

Political pressure

Mr Mandelson's comments follow his meeting with French Prime Minister Dominique de Villepin last week, talks which he had previously described as constructive. Paris opposes more concessions on farming subsidies over and above the 39% cut in trade support proposed by the European Union in 2005. Trade ministers from the EU, US and leading developing countries are hoping to kick-start talks when they meet in the Swiss resort of Davos later this month. Mr Mandelson said he was "optimistic" that fresh momentum could be built but expressed concerns about France's negotiating position. "France's position is hard, needlessly defensive, because the EU is in a strong position at the World Trade Organization," he told French newspaper Les Echos. Experts expect little movement from Paris ahead of April's election, with the farming constituency remaining a powerful voice in domestic politics. Negotiators hope to secure a global trade treaty - concluding what is known as the Doha trade round - this year, before the US government's mandate for considering it on a fast-track basis expires. Business groups say failure to do this could have "grave" consequences.

In a statement, a body representing business groups in Europe, the US, Japan, India, China, Brazil, South Korea, Australia and Canada, said this could result in "increased regionalism and protectionism, shocks in financial markets and the loss of an opportunity to catalyze domestic economic reform".

Separately, the EU has said it hopes to conclude a free trade agreement with Gulf states in the near future. Any deal with the Gulf Cooperation Council, comprising Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain and Oman, would include measures to boost trade and investment and protection for intellectual property rights. It would also cover cooperation over human rights and immigration.

Mr Mandelson said he hoped discussions opening the way for an agreement would begin next month. Talks first started as long ago as 1990 but have been on the back-burner for several years as the Gulf States developed their own customs union.

Source: Associated Press, Paris, 15 January 2007.

Islamabad plans to move WTO on basmati rice issue

A new dispute between India and Pakistan appears to be brewing with Islamabad planning to move the WTO against New Delhi over the intellectual property rights of basmati rice.

A legal case would be filed in the World Trade Organisation under the Geographical Indication Law of the Trade Related Intellectual Property Rights, a media report said here Saturday quoting a senior official of the Agriculture Ministry.

Significantly, the report appeared on the day External Affairs Minister Pranab Mukherjee came here to discuss resolution of various issues like Jammu and Kashmir, terrorism and Siachen. "We have held many futile discussions with India over the past many months. Now we have no other option but to fight our case at the WTO to secure the geographical indication (GI) for basmati," the unidentified official was quoted by the "Dawn" newspaper as saying. A formal decision was yet to be taken in this regard, he said. Talks between Pakistan and India to agree to the joint registration of basmati rice in the European Union markets have failed to deliver, mainly due to strong opposition from the stakeholders and India's unanimous move of registering the super basmati in the global market under its own GI, it said.

An official said the talks for joint registration had failed because the Pakistani basmati growers and exporters had rejected the idea of joint registration with India unanimously and had warned of dire consequences for the Pakistani exports. According to the EU, basmati is originally being produced in the areas of Punjab on both sides of Pakistan and India. Traditionally both the countries have inherited rights over the basmati therefore it should be registered in EU market under a joint GI. After putting this condition, both Pakistan and India agreed to carry talks on the joint registration issue, which led to nowhere.

Trade and commerce officials of both the countries had agreed last year to form a joint working group on the issue of joint registration in the EU markets, which consider basmati as the joint heritage of both the South Asian countries under Geographical Indication (GI) Law of the WTO.

This will be the second dispute over patenting to be initiated by Pakistan against India. Earlier, Islamabad reportedly filed a case in Chennai court contesting New Delhi's patenting rights over Pashmina shawls, saying that it was also being produced in Pakistan occupied Kashmir

Source: PTI, Islamabad, 14 January 2007.

NZ apple growers mull WTO action

New Zealand apple growers say they will not challenge conditions imposed by Biosecurity Australia on future imports of apples, but they might take the issue to the World Trade Organisation.

Pipfruit New Zealand had until yesterday to appeal against the conditions, which the group considers too stringent to make any export to Australia viable. Pip fruit's chairman, Ian Palmer, says there have been discussions at ministerial level about an attempt to involve the WTO in loosening the regulations. He says any decision on a delegation to the WTO will not be made until March at the earliest.

Meanwhile, apple growers in Australia did appeal against the Biosecurity Australia decision to allow New Zealand apples into Australia.

An independent panel in Australia has 45 days to assess the appeal.

Source: New Zealand News Agency, 16 January 2007.

G-33 slams World Bank paper, says WTO talks could be affected

India, China and other developing countries forming the G-33 group have criticised a World Bank paper on special farm products and warned that it could have adverse consequences for global trade talks in the WTO.

The G-33, comprising 46 developing countries, has said the paper was "fundamentally flawed" in its assumptions and methodology, ignored the reality of the agrarian structures in most developing countries and misinterpreted the impact of Special Products (SPs). "The G-33 Group of countries (including India), which is pushing for SPs in WTO agriculture negotiations, has cautioned such a misleading paper could have adverse consequences for Doha Round negotiations in WTO," an official statement said.

The World Bank paper, authored by Maros Ivanic and Will Martin, had said that creation of a category of special products at WTO talks on agriculture would increase prices and increase poverty. Further, it said that the increase in prices could be so large that it would undo decades of development progress and push the already poor deeper into poverty.

Developing countries have been pushing for Special Products on which they would not have to reduce tariffs. This is meant to protect their domestic subsistence farmers. "The G-33 had conveyed to the World Bank that there would be a serious reputation risk for the World Bank in promoting such a paper," the statement said.

The initial draft paper titled 'Potential Implications of Agricultural Special Products for Poverty in Low-Income Countries' was presented to the World Bank President in October 2006. The paper was later revised by the authors.

Source: PTI, New Delhi, 12 January 2007.

Subsidized loans to Airbus violate trade rules,

European governments have provided more than \$15 billion in subsidized loans to Airbus SAS, helping put two U.S. aircraft makers out of business, costing thousands of American jobs and cutting into the profits of Boeing Co., the U.S. trade office said.

In a 282-page legal filing to the World Trade Organization, the U.S. Trade Representative's office said those subsidies violate global trade rules. Worse, Airbus' recent difficulties make it likely the governments will double or triple aid to the company's most recent aircraft, the A350, said the filing, which was made public Friday.

The filing triggers a September deadline for a WTO panel to make a decision about aircraft subsidies. The WTO agreed in 2005 to investigate billions of dollars of development aid to Airbus and Chicago-based Boeing after the European Union and the U.S. claimed that each other's aid to the world's biggest commercial airplane makers is illegal.

Boeing's 787, to be introduced in 2008, has benefited from a combined \$5 billion in assistance, according to the EU. Lockheed Martin Corp. and McDonnell Douglas Corp. had made large civilian aircraft before leaving that business.

Source: Bloomberg News, Geneva, 13 January 2007.

33 asks World Bank to tweak ‘flawed’ paper on special products

The World Bank has come under a torrent of criticism from the G-33 group, comprising India and 45 other developing countries, for its paper, which called for raising agricultural prices substantially through special products (SPs) Agriculture products which will have minimum or no tariff cuts. The World Bank has said special products would increase the poverty level sufficient in some cases to undo development progress and push the already poor into deep poverty.

The G-33, which is pushing for SPs in WTO agriculture negotiations, has cautioned that such a misleading paper could have adverse consequences for the Doha Round negotiations in the WTO. The G-33 has repeatedly explained that the aim of SPs is not to raise prices of qualifying products over an extended period of time. Rather, SPs are a flexibility intended to enable developing countries to address externally generated shocks that could disrupt incomes and food security, particularly for low income and resource poor agricultural producers. The World Bank’s initial draft paper was authored by Maros Ivanic and Will Martin.

The G-33 pointed out that the paper was fundamentally flawed in its assumptions and methodology. It ignored the reality of prevailing agrarian structures in developing countries and misinterpreted the proposed operation and impact of SPs. The G-33 had conveyed to the World Bank that there would be a serious reputation risk for the Bank in promoting such a paper which had inferences on the basis of “unwarranted assumptions”. The G-33 has urged the Bank to substantially modify this paper.

The paper makes a sweeping generalisation that if poverty is to be successfully reduced, there is a need for caution in using the flexibility provided by SPs. This is despite the fact that the G-33 critique had clearly mentioned that the product coverage in the study was very narrow and its scope was confined to only four countries, and that the situations which were sought to be simulated were completely arbitrary.

The G-33 has pointed out that the Ivanic-Martin paper ignores the reality of price declines, price volatility and predatory competition, including dumping of heavily subsidized products, which raises the risk levels of developing countries without providing an adequate safety mechanism or flexibility to deal with the adverse impacts of trade policy changes for their vulnerable agricultural sectors.

Source: Financial News, New Delhi, 12 January 2007.

Pakistan Takes Disputes with EU to WTO

Pakistan has decided to file a case with the WTO Dispute Settlement Committee in Geneva against EU's Generalised System of Preferences (GSP) Plus scheme and the bloc's investigation into the dumping of bed linen. "Cases are ready in Geneva right now and the government of Pakistan is going to move ahead," Federal Minister for Commerce Humayun Akhtar said while talking to the media men after chairing the second meeting of the Steering Committee of Expo-2007 at the Trade Development Authority on Friday.

He said that countries situated in the same region with similar conditions are being treated differently in GSP plus criteria of the EU. "I am hopeful the WTO Settlement Committee would decide the case in favour of Pakistan," Humayun Akhtar said. Pakistan was removed from the GSP plus scheme as the EU places it in the most competitive countries category and the EU states charge 12 per cent regular duty on Pakistani bed linen, besides 7.6 per cent anti-dumping duty.

It may be noted that the European Commission had imposed 13.1 per cent anti-dumping duty in January 2004. However, last year the EU reduced anti-dumping duty to 7.6 per cent from 13.1.

The EU is the largest export market for Pakistani bed linen and additional duty on the pretext of dumping makes Pakistani products costlier in the EU markets as compared to other regional countries, which ultimately dent the country's exports. Humayun Akhtar said that Free Trade Agreements with Malaysia and Singapore would be signed during the first half of current calendar year.

Earlier, he reviewed the progress of seven committees constituted to hold Expo 2007 exhibition to be held at the Expo Centre Karachi from March 29 to April 1, 2007. He said that the Trade Development Authority of Pakistan (TDAP) would strictly follow PEPPRA rules and selection of event manager would be done on merit basis. However Steering Committee meeting culminated without making consensus over name of Event Manager Company. Replying a query he said government did not receive any complain from exporters regarding withholding of rice by Kenyan Government so far and government could not take suo motto action on the basis of media reports however he said that government would look into the matter when it would consider that East African countries were using non tariff barriers against Pakistani rice.

He optimistically said that export target for fiscal 2006-07 would be achieved and maintained that exports increased by 5 percent during first half of this fiscal as compared to corresponding period of the last year. He expressed satisfaction over 9 percent increase

of imports during July - December 2006, and pointed out that country's imports were increased by 53 percent during the same period of last financial year. He said government would take necessary measures in order to reduce cost of doing business and giving level playing field to local exporters in order to bolster them against regional competitors including China, India, Bangladesh and Vietnam. He dispelled the impression that US was going to provide GSP facility to Pakistan and said that textile and apparel were not included in the GSP scheme of the US. Earlier Minister was told that buyers' profiles had been sent to trade missions to seek recommendation of top quality buyers. Members of Steering Committee on Expo 2007 also unanimously decided that business class travelling facility to be provided only important people and participants must be given payment through cross cheques. Secretary TDAP Naveed Arif proposed to book 500 rooms for foreign guests. Meeting also decided to allocate Rs110 million from EMDD for the expenditures of exhibition. Next meeting of Steering Committee to be held on February 13 2007 after TDAP's first Board meeting on January 19, 2007.

Source: Financial Times, Karachi, 15 January 2007.

German EU Presidency To Push For Continuation Of Doha Round,

It emerged last week that German Minister of Economics and Technology, Michael Glos and EU Trade Commissioner, Peter Mandelson met for a bilateral discussion in Berlin on the sidelines of the joint session of the German Cabinet and the European Commission. Their exchange focused on the continuation of the World Trade Organisation's ongoing Doha round of negotiations, which Glos stated is a priority for the German EU Presidency.

In his meeting with Mandelson, Glos emphasized that: "In removing trade barriers, the multilateral trading system has priority for me. The German EU Presidency is prepared to work actively toward the continuation of negotiations and also to seek dialogue with other important WTO partners."

According to the German Economics Minister, it is now necessary for all WTO negotiating partners to show political leadership and the willingness to compromise. He observed that: "I see positive signals from President Bush for a willingness of the United States to work toward a conclusion of negotiations and hope that this will soon be bolstered by concrete proposals. I assured Commissioner Mandelson as the EU's negotiating leader of my full support." We have to use the window of time available in weeks ahead and together with other important negotiating partners such as the United States, India, and Brazil lay the foundations for a successful and expeditious conclusion of the Doha Round." The global trade talks collapsed acrimoniously last July.

Source: LawAndTax-News.com, Brussels 15 January 2007

Global business groups warn that world trade talks failure could hurt economy

Business groups from Europe, North and South America and Asia warned on Monday that failure to restart world trade talks this spring could damage the current trading system and trigger shocks to financial markets.

"The costs of failure are diverse and grave," said the 19 industry lobbies. "A failed round could lead to challenges to the World Trade Organization and a strong multilateral rules-based trade system; increased regionalism and protectionism; shocks in financial markets and the loss of an opportunity to catalyze domestic economic reform," they said.

They called on negotiators from key WTO nations to return to talks immediately and show more flexibility. Ministers from the WTO's most influential powers will meet in Davos, Switzerland, next week to make their first joint attempt at reviving the negotiations since talks broke down last year in a row over U.S. and EU farm subsidies.

They face a narrow window of opportunity before the U.S. mandate to strike a deal expires and it sets out a farm bill this spring that fixes its spending in the near future. The business groups said their countries represent around 60 percent of world trade, citing World Bank estimates that full liberalization of trade in goods and agriculture could generate up to US\$287 billion (€223 billion), with developing countries gaining about one third of this. Opening up the services market could increase that five-fold, they said.

The statement was signed by major business groups from Europe, the U.S., Japan, China, India, Korea, Brazil, Australia and Canada.

Source: Associated Press, Brussels, 16 January 2007.

US garment quota lifted; concerns remain

Though US quotas imposed on Vietnamese garments were eliminated on Thursday after the country became an official World Trade Organisation (WTO) member, but manufacturers still have serious trade concerns. Garment exports will be subject to a monitoring system that could curb shipments to the US via anti-dumping measures.

Deputy Minister of Trade Le Danh Vinh says the Government is absolutely opposed to US's unilateral move, while large American apparel importers have also expressed concern. The system is aimed primarily at detecting unfair trade practices. As a result of potential anti-dumping measures, US importers may cut orders, especially in the third quarter to avoid any Government-enforced price adjustments or regulations. Officials will look at the quantity and price of Vietnamese garments every month and compare the figures to a third country used as a basis. US authorities will meet twice a year to determine if anti-dumping measures are necessary.

Local experts warn that monitoring threatens Viet Nam's five best selling garment categories: shirts, trousers, swimming wear, pyjamas and sweaters. The Viet Nam Textile and Apparel Association (Vitas) has already taken steps to promote self-regulation. Vitas conducted a survey on 218 clothing companies to formulate solutions to control garment exports. Almost all of Vitas' members agreed that the Ministry of Trade should tighten controls on granting certificates of origin and controlling prices on exports in a bid to avoid anti-dumping conflicts with the US. Vietnam shipped US\$2.2 billion worth of clothes to the US last year out of a total \$5.8 billion.

Quotas dropped

The quota system was officially dropped when the US Committee for the Implementation of Textile Agreements (CITA) sent a directive to customs officials on Thursday outlining the new policy. According to the directive, exports from Viet Nam shipped prior to January 10 will still be subject to quota and visa requirements.

Source: Vietnam News, Hanoi 15 January 2007.

Nevis set to revive cotton production

Agriculture officials on Nevis are optimistic that the revival of cotton production on Nevis will bring large monetary returns for the island.

Dr Kelvin Daly, Director of Agriculture in the Nevis Island Administration, said in an interview with the Department of Information on Thursday that a Japanese interest had indicated its willingness to pay US\$8 per pound of Sea Island cotton lint. “We will be producing cotton strictly for the export market. The wholesalers who came to us are the largest users of Sea Island cotton in the world. Co-operative West Indian Sea Island Cotton Japan Project visited us and they met with the Minister of Agriculture Hon. Roberto Hector, the Permanent Secretary Mr Pearlivan Wilkin, the Deputy Director Mr Keighley Amory and myself and their interest is quite vast. They are looking for any quantity of a container load. So we are looking to produce at least 100,000 pounds of lint,” he said. According to Daly, Nevis had produced cotton for the export market in the past but production was phased out due to the lack of manpower and the high cost associated with production. Notwithstanding, he encouraged farmers who had been involved with cotton production in the past to consider replanting cotton to take advantage of the lucrative market the crop offered Nevis. Daly said the Department was pleased so far with the intense interest that the prospects of cotton production had generated among farmers, many of whom had verbally indicated their intention to begin planting once the seeds became available later this year.

He explained that the Department of Agriculture had planned to be in contact with the seed suppliers by the end of January to have the seeds on Nevis well ahead of the planned August planting schedule. Government’s preparations for cotton cultivation are already in motion and according to Daly, approximately 30 acres of land had been cleared at Indian Castle, with an additional 30 acres to be cleared at New River. With the first harvest expected by mid 2008, the Agriculture Official said the Department had also factored in the extent of the manpower necessary for the labour intensive cotton picking. “The harvest will be so large that most likely we will be employing persons on the side also and I promise them a fair price for their labour. I know in the past people were getting next to nothing for it but we will pay a fair price for picking the cotton...” “The gin is operating, it has been dormant because there has not been cotton to gin but it is quite operative with little maintenance it can be up and running in a few weeks so we are looking forward to that,” he said.

According to Daly, the Department would phase out onion production which was labour intensive with little returns and replace it with cotton cultivation, though also labour intensive but with much better returns. With the expectation of a bright future in cotton cultivation for the farmers of Nevis, Daly said it was an exciting time for the development of Agriculture on the island and described the venture as a new and bold one into the massive production of cotton. He is of the view that persons would be pleasantly surprised of how wonderful the experience would be for the island.

Source: Caribbean Net News, Charlestown, Nevis, 15 January 2007.

Western Agriculture shift hold key to talks.

With the deadlock in WTO talks continuing, any positive indication by major trading partners is seen as a flicker of hope for breaking the impasse.

The meeting between EU trade commissioner Peter Mandelson and US trade representative Susan Schwab in Washington last week did generate some hope. The meeting was followed by a joint statement by Mandelson and Japanese Prime Minister Akira Amari calling for an early resumption of stalled talks. Mandelson flew to Paris last Thursday to brief French Prime Minister Dominique de Villipin and his Cabinet colleagues about discussions he had with Schwab and Amari. Schwab flew to Geneva to discuss with WTO director-general Pascal Lamy on last Friday. These major negotiators, however, did not yield any significant result. "India is closely watching the developments," a senior official in the commerce ministry said adding "we are waiting for developed countries committing to make substantial cuts in their farm subsidies".

According to some experts, these recent developments may prompt Lamy to take India's help for breaking the deadlock when he visits the country this week for a CII partnership summit in Bangalore. Other experts expect some developments on the sidelines of the World Economic Forum in Davos. Moreover, there is likely to be a meeting in New Delhi in March which will be attended by several ministers from key nations.

Mandelson after meeting the French Prime Minister assured that EU would not take any unilateral decision. France is a strong defender of European farm interests and, with polls ahead in that country, it seems unlikely that the EU would be able to offer any substantial cuts in its farm subsidy.

Also, public gestures of the USTR, Susan Schwab has invited opposition from Democrats who are now in a majority in the Congress. While all these developments are taking place, a Washington-based think tank, Carnegie Endowment for International Peace said that "a mutually beneficial solution to the problem is still not in sight." Delhi-based CUTS-International is also of the view that talks can proceed if the US offers to cut its farm subsidies.

In a study entitled Breaking the Doha Deadlock : Congress Could Play a Pivotal Role' the Carnegie Endowment said it was counterproductive for the US to insist on terms that could lower the income of poor farmers in developing countries, by displacing their production or causing prices to drop for the commodities they produce. The US should not insist developing countries to reduce their tariff. It should accept G-33 proposal on special products, with additional clarifications to ensure that flexibility is used to achieve agrarian development and poverty alleviation in the developing world.

The study also said the US could benefit through exports only if farm income levels continues to rise in the developing countries.

Carnegie Endowment study severely criticised the inequitable, distorted and very expensive set of US policies, serving the interests of the few against the majority in the country and urged the Congress for a sober revision of the US policy in the Farm Bill, 2007.

The EU has indicated that it is prepared to give market access to the developing world by effecting an average tariff cut by 50%. A revision in the US proposal in the farm sector would enable it to make new agreements at WTO that can open up its opportunities for its manufacturing and services sector, the study said.

Source: Associated Press, Washington, 15 January 2007

Global foreign direct investment continues to surge in 2006: UNCTAD

Global foreign direct investment continued to surge in 2006, rising by 34.3 percent over the previous year to 1.23 trillion dollars, according to projections by the UN trade and development agency.

The buoyant private investment and takeover market reflected strong economic growth in many parts of the world and increased corporate profits, the UN Conference on Trade and Development said in a statement. The growth in FDI inflows was especially strong in European nations and the United States, as developed economies attracted the lion's share of investment with 800.7 billion dollars, an increase of 47.7 percent over 2005.

UNCTAD predicted that a combination of forecast slower economic growth in 2007, as well as sharp exchange rate fluctuations and rising interest rates could lead to a slowdown in the fast growth in FDI experienced in recent years, especially in the traditional economic powers. The preliminary data indicated that United States retook its position of the largest host for FDI in the world last year with a 78.2 percent increase to 177.3 billion dollars.

Britain was second in UNCTAD's FDI table with 169.8 billion dollars, while other traditional European Union industrial powerhouses experienced stronger growth in foreign investment than the new eastern European member states. FDI inflows into France grew by 39 percent over the year to 88.4 billion dollars, and in Italy by 50.2 percent to 30 billion dollars. Other regions of the world continued to draw Foreign Direct Investment, according to the UNCTAD data, although there were sharp tail-offs in some major emerging economies.

Inflows to mainland China eased in 2006 with a decline of 3.3 percent to 70 billion dollars. FDI into South Korea plummeted by 92.6 percent to 500 million dollars, and by 62.9 percent in Indonesia to 2.0 billion dollars. South Africa also failed to maintain its status with foreign investors, attracting inflows of 3.7 billion dollars, a drop of 42.7 percent, despite a continued trend for growth in Africa as a whole. However, India, with an annual increase of 44.4 percent in inflows to 9.5 billion dollars mainly in manufacturing, Thailand (7.9 billion dollars/114.7 percent) and Hong Kong (41.4 billion dollars/15.4 percent) continued to register steady growth.

Turkey also maintained its three year run of success with foreign investors by attracting 76.3 percent more FDI (17.1 billion dollars) in 2006. UNCTAD underlined the growing role of China and India as new sources of investment worldwide, challenging the recent dominance of Asia's newly industrializing economies. The UNCTAD figures on 76 economies were based on projections from data available at the beginning of November 2006.

Source: AFP, Geneva, 15 January 2007

SA may play role in Canada-US trade

In A move analysts say could help restart stalled world trade negotiations, Canada has taken the US to the World Trade Organisation (WTO) over trade-distorting maize subsidies. The case could have significant implications for SA. Industry players believe SA, as a major maize producer and exporter, would be eager to join Canada as a third party in the case. The Canadian government said last week it had requested consultations with the US at the WTO on the almost \$9bn in subsidies the US gives to maize growers every year. It is also challenging the total level of US agricultural support.

Global trade negotiations have stalled over the contentious issue of farm subsidies. SA's chief trade negotiator at the WTO, Xavier Carim, said SA had never before joined such a case as a third party, though it was something the trade and industry department would consider. "We only got word of this now and have not made a decision yet," Carim said. He said adjudication was still a long way off as the matter would go through a consultative process first and between 60 and 90 days' notice would have to be given if Canada pressed ahead.

US maize subsidies have completely suppressed global maize prices and Canada said it was taking the action to push for a level playing field. "Canada is concerned that these US subsidies continue to cause economic harm to our corn farmers," Canadian Agriculture Minister Chuck Strahl said last Tuesday. Last year, the US produced 41% of the world's maize production and made 68% of global maize exports. Farming industry analyses had shown, however, that US maize exports would cease without subsidies and that world prices would increase 7%, benefiting maize-producing countries by about \$4bn a year, said Hilton Zunckel, a senior trade adviser with Floor Inc Attorneys. Canada said it would try to resolve the matter through dialogue, but if that failed it would ask the WTO to appoint a dispute settlement panel to adjudicate. The subsidy Canada wants to attack is a massive \$9bn — five times the value of SA's annual maize crop. Agricultural subsidies have been at the heart of world trade negotiations and were the main reason for the breakdown of the Doha round of trade talks at the end of July last year. "If the case does not go their way, there will be immense political pressure on the US to reform subsidies," said Zunckel.

The case against maize subsidies will add to the general pressure on the US to reform its stance on agricultural subsidies and could bring that country to return to the negotiating table with concessions on subsidies. Canada's request is well timed, with the US preparing to rewrite its Farm Bill this year. This is the legislation that creates its subsidy policy. "The US has been providing subsidies to its agricultural producers that create unfair market advantages. "We hope to see the US live up to its WTO obligations, particularly given that it has the opportunity to do so when it rewrites its Farm Bill this year," said Canadian International Trade Minister David Emerson. Grain SA has

welcomed the action being taken by Canada. “Anything anyone tries to do to reduce agricultural subsidies is fantastic news and we will support that. “It is high time that someone launches this kind of economic attack on the US and the EU (European Union),” said Nico Hawkins, a senior economist at Grain SA.

Grain SA is at odds with government over its elimination of maize tariffs over December. However, Hawkins said government and the private sector were on the same side over the issue of agricultural subsidies and that Grain SA would ask government to join as a third party if Canada’s case against the US went to arbitration.

It had been anticipated that litigation would increase in the absence of progress on a meaningful reduction in agricultural subsidies, he said, noting that action would increase pressure on the US to reform its policies.

Source: All Africa, Johannesburg, 14 January 2007

Globalization Has Increased the Wealth Gap

Nobel Prize-Winning Economist Joseph Stiglitz Talks about what's gone wrong with Globalisation.

Globalization was meant to be the great equalizer. Goods would flow easily across borders. Standards of living in poor countries would be raised. Governments would become more stable. Instead it has brought citizen protests, greater economic disparities between first- and third-world nations, and a complex trade regime that may well benefit only the richest in richest countries. What went wrong?

In his new book, "Making Globalization Work," Nobel-prize winning economist Joseph Stiglitz argues that the special interests of governments, corporations, and international organizations like the IMF and the World Bank have thrown globalization off its proper path. But he doesn't stop there. He offers a practical vision for making globalization the equalizing force he believes it was always meant to be.

Joseph Stiglitz, University Professor at Columbia University, was chairman of the Council of Economic Advisers during the Clinton administration and later chief economist and senior vice president of the World Bank. His book, "Globalization and Its Discontents," was translated into 35 languages and has sold more than 1 million copies worldwide.

Why did you become an economist?

JS: Like one of the first Nobel-prize winners and one of the greatest economists of the 20th century, Paul Samuelson, I grew up in Gary, Indiana. When you grow up seeing the problems of the economy -- problems of poverty, discrimination, unemployment -- it's hard not to want to do something about them.

But why did you decide that an economist was someone who could do that?

JS: Well, maybe that was optimistic ... but it was always my hope that if I could understand the nature of the problems, maybe I could make them better.

In layperson's terms, what were you awarded the Nobel for?

JS: For 200 years or more, economists have constructed models to analyze the economy, under the assumption that there was perfect information. Not that they really believed there was perfect information, but they didn't know how to analyze markets where information was imperfect, at least not with the precision of the mathematical models that were fashionable.

I figured out how to do this in a rigorous way, focusing particularly on the problem of "asymmetric information." That just means when one person knows something that others don't, which, of course, is the way everything is in the real world. The startling result was that a world with imperfect or asymmetric information was very, very different from a world of perfect information.

Anyone who's bought a used car, anyone who's bought a house, probably anyone who's bought a salami, knows that people have differing amounts of information, and more or less accurate information. The fact that such an unrealistic assumption was embedded in economics for hundreds of years is a very strange thing.

JS: I thought so too. And it had some very strange implications. For instance, it implied that there was no such thing as unemployment. Now, remember, I had entered the field of economics because I wanted to understand unemployment. Yet the standard models I was taught as a graduate student implied that the problem I was interested in didn't exist.

How did you end up becoming interested and identified with the problems of globalization?

JS: I was always interested in the problems of developing countries, the poorest of the poor. Just out of graduate school, I was asked by the Rockefeller Foundation to go to newly independent Kenya and help them think about their economic policies. That experience gave me an enormous number of ideas that have influenced my thinking for the rest of my life.

Later, the major turning point came in 1996, when, after winning a second term, President Clinton asked me to stay on as a member of his cabinet and his economic adviser. At the same time I was approached by the World Bank to become its chief economist. I thought long and hard about it. At that point America was doing very well, and I finally decided that the real economic challenges of the world were in the very poor countries. Moving to the World Bank brought me into the center of an entirely new set of problems.

That led to your book, "Globalization and Its Discontents". Although you've written a book on fair trade in the interim, this new book is really the next big development, isn't it?

JS: That's right. My earlier book focused very particularly on the two major international institutions, the IMF and the World Bank. They help govern the international financial institutions and help direct how development occurs. In the United States we don't

typically pay much attention to these institutions. But if you lived in a developing country, you would understand the power they have over your government to dictate economic policies, and how often the policies that they dictate are misguided.

That first book was directed at the discontent that these institutions had generated. My new book broadens the issue to take in a much wider set of problems. "Making Globalization Work" begins by saying that globalization isn't working in some very important ways. It tries to diagnose what went wrong and, on the basis of the diagnosis, to figure out how we can make it work better.

You write, "This book is as much about how politics has been used to shape the economic system as it is about economics itself. Economists believe incentives matter. There are strong incentives -- and enormous opportunities -- to shape political processes and the economic system in ways that generate profits for some at the expense of the many." Not news to a lot of us, but can you say a few words about that?

JS: One of the themes of the book is that economic globalization has outpaced political globalization. Because we are more interdependent, there's a greater need to take collective action and work together. But our political institutions and our mindsets have not really kept pace. We do have certain international political institutions, but they are very removed from democratic processes.

The World Trade Organization and the like --?

JS: Exactly. There's been a heavy engagement in these institutions by the multinational corporations who know how to shape the policies in ways that benefit themselves.

The WTO was basically created by them, wasn't it?

JS: Not really. The idea that you would have a rule of law in international trade is a very old idea, and actually ...

-- not the notion perhaps, but it's always seemed to me that the system of secret tribunals, for instance, in which a corporation is basically able to take a government to court, was set up to serve the multinationals.

JS: Very much so. But I want to point out that this is not inherent in globalization. The idea that a rule of law would govern international trade relations is a very important idea that many idealists thought was good. Back in the '20s one of the factors that contributed to the Great Recession was a series of trade wars, and one of the ideas behind the establishment of the WTO was to try to prevent that from ever happening again.

But you're exactly right; the agenda got seized. In the book I talk about how in the last round, patents and intellectual property rights got shoved into the WTO. The result was that access to generic medicines was reduced, forcing poor countries to pay very high

prices that they cannot afford. That agreement, signed in Marrakesh in 1994, was in effect a death warrant for thousands and thousands of people in sub-Saharan Africa.

And as folks like Vandana Shiva point out, it has led to "bio-piracy," the patenting by corporations of things which were native to certain cultures for millennia.

JS: One of the most amusing ones I talk about is the patent on basmati rice, or on the medicinal use of turmeric. In the latter case it was actually an Indian doctor working in America that took out the patent. These are examples of what I call an unbalanced intellectual property regime. Interestingly, I was on the Council of Economic Advisers at the time, and in the office of science and technology policy, we thought these intellectual property provisions were not good for even the United States. They weren't good for science in America or for global science, and we opposed them. But in the end the drug companies and the entertainment industry prevailed.

Tell me if I'm wrong, but since 1999, very little has actually been agreed to ... ?

JS: The problem is, as you suggested, that Europe and the United States have both reneged on the commitment that they made in Dohar, November 2001, to remedy the problems of the past. There's been some progress on the particular issue of access to drugs. But that progress has been undone by the United States in a large number of bilateral trade agreements. These are not done at the WTO but country by country.

If a multinational's agreements within the WTO don't play out as planned, then they switch to bilateral ones, right?

JS: Exactly, and there the imbalance of power is even greater than in the multilateral context. So the United States is making agreements with small countries like Qatar or Chile. The good news is that none of them have involved a significant fraction of global trade. But for the people of these particular countries, these agreements have potentially been a disaster.

I was having dinner the other night with one of the main trade negotiators of the Morocco agreement. He was opposed to it, and pointed out it was hardly a negotiation. The United States made demands, which Morocco had to either accept or reject. Morocco was hopeful that signing it would at least lead to a burst of new growth, but it hasn't. All it did was reduce access to AIDS medicines.

Changing subjects, what is your take on the potential economic crisis facing the United States at this time -- the enormous amount of debt we carry as households and as a nation, our trade and budget deficits, the extent to which we're in hock to China and a few other countries? Some of your peers, Paul Krugman among them, are alarmed, but it seems under the radar to most Americans. How serious do you think this is, and if you have to guess, how do you think it's going to play out?

JS: I'm very strongly in agreement with Paul Krugman's analysis. I think we are in a precarious position. We might be lucky and wander our way through this mess. There is a significant probability, however, that global interest rates could rise. If that happened, households with a large amount of debt would find it very difficult to meet their mortgage payments, and home prices would go down, which would lead to a reduction in consumption. Last year Americans consumed more than their income, something that is obviously not sustainable. The only way they could get away with it was by taking out money from their houses. But if home prices go down, they won't be able to do that any more. So there is a significant risk of a large economic slowdown. And government, by piling on so much debt and having such a large deficit, does not have much room to maneuver.

In terms of housing, an awful lot of people bought or refinanced with innovative mortgages over the last few years. Some of their five-year balloon payments or rate changes are going to happen in 2007.

JS: That's what I'm worrying about too. When it comes to refinance, if interest rates are high, they're going to be in a difficult squeeze. They could almost pray for a global slowdown to keep interest rates low, but that's not good for the American economy either.

Though some numbers say the economy is healthy, growth has not been shared, and it has been propped up by the housing and mortgage market. I saw a study the other day that said, housing, pharmaceuticals and healthcare are the only things that have been growing.

JS: I would emphasize that the growth is not widely shared. The income of the median American household -- half the people are richer, half are poorer -- is lower today than it was five years ago. More broadly, for 30 years people at the bottom have seen their real wages not only stagnate but actually fall. Part of that has to do with globalization, but only part of it.

Let's return to globalization. What are some of the key issues for which you prescribe solutions?

JS: On the issue of health, access to medicines and intellectual property, one of the proposals we put forward here is a medical price fund. Right now the developing countries have to pay high prices and get essentially nothing for it. The drug companies spend more on advertising and marketing than they do on research. More on research for lifestyle drugs than lifesaving drugs, and almost nothing on lifesaving drugs for malaria and other diseases of tropical countries.

When your primary objective is shareholder value and short-term profit, these decisions make sense.

JS: Exactly, but if your concern were the diseases that are causing enormous losses of life and productivity, that's not necessarily where you'd direct your research.

How would you solve that?

JS: By offering a prize for innovations that lead to vaccines or cures for diseases that affect lots of people in very serious ways.

In other words, an incentive beyond the profit motive?

JS: We wind up paying the drug companies one way or another. We pay through Medicare or Medicaid, but under the current monopoly system, the drugs are only made available at very high prices. Under this alternative system, first you provide the incentives to do the research. Then you use market competition to make these things as available as possible at as low a price as possible.

You're not only saying globalization is not the problem, but also that market forces are not the problem. It's really comes down to their wise use.

JS: Exactly. The primary lesson of economics is that incentives are important. Markets don't always provide the right incentives, so in those cases you have to reshape them.

It also sounds like it's about timing -- an incentive that rewards controlling the drug for its lifetime versus meaningful incentives that reward discovery and licensing.

JS: Exactly, it makes a lot more sense to have the incentive linked to the discovery rather than to driving up the price and spending all this money on marketing.

Finally, how would you deal with the enormous power of multinational corporations?

JS: Corporations have brought forth many of the benefits of globalization, and I should make clear that there have been benefits. Some of the countries of the world, China and India, for example, have been growing very rapidly. China's been growing at 9.7 percent for 30 years, India for over 5 percent for a quarter of a century. Millions of people have moved out of poverty as a result.

Corporations have been an important vehicle for the transfer of technology and access to global markets that have improved the lives of people in these countries. The corporations also are a source of a lot of the problems. When they take natural resources out of countries, they often leave environmental devastation behind. They're often associated with bribing governments and contributing to corruption.

Here again, one of the simple ideas is to try to make incentives work better. Right now the only incentive for corporations is the bottom line, and that means if bribing a

government official will get the natural resource at a lower price, that's what they're going to do.

I could argue that political forces also have to have the right incentives. There needs to be more understanding of these issues and more citizen engagement, in order to put pressure on our government officials to do the right thing. Because it will take government action to alter the incentives structures corporations face.

Source: AlterNet, January 15, 2007