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

WTO powers fail to make breakthrough

The United States, Europe and other major powers made only a vague commitment yesterday to liberalize global trade, despite encouragement from leaders attending the World Economic Forum. The nearly 30 countries that met on the sidelines of the forum to discuss the lack of progress in the World Trade Organization talks "expressed a strong wish for a quick resumption" of negotiations, but stopped short of making improved offers to break a six-month deadlock.

British Prime Minister Tony Blair told the forum later that he and other leaders were hopeful a trade breakthrough would still come. "I think it is now more likely than not, though by no means certain, that we will reach a deal within the next few months," Blair said. "There is a re-ignition of political energy and drive, and an increased recognition of the dire consequences of failure." Blair said he also saw prospects for progress in combating global warming because of a "quantum shift" in U.S. opinion, citing President Bush's State of the Union address and steps by states like California to reduce emissions.

But he said China and India also must commit to controlling emissions of greenhouse gases. If Britain stopped emissions entirely by shutting down the country, the growth in China's use of fossil fuels would make up the difference in just two years, he said. The WTO meeting in the Swiss Alps was the first joint attempt by trade and foreign ministers at reviving the talks since efforts to clear barriers to trade in farm goods and manufactured products acrimoniously collapsed in July. The U.S. and the EU publicly blamed each other for the failure and both clashed with leading developing countries India and Brazil over slashing subsidies and cutting tariffs, particularly in the agricultural sector. "There will need to be a new U.S. offer on farm subsidies. There will need to be a new EU offer on tariffs. There will need to be a new offer from India and Brazil on manufactured goods," WTO Director-General Pascal Lamy said.

Lamy could not predict when negotiators might again be ready to take up the hard numbers of a new trade deal.

Source: Associated Press, Davos, 28 January 2007

Ministers Agree to Resume Talks, Blair Upbeat

Major powers agreed on Saturday to resume global free trade talks, suspended six months ago because of deep divisions, and British Prime Minister Tony Blair said a deal was now "more likely than not. "Trade ministers from around 30 countries expressed optimism too but said big hurdles remain in the way of a deal to settle the long-troubled World Trade Organisation (WTO) negotiations. WTO chief Pascal Lamy said ministers concluded the moment was ripe to get back to "full-negotiating mode" after the United States, the European Union and other key members reported some progress in recent bilateral talks. "I believe we are back in business," EU Trade Commissioner Peter Mandelson said on the fringes of the annual World Economic Forum gathering in the Alpine resort of Davos, where the trade ministers wrapped up four days of talks with a broad meeting.

Launched in 2001 to calm the world economy after the September 11 attacks and to ease poverty, the so-called Doha round all but collapsed last July over politically sensitive farm trade. Now the EU, the United States and other trade powers such as Japan and Brazil, have indicated they may be ready to make some of the concessions that Lamy has said are key to a breakthrough. Business groups around the world have also stepped up calls on governments to reach an accord. A deal requires Washington to make deeper cuts to farm subsidies, the EU and some leading developing country importers, such as India, to accept lower farm tariffs and for developing countries as a whole to slash industrial duties.

The top negotiators of the United States, the EU, Brazil and possibly other countries were due to meet in Geneva, where the WTO is based, on Monday to discuss the talks, officials said. I emerge from these meetings with a real sense of optimism but also sense of realism about all the work ahead of us," U.S. Trade Representative Susan Schwab told reporters in Davos.

She said the focus now on how specific farm products would be treated, as opposed to top-line numbers on which countries have disagreed, could help build a deal by giving the United States a clearer idea of what it had to gain. But it is not clear just how far the U.S. administration can go in offering further cuts to a farm subsidy system that was created in the Depression and costs some \$20 billion a year. Brussels is also under pressure from France, where presidential elections are looming, and other big EU agricultural states not to give more ground over tariff cuts. The EU's Mandelson, who says the U.S. demands for tariff cuts in agriculture are too high, warned that striving for the perfect deal, rather than a good one, could kill the talks. "I think it is now more likely than not, though by no means certain, that we will reach a deal within the next few months," Blair said in Davos. "Countries are moving closer together; there is a reignition of political energy and drive and an increased recognition of the dire consequences of failure." The WTO chief says what has already been agreed in five years of negotiations amounts to more liberalisation and opening of trade than anything achieved in multilateral talks before. Not only would this be lost, but the global trading system could suffer a crisis of confidence if Doha became the first trade round to fail, he and other leading officials have warned. Brazil would be flexible if the United States and Europe

confirmed "big signals" on reforming farm trade, its Foreign Minister Celso Amorim said. "My impression is that they have leeway to move," he told journalists, referring to U.S. farm subsidies. "I see a positive disposition, but if they will come as far as we need that still has to be seen."

He said there could be a breakthrough by early April, followed possibly by definitive numbers by the end of June. The round risks years of further delay or collapse due to the June 30 expiry of U.S. President George W. Bush's fast-track powers to approve trade deals. Negotiators hope that if there is an outline of a deal soon, the Democrat-controlled U.S. Congress might put party politics aside and grant an extension of those powers. Without them, negotiating becomes impossible.

Source: Reuters, Davos, 28 January 2007

Online Gambling: WTO backs Antigua over US

The United States government has shown a chink in their armor during their war against online gambling. On Friday they admitted that the WTO had ruled against them in the most recent stage of their long standing dispute with Antigua.

Gretchen Hamel, a spokeswoman for the US Trade Representative at the WTO, said the interim report "did not agree with the United States that we had taken the necessary steps to comply".

Antigua's representative Mark Mendel said "America's prohibition in the provision of gambling services from other countries violates the US commitments to the WTO". The US government considers online gambling to be illegal, however they have created loop holes that exclude horse racing and various state lotteries. Antigua accused the United States of protectionism against international online gambling companies.

Antigua is a small Caribbean island that is home to several online gambling companies. Antigua successfully argued their case, in front of the WTO, that the United States government allows online gambling on horse racing, but unfairly forbids international companies from competing in their market. The final ruling on the case is expected in March 2007. Once the final ruling is disclosed, Antigua will be able to introduce sanctions although the US still has the right to appeal.

Legal & Trade Experts do not believe that Antiguan sanctions will help to drive change in US policies regarding online gambling, however the European Union could take up the cause. If the EU gets involved, Washington will begin to listen more intently out of fear of being sanctioned by larger trading partners.

One lucky benefactor of the ruling could be David Carruthers. Carruthers, the former CEO of BetonSports PLC, is currently on house arrest awaiting trial in a Missouri Federal Court on money laundering and tax evasion charges stemming from his duties with BetonSports. BetonSports was licensed by Antigua as an online gambling operator. Carruthers, a British Citizen, was arrested in the Dallas/Fort Worth airport while on a layover between Costa Rica and the UK back in July 2006.

The Carruthers arrest was one incident that clearly showed the US had no intention of complying with the WTO ruling. Since then, the online gambling industry has been under constant siege by the US Government. In the middle of the night, the Republican led congress tacked legislation banning online gambling financial transactions to a "MUST PASS" Port Security Bill. In November, the President signed UIGEA (Unlawful Internet Gambling Enforcement Act of 2006) into law. UIGEA bars financial institutions from knowingly allowing online gambling financial transactions.

The most recent blow in the US government's war on online gambling came this month when the Canadian founders of NETeller were arrested on tax evasion and money

laundering charges. NETeller's e-wallet money transfer solution was widely used by operators to take in deposits and process withdraws requests. The arrests triggered a ripple effect with other companies such as Citadel Commerce leaving the US market out of fear of indictment. Many within the online gambling industry are hoping that the WTO ruling will help pave the way for regulation in the \$15 Billion dollar US market. The big question is: When will the United States realize that prohibition does not work?

Source: Point-Spreads News, 28 January 2007

The WTO and Lula's struggle for the G-20

Brazilian Foreign Minister Celso Amorin, the president of the G-20 (the group of 21 "developing" countries formed to defend their agricultural interests in international trade talks) told the press late last year that he would fight at all costs to restore credibility to the World Trade Organization (WTO). This "struggle" has become necessary following the collapse last year of the Doha round of negotiations on trade liberalization begun in Cancun in 2003. No concrete results were obtained out of this round after years of negotiations.

The G-20 nations organized within the WTO to defend their common interests in the face of the predominance of the United States and the European Union. It includes countries with strong agro-export sectors, such as Brazil, India, Mexico, Egypt, China and South Africa. The G-20's principal objective is to achieve reform in world agricultural trade policies, reducing the subsidies and incentives granted to agricultural production in the US and the import tariffs imposed by the European Union.

In the recent negotiations, the G-20 managed to wrest from the EU and the US a relative concession: the approval of a series of restrictions on the practice of commercial dumping. Nonetheless, in practice, this concession is being ignored and has produced nothing. As these two major blocks the US and the EU do not accept these restrictions, the WTO runs the risk of falling into terminal crisis and disappearing. Together with the breakdown of the WTO would come the breakdown of multilateral negotiations and the growth of protectionism through bilateral agreements, in which the will of those countries with the greatest political, economic and military power will be imposed with even greater ease.

Source: Reuters, Geneva, 26 January 2007.

Use the system, SA lawyer urges as he joins top WTO dispute-settlement body

Well-known South African advocate David Unterhalter, who was sworn in last year as the seventh member of the World Trade Organisation's (WTO's) Appellate Body, is convinced that a rule-based dispute-settlement system is exceedingly more advantageous to developing countries than one that relies purely on diplomatic channels. He, therefore, contends that, despite their many misgivings about the WTO, smaller countries should engage actively with its institutions and, in so doing, learn how to gain advantage through its dispute-settlement processes.

Unterhalter was nominated for membership of the Geneva-based institution's highest adjudication authority following the sudden death, early last year, of John Lockhart, an Australian, who had served on the Appellate Body since December 2001. He was sworn in on September 28, with AV Ganesan, of India, who is also the chairperson of the Appellate Body, administering the declaration – the other members are Georges Abi-Saab, of Egypt, Luiz Olavo Baptista, of Brazil, Merit Janow, of the US, Giorgio Sacerdoti, of Italy, and Yasuhei Taniguchi, of Japan.

Unterhalter's inclusion means that two Africans will, for the first time, sit on the body simultaneously, while he is also the first appointee from a sub-Saharan African country. His term will run for four years, but is likely to be renewed for a further four years, as is the norm with such appointments.

Speaking to Engineering News exclusively, Unterhalter, who will sit to hear his first case during the first quarter of 2007, asserts that it is critical to encourage countries with fewer resources into the system. "The success of major countries is their ability to use the multilateral institutions to their advantage. We should not be in a situation where we can't equally participate. That is true not only of South Africa, but developing countries more generally," he avers. Unterhalter's nomination, made by the South African government and confirmed by all the members of the organisation, also reasserts South Africa's now well-established commitment to multilateralism, in general, and the multilateral trading system specifically a commitment that, at times, has been criticised as naïve by its African and developing-country peers. But it also indicates that the country continues to "punch above its weight" within the WTO, a trajectory established during the Marrakech Agreement to establish the WTO and consolidated by former Trade and Industry Minister, and now Public Enterprises Minister, Alec Erwin, who, at one point, was tipped to take over as the WTO's director-general. Pascal Lamy, who is attempting to navigate the organisation through the tumultuous Doha Development Agenda of trade negotiations, eventually filled that position.

Recognising South Africa's somewhat special affinity to the WTO, Unterhalter argues that the country could play a key role within sub-Saharan Africa as a resources point, by placing its weight, resources, vision and expertise at the disposal of the region in a way that is supportive of increased engagement with its systems. "From my perspective, I am committed to assisting in every way possible to develop regional expertise and then encourage people to use the system," Unterhalter asserts. He suggests a multi-level

approach, from developing courses at universities to upgrading the trade-law competences of the governments within the Southern African Development Community (SADC), through to bolstering the trade-related institutions of the SADC itself. “If there is one thing we could do that would make a huge difference to Africa, it is to develop an economic community within the continent, or at least at a sub-regional level. The problems of the distortions of trade and the relative weaknesses of developing countries is compounded by the fact that developing countries, among one another, have some of the highest trade barriers, and there is an enormous possibility of developing trade within the region and, ultimately across sub-Saharan Africa,” Unterhalter argues, adding that not nearly enough strides have been made toward intraregional trade liberalisation.

The Doha Round and the Appellate Body

On whether the challenges currently confronting the world-trade negotiators under the so called Doha Round will affect the WTO and its institutions, Unterhalter is cautiously optimistic.

He argues that failure to conclude the round will, no doubt, knock the “prestige” of the multilateral trading system, but adds that it is unlikely to be a “knock-out blow”. “Ultimately, my belief is that there is no substitute for a multilateral trading system as there are just some things that are not achievable through bilateral trading systems, and the institutions of the WTO are well entrenched and well respected and most members would agree that the world economy would be much worse off without the WTO.” Nonetheless, Unterhalter expects increased case flow regardless of the outcome of the trade-round negotiations. “The one view is that, if the round is not successfully concluded, there could be more litigation as countries look back to the agreements and say, ‘We can’t make progress in trade negotiations, so we now have to go back to a process of dispute to clarify our positions’. “The other view is that, if there was a successful trade round, then a whole fresh range of issues would arise, requiring dispute settlement. So, I think, dispute settlement will continue to be a fundamental feature of the WTO. “And, frankly, it has been one of the most successful features of the WTO, because to have a successful operating system of rule-based settlement is fundamental to the integrity of the system,” he avers.

But the prestigious appointment also means that Unterhalter will have to tailor his South African practice to the demands arising from Geneva. In fact, there are clear time-defined parameters in which the Appellate Body operates, which means its cases have to take precedence. “It works out that a good deal of preparation on the cases can be done at home and then I spend spurts of two to three weeks in Geneva. So it does not require a relocation to Geneva, but just a slightly peripatetic lifestyle,” the 48-year-old Unterhalter quips. He is, thus, optimistic about prospects of continuing an active, if somewhat rescaled, practice in South Africa. Hitherto, that practice has seen him advising and acting on behalf of clients in a large number of cases, with a notable recent case being the one where he acted for Harmony and DRD Gold in an excessive pricing action brought against Mittal Steel South Africa and Macsteel International. Educated at the University of the Witwatersrand and University College, Oxford, he was also Professor of Law at

the University of the Witwatersrand since 1998 and, from 2000 to 2006, was a director of the Mandela Institute, which focuses on competition law, international trade, environmental law, telecommunications, international tax law, humanitarian law and human rights law. But what are his personal ambitions arising from the WTO appointment? “What I would hope, personally, to have achieved at the end of my time in Geneva is that I have left some kind of mark on the jurisprudence of the WTO, which I can be proud of and, hopefully, South Africa can be proud of too.”

Source: Associated Press, Johannesburg, 26 January 2007

India's Drug Crossroads

On Monday the pharmaceutical company Novartis will bring an action against the Indian government in the High Court in Chennai, claiming that it should have been granted a patent for its drug Glivec.

The company will argue that Section 3d of the Indian Patent Act of 2005, under which it was refused the patent, is unconstitutional because the Indian government had agreed to abide by a World Trade Organization patent agreement. Novartis wants the section of the law repealed and its patent approved.

If you were to believe the international medical journals and press, you would think that an American-backed pharmaceutical company is leading an assault on India designed to prevent the poorest from receiving life-saving drugs. The Lancet, a respected medical journal, recently editorialized in favour of a campaign "defending the legal rights of the world's poorest people to access the essential medicines they need." The journal lauded the campaigners who are "calling for the rules of Trade Related Aspects of Intellectual Property ... a binding World Trade Organisation agreement, to be upheld and are targeting the pharmaceutical industry and the US Government."

As the Lancet views it, "Novartis is taking the Indian Government to court over its decision last year not to grant a patent for the cancer drug. ... The patent was rejected under ... legislation that India implemented 2 years ago. Section 3 (d) stipulates that patents should only be granted on medicines that are truly new and innovative but Novartis is challenging this rule."

Source: Financial News, New Delhi, 26 January 2007.

WTO: Nations must deal on trade

World Trade Organization Director-General Pascal Lamy said Tuesday that he would leave it to WTO member nations to compromise on a new global trade deal that aims to open up the world economy and lift millions of the world's poorest out of poverty.

Talks were suspended last summer as two rich regions the United States and the European Union and powerful emerging economies like Brazil and India fought over farm Subsidies. These players are now signalling that they are ready to talk as they meet with other key players this weekend in Davos, Switzerland, to see if they can push ahead with a deal intended to give more opportunities to developing nations. Time is running out as U.S. negotiators lose their right to strike a deal this summer and must go to Congress to ask for a new mandate. "The window of opportunity is rather small," Lamy said, adding that he believed the slim chance of making progress would close this spring.

But he rejected trying to kick-start talks himself by drafting his own compromise, saying such an aggressive option would be like performing "heavy surgery" on a very ill patient. "If the patient will be dead tomorrow maybe then the option of heavy surgery imposes itself," Lamy told a conference organized by the European Policy Centre think tank. "Thank God the patient is not yet in a final state."

Striking a deal on what has already been agreed could see trade flows increase by two or three times more than the last world trade pact liberalized trade, he said. But no deal sees these hopes evaporate, he said, adding it also would damage trust in the ability of global organizations to make changes and push back protectionism.

Lamy called for all countries to make concessions. EU Trade Commissioner Peter Mandelson said the EU was prepared to move but only if others did so, too. But he was upbeat that progress could be made, saying a meeting with U.S. President George W. Bush earlier this month had convinced him that Bush "seems now personally to be strongly behind a deal." "I am more hopeful of a successful outcome after a period of uncertainty following the suspension of negotiations last July," he said.

Source: Associated Press, Brussels, 24 January 2007.

WTO Complaint against U.S. Corn Grows

The European Union, Australia, Argentina and Brazil have joined Canada in a complaint against the United States over what they claim are illegal government handouts to American corn growers, trade officials said Monday.

The request for consultations, filed by the four trading powers and others at the Geneva-based World Trade Organization, threatens a major commercial dispute at a time when global free trade talks remain stalled over agricultural tariffs and subsidies and the U.S. begins debating a new multibillion-dollar farm bill. Under WTO rules, a three-month consultation period is required before a country can ask the trade body to launch a formal investigation. A WTO case can result in punitive sanctions being authorized, but panels take many months, and sometimes years, to reach a decision.

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

Hugueneu said any country's large subsidy program concerns Brazil as a major agriculture exporter. Sean Spicer, a spokesman for U.S. Trade Representative Susan Schwab, declined to comment on the countries joining the complaint. The office, however, was critical of Canada's action earlier this month. "Corn prices have increased significantly in both the United States and in Canada. In addition, U.S. corn exports to Canada have declined in the last year," Gretchen Hamel, a USTR spokeswoman, said at the time. "Given the dramatic improvement in the market over the past year, we're surprised that Canada believes that our corn programs are now causing harm in breach of WTO rules." The WTO, in a case brought by Brazil, already has ruled that some cotton subsidies are illegal and the administration of U.S. President George W. Bush has been coming under pressure to reform a number of its farm support programs. "Many of the issues in Canada's complaint we have also complained about concerning U.S. cotton programs," said Hugueneu in a telephone interview from Geneva.

Canada's complaint over U.S. corn support also challenged whether the billions of dollars in overall farm subsidies paid out by the U.S. government comply with international commerce rules. It argued that U.S. subsidy levels for a number of years on farm products including wheat, sugar and soybeans were illegal and urged Washington to address its concerns when drafting the farm bill that will set out American agricultural support programs for the next five years.

The U.S. says it has offered cuts as part of the WTO's global free trade talks, but others have called the pledges largely artificial, addressing only permitted levels of government subsidies and failing to cut what Washington actually gives to its farmers. With the so-called Doha round of talks stalled following an acrimonious collapse in July, it is unclear whether the new farm bill will change significantly from its current form. The United

States is the world's largest producer and exporter of corn, accounting for more than 40 percent of global production and nearly 60 percent of all exports in 2004-2005, according to the U.S. Grains Council.

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

Source: Reuters, Davos, 26 January 2007

France fighting corner on WTO talks

France is damaging attempts by the EU and US to create a positive climate for relaunching the stalled world trade liberalisation talks, known as the WTO's Doha round. According to French daily Le Monde, French trade minister Christine Legarde went to Brussels yesterday (23 January) to try and persuade trade commissioner Peter Mandelson not to make any concessions that would result in disunity in the bloc. Paris' move comes as Mr Mandelson and his team have intensified contacts with their American counterparts to get the talks moving again.

The negotiations on reducing global barriers to trade were suspended in July last year mainly after disagreements between Brussels and Washington over how to protect their own farmers. While no deal is imminent, the different parties in the talks, including Brazil and India, want to use the Davos economic forum in Switzerland later this week to sketch out a possible roadmap for getting discussions back on track. But France, although it is in the throes of a presidential campaign with elections less than three months away, is keeping a watchful eye on the situation, particularly to make sure that Europe does not make any offers it considers too generous. Before departing to Brussels, Mrs Legarde told Le Monde that it is always the Europeans "who make the first steps and formulate the best offers" with Paris apparently incensed by a mooted compromise with the Americans that would see a 54% reduction in EU agricultural tariffs and a cap at \$17 billion on the most competition-distorting of aid to American farmers.

For its part Paris is sticking by a November 2005 European Commission proposal that would see an average 39% reduction in tariffs on farm produce. It has also been briefing against the likely success of the Doha Round with the trade minister recently saying that she is "not especially optimistic" about a deal being completed adding "my gut feeling is that there is too much to swallow." Much will also depend on the current EU presidency, Germany, which has indicated it wants to see the talks revitalised with Chancellor Merkel raising the issue with US president George W. Bush at a bilateral meeting at the beginning of January.

Meanwhile, WTO head Pascal Lamy expressed confidence about the talks at a European Policy Centre talk in Brussels yesterday.

However he refused to be drawn on his native France. Asked if he expected the French election to have an effect on the Doha Round, he said it was up to Mr Mandelson to try and secure a majority vote backing for any deal. "I know that for the EU [trade] commissioner having a qualified majority [among member states] is crucial, because there is no way that you can push a deal without a qualified majority. How he cooks up this majority, is not for me to say," Mr Lamy said.

Apparently referring to the anti-globalisation sentiment expressed in some quarters in France, he urged Europe to "harness globalisation." He suggested that politicians who spread a vision against globalisation are "treading" on the feet of democracy.

Source: Le Monde, Paris, 24 January 2007

WTO Director-General Prompts Members To Come Up With Own Compromise

The World Trade Organization Director-General Pascal Lamy said Tuesday that the member-nations of the WTO would need to come up with their own compromise in order to put forward a new world trade deal.

Lamy said that if he were to draft a deal himself, it would be like performing surgery on a very sick patient. Lamy told reporters over a breakfast conference in Brussels, Belgium, "I thank god the patient is not yet in a final state." However, the director-general said the window of opportunity to restart talks was "rather small." Since last July, the U.S., the European Union and other leading trade giants were involved in a dispute over farm subsidies.

In the meantime, African delegates exchanged perspectives with their Indian counterparts at the Indian Institute of Foreign Trade in New Delhi. Ministers from 26 African nations including Libya, Kenya, Nigeria, and Zimbabwe convened for the gathering.

The officials listened to an Indian view on WTO issues varying from anti-dumping to safeguards to a trade defence mechanism to the hotly-debated issue of farm subsidies.

John Bosco Rujagaata Suuza, a senior state attorney in Uganda said, "For the first time, most of us are looking at issues from a developing country's perspective. India and Africa share the same concerns and we now have an idea of what happens in actual practice and during negotiations."

Rakesh Mohan Joshi, professor at the IIFT told the Economic Times, "The WTO agreement is skewed and we have similar views. So, it is important to network with similar thinking countries. It is in our interest and theirs to cooperate with each other in WTO negotiations."

The move to update African officials on WTO issues was put forward by the Kenyan ambassador. "A lot of developing countries are still groping in the dark about WTO issues and do not have policies in place. They are not aware of on going negotiations like trade defence mechanism and anti-dumping issues. Many of the African countries are also into a lot of RTAs but are unaware of the implications," said Vijaya Katti, director of IIFT.

Source: AHN, New Delhi, 24 January 2007.

2 Piracy Cases Test Readiness for WTO

As Russia seeks to overcome the last hurdles to joining the World Trade Organization, authorities are prosecuting two intellectual property cases involving Microsoft products that could set important precedents in the country's fight against piracy. The first focuses on the director of a disc-making plant near Moscow, while the other one deals with the head of a village school in the Perm region that has been caught using counterfeit software.

And while Viktor Zudenkov, the plant director, is unlikely to garner much sympathy, Alexander Ponosov, the school director in the village of Sepych, has already secured support from the Federal Press and Mass Media Agency. By law, both men face the same penalty: up to five years in prison. Violation of intellectual property rights has long been a sore point in Russia's relations with the United States, which has pressed hard for a crackdown on piracy.

In November, the United States finally signed a bilateral deal on Russia's WTO accession. Zudenkov, experts say, is the first director to actually be prosecuted after his disc plant was discovered to be churning out counterfeit software, while Ponosov's case highlights the need to take a closer look at the software used in schools and other public facilities across the country. "Nobody knows what's going on inside computer labs," Ponosov said Tuesday by telephone from Sepych, referring to school premises in general. The pirated software was already installed on 12 new computers when the school opened in summer 2005, Ponosov said. He said he first learned the school had been using the counterfeit Microsoft Windows and Office software during an inspection of the school by local prosecutors on May 22, 2006. Ponosov said that he asked prosecutors for a delay before handing over the hard drives, citing the school's need for the computers during the final exams. He promised to keep the software intact as evidence. On May 30, prosecutors opened a criminal case against him. Ponosov insisted that he was not guilty of any crime, and that his only fault was that he should have checked the software when the school opened.

Alexander Troyanov, the lead prosecutor in the case, said that after the inspection Ponosov issued a memo to staff banning the use of the pirated software, but the computers continued to be used even though other, older computers were available. The Sepych school was not an isolated case, Troyanov said, as last year seven cases linked to intellectual property rights violation were started in the Vereshchagino district, where Sepych is situated. "I now have to explain myself before reporters," he said. "All are equal before the law here." Troyanov said he received a telegram Tuesday from the Federal Press and Mass Media Agency offering to support the school director and pay an estimated 266,000 rubles (\$10,000) in damages for the use of the pirated programs. "They should have spent that money on buying licensed school software, so that children wouldn't be taught to violate the law and obtain knowledge at the expense of Microsoft," Troyanov said.

On Monday, the agency said the Ponosov prosecution was inappropriate. "The village school teacher can hardly be considered the country's chief intellectual pirate," agency chief Mikhail Seslavinsky said in a statement. "If we start punishing [software] users with the full force of the law, half the country's population, including law enforcement employees, could end up in prison." Ilya Kleiman, an official at the Perm region branch of the Education and Science Ministry, agreed with Seslavinsky, saying 90 percent of the country's enterprises used unlicensed software. "They've found a scapegoat in that village school," he said. He added, however, that after the Sepych school case, his office started advising schools in the region to check their software. Although in theory Ponosov faces the same punishment as Zudenkov, Troyanov said Ponosov would most likely get away with a fine of about 3,000 rubles (\$110). Vera Barakina, a judge overseeing Ponosov's case, said two hearings had already taken place and that a third was scheduled for Jan. 29. It was the first intellectual property case in her six years in the job, she said. Microsoft appears reluctant to press charges against Ponosov. Alexei Potapov, the company's representative in the Volga Federal District, said by telephone from Yekaterinburg that it would welcome an out-of-court settlement and was working with Potapov's lawyer.

In the case of Zudenkov, however, Microsoft is taking a hard line. The company is pressing charges against him and the plant, Yunitekhnoplast, located in the Moscow region town of Lobnya, and will seek damages of about 1.8 billion rubles (\$70 million), said Alexander Strakh, a lawyer for the company. "There's a big difference between a director of a plant making counterfeit discs and a school director," Strakh said. When reached by telephone Tuesday, Zudenkov refused to comment. Disc-copying equipment, three mother discs and about 375 copies were found at the plant during a raid in November 2005, Strakh said. A first court hearing took place Monday and the next is scheduled for Feb. 26. Anna Lavrinova, deputy director at the Non-Commercial Partnership of Software Suppliers, welcomed the prosecution of the Yunitekhnoplast director, saying it was the first case against a plant boss to go to court. Lavrinova said the school director might also be guilty of a crime. "He probably neglected something," she said. Overall, the situation was improving, she said, adding that between 2004 and 2006 her organization had trained more than 2,000 police officers to detect and fight computer piracy.

In Sepych, Ponosov said he hoped to avoid being punished for what he described as other people's actions. But if there was anything he had learned from the case, he said, it was that from now on he would be checking all the software. "I'm smarter now," he said.

Source: Moscow News Agency, 26 January 2007.

Caricom and central America to sign cooperative agreement

SICA should press Ecuador to withdraw WTO complaint

Caricom (Caribbean countries) and SICA (Central American countries) will sign a bilateral cooperation agreement during the coming top meeting in Belize on January 29 and 30. The collaboration will be directed to humanitarian matters, health care and living conditions, according to Caricom general secretary, Edwin Carrington. Subjects that will also receive attention are fighting poverty, environment, natural disasters, foreign affairs, commercial cooperation, fighting crime, security, anticorruption, air transportation and tourism. One elementary issue on the Caricom agenda is to request SICA to put pressure on Ecuador, to withdraw its WTO complaint in the dispute with the EU about banana imports.

The members of Caricom are Antigua-Barbuda, Barbados, Bahamas, Belize, Dominica, Granada, Guyana, Haiti, Jamaica, Santa Lucia, San Kitts and Nevis, San Vincent and the Grenadines, Surinam, Trinidad and Tobago, and the British colony of Montserrat.

SICA is formed by Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama, the Dominican Republic and Belize.

Source: Fresh plaza News, Tholen 23 January 2007

EU and US shorten differences in Agricultural negotiations

The World Economic Forum in Davos (Switzerland) could be the scenario to conform a joint position from the US and the EU related to the Doha Round. The Financial Times quotes that high placed government representatives are given mutual concessions that "are already causing rifts in Europe and alarm in the US farm lobby". The draft of a deal could have a tariff cut from the EU of approximately 54%, conditioned to a reduction of US subsidies to a ceiling of US\$ 17 bn (€13.1 bn).

At the EU, France resists to any deeper change as assured the Ministry of Agriculture last week. The German Presidency at the EU could move the balance in favour of the EU Commission since Germany has been historically the rational behind French expectations in the agricultural sector. However, current bilateral relations are quite problematic and can stall further negotiations at the multilateral level. The opposition in the US could be of higher dimensions if the new Democratic leadership of Congress doesn't renew Bush's trade promotion authority (which expires in six months).

These two players (EU and US) are conditioned too to further moves of the largest developing countries (India and Brazil) which are thought to give tariff cuts in the industrial sector and shorter subsidies to domestic agriculture. Perhaps, Davos will give the next move to developing countries.

Source: Fresh plaza News, Tholen, 23 January 2007.

WTO talks begin in Davos tomorrow

Frozen world trade talks will be warmed up and tackled again in the Swiss mountains this week amid hopes that leading negotiators can narrow some of their differences in the rarefied atmosphere of Davos.

The United States, the European Union and emerging countries Brazil and India will hold talks on the sidelines of the World Economic Forum here tomorrow with a view to relaunching the stalled Doha round of WTO talks. “We are looking for a political signal from this meeting to relaunch negotiations shortly,” said a senior EU official close to European Trade Commissioner Peter Mandelson on Wednesday. The Doha round of World Trade Organisation talks was suspended by WTO Director-General Pascal Lamy last July following five years of acrimonious meetings pitting the EU, the United States and the emerging countries against each other. The round, which aims to break down trade barriers and reduce distorting government subsidies, is deadlocked because of differences between the EU and US on farm issues and discord between rich and poor countries about trade in industrial products and services. The EU official said he was “cautiously optimistic” about the meeting in Davos, but scaled back expectations that a deal might be struck on any of the outstanding issues. “There will not be a breakthrough. That’s certain,” he said. A report in the Financial Times on Monday had claimed that both sides had been discussing the vexed issue of trade in farm products and were on the verge of an agreement. European Agriculture Commissioner Mariann Fischer Boel, speaking in Brussels, also implied that the talks were only a first step and that progress was not a foregone conclusion. “I saw a few newspaper headlines saying that Davos would be crucial for the future of the negotiations,” she said. “It’s always dangerous to create an expectation that is too big if the negotiations do not follow.”

The meeting on tomorrow will include ministers from nearly 30 countries and the Davos forum also includes a public discussion of the issue involving Mandelson, US Trade Representative Susan Schwab, Indian Industry Minister Kamal Nath and Brazilian Foreign Minister Celso Amorim. Schwab said in a statement that she was looking forward “to continuing discussions with trade ministers and exploring ways to build on the progress we have been making over the past few months”. The Davos meeting, which brings together leading political and business figures for four days of talks in the Swiss ski town, is also set to feature bilateral meetings between the leading countries. Some believe the most that can be hoped for is that the WTO’s Lamy reverses his decision to suspend the talks, making the negotiations active again and spurring hopes that a final deal might be reached.

Lamy said that he was also looking for a signal from leading nations of their readiness to begin full-scale talks again. German Chancellor Angela Merkel said that the “positions of the US, EU and emerging countries need to come closer”.

Source: AFP, Davos, 26 January 2007

Africans "just spectators" to WTO talks gridlock

Global trade talks meant to trigger African economic growth depend entirely on rich nations to be revived, Kenya's trade minister said on Thursday.

Mukhisa Kituyi said the World Trade Organization (WTO) drive to lower trade barriers called "the Doha development agenda" for its intended benefits for poor countries had boiled down to wrangling between wealthy parties. "It's supposed to be our round, but we have no role in what is sticking the process right now. We are just spectators," he told Reuters in an interview in Davos, Switzerland, where some 30 trade ministers will meet on Saturday to discuss resuming the WTO negotiations that broke down six months ago.

Speaking on behalf of the African Union, Kituyi said it was up to major powers to unblock the talks, launched in the Qatari capital in 2001. The United States and Europe locked horns in July over agriculture tariff cuts, causing WTO chief Pascal Lamy to officially suspend the talks. "We are not the ones responsible for the stalled process," Kituyi said on the sidelines of a World Economic Forum meeting of more than 2,000 politicians, business leaders and academics. He said Kenya and other African countries would be looking on Saturday for signs that Washington, Brussels and others were willing to bend their positions enough to allow full-fledged negotiations to proceed. "I am not terribly optimistic," he said, referring to U.S. President George W. Bush's soon-expiring trade negotiating powers and political manoeuvring in election year France as possible obstacles to wrapping up the deal.

Source: Reuters, Davos, 26 January 2007.

U.S. faces new loss in Net gambling case

The United States has suffered a new setback in a four-year legal battle with Antigua and Barbuda over U.S. restrictions on Internet gambling, a U.S. trade official said. At issue is an April 2005 World Trade Organization ruling against U.S. prohibitions on online horse-race betting. Since then, the U.S. Congress has passed additional legislation to ban betting over the Internet. Gretchen Hamel, a spokeswoman for the U.S. Trade Representative's office, confirmed Thursday the press reports that a WTO panel "did not agree with the United States that we had taken the necessary steps to comply" with that ruling. At the same time, Hamel downplayed the decision contained in a preliminary, confidential report to the two parties. "The panel's findings issued today involve a narrow issue of federal law" and the United States will have opportunity to submit comments to the WTO before it issues its final, public report in March, Hamel said. The issue is a touchy one for the Bush administration, which supports free trade but whose conservative allies in Congress late last year pushed through a bill to ban most forms of Internet gambling.

Antigua and Barbuda, a Caribbean island nation with few natural resources, has sought to build up an Internet gambling industry to provide jobs to replace those in its declining tourist industry. It argued in a case first brought to the WTO in 2003 that U.S. law barring the placing of bets across states lines by electronic means violated WTO rules.

An April 2005 ruling by the WTO's Appellate Body, which both sides claimed as vindication, focused on the narrower issue of horse racing, saying that foreign betting operators appeared to suffer discrimination. Antigua and Barbuda complained the United States had not complied with the decision. The WTO agreed in July 2006 to look into the matter, resulting in the ruling on Thursday. The United States will decide after the final panel decision ruling in March whether to appeal.

Source: Antigua Post, 26 January 2007

Brazil Willing to Make Compromises to Reach WTO Deal, Lula Says

Brazilian President Luiz Inacio Lula da Silva said he's ready to make the compromises needed to reach a global trade agreement. "Brazil will play its part and make the necessary concessions so the rich countries make their concessions," Lula said today at the annual meeting of the World Economic Forum in Davos, Switzerland. Trade ministers from the U.S., the European Union and two dozen countries ranging from India to Japan meet tomorrow for the first time in six months to try to salvage a global free trade deal worth billions of dollars to the world's economy. World Trade Organization talks have been stalled since July by squabbles over agriculture trade.

French Trade Minister Christine Lagarde said yesterday it's unlikely there will be any kind of "breakthrough" in the talks this week. European Trade Commissioner Peter Mandelson said a breakthrough could happen "in the next couple of months." Lula also said he expects Brazilian interest rates to decline as the nation's economy continues to grow. "There's no magic in economics," he said. "We would not have the success we've had without fiscal responsibility. Rates will go down as we build trust." Brazil's central bank cut the benchmark lending rate Jan. 24 by a quarter percentage point to 13 percent. The central bank has pared the overnight rate at 13 consecutive meetings from 19.75 percent.

Source: Bloomberg, Davos, 26 January 2007

WTO Deal 'Unlikely' in Davos, France's Lagarde Says

French Trade Minister Christine Lagarde said it's unlikely that there will be a "breakthrough" in talks for a global trade agreement this week at the World Economic Forum annual meeting in Davos, Switzerland. "Davos is not Doha and Doha is not Davos," she said in an interview today at the meeting. Davos "is not the place for breakthroughs and it would be unfair to expect a breakthrough. We can't expect a deal."

About 30 trade ministers are meeting informally in Davos this week in an effort to restart the Doha round of the World Trade Organization negotiations that collapsed last July after India, Brazil, the European Union and the U.S. clashed over cuts to rich nations' farm subsidies and border tariffs. Lagarde said the European Union had made concessions and now needs to see offers from the U.S. and others. "Everyone needs to be making concessions," she said. "Concessions are needed in industries and services."

She said there are no French concessions planned at the moment. With the French elections in May this year, various "constituencies need to be taken in account, and as with any other country facing an election, there are sensitivities."

Source: Bloomberg, Davos, 26 January 2007

Will Online Gambling Return?

Don't bet on it, but a WTO decision in favour of tiny Antigua opens the betting window a sliver.

The odds aren't great, but some offshore online gambling firms have a puncher's chance of legally returning to the United States, thanks to the dogged determination of the tiny, twin-island nation of Antigua and Barbuda. The World Trade Organization has reportedly ruled unambiguously in Antigua's favour in a three-year-old case that country filed against the U.S. for free trade violations. The ruling has not been made public yet, but a spokesperson for the U.S. Trade Representative's office has all but confirmed that the decision went against the U.S.

In 2003 Antigua complained that the U.S. government's ban on offshore online casinos and sports books violates the General Agreement on Trades in Services (GATS) treaty since it allows the same activities within its borders (see *Gaming Firms Plan Counterattack*).

And since both countries are signatories to GATS, the U.S., if it abides by the spirit of the ruling, should do one of two things: Either open its market to online gambling firms based in Antigua, or shut down the firms running the same kind of operations in the U.S.

Second Victory

To most observers, the WTO already ruled in Antigua's favour in 2005. But the U.S. government claimed victory anyway. The overly bureaucratic style in which the ruling was written lent itself to multiple interpretations. There's a good chance the U.S. can use the WTO's dense bureaucratise as another clarion call to inaction. The ruling is expected to be made public within a couple of weeks.

In October the Antiguan government amended its complaint to include the Unlawful Internet Gambling Enforcement Act of 2006. The law prohibits financial institutions from transacting funds generated by offshore online gambling (see *Gambling Firms Flee United States*).

This latest WTO decision will reflect that amendment. The U.S. has varied its defence over the years. Initially the Bush Administration said that GATS did not include online gambling. At least that was not the U.S. understanding of the treaty. Since then the U.S. has come up with a "moral" defences. It says online gambling, unlike all the other forms of gambling available in the U.S., does not have adequate protection against minors betting the family house. The Antiguan government and the offshore online gambling industry have indeed come up with techniques to weed out minors armed with their parents' credit cards. But so far that defence has fallen on deaf ears.

Antiguan Sanctions?

In October, a small group of politicians jammed the Unlawful Internet Gambling Enforcement Act of 2006 through as an attachment to a popular port security bill. President Bush soon signed it into law. Antigua is home to 44 online gambling licensees. Seventeen of those are regulated gambling firms. But they have slim hope of a U.S. revival. For Antigua, the WTO decision is likely to be little more than a Pyrrhic victory. It's unlikely the U.S. government will reverse its position or its laws banning offshore online gambling. The U.S. is more likely to ignore the ruling and leave the next move to Antigua. Antigua could impose sanctions against the U.S. But that would hurt Antigua much more than the U.S. Without additional pressure on the U.S. government.

Source: Antigua Post, Antigua, 26 January 2007.

Johanns makes case for overhauling farm bill

Agriculture Secretary Mike Johanns has made no secret he thinks Congress should write a new farm bill when the House and Senate agriculture committees get down to the task later this year.

So it wasn't much of a surprise when he took his case for overhauling the current law to members of the American Farm Bureau Federation and the National Cotton Council, both of which are on record as favouring an extension, in back-to-back speeches to the groups at recent conventions. For openers, Johanns said the setting for the 2007 or 2008 farm bill is totally different than that for the Farm Security and Rural Investment Act that President Bush signed into law in May 2002. "I will be the first to argue that the 2002 farm bill was good policy for its time," Johanns said at the Farm Bureau annual meeting in Salt Lake City. "But the agricultural and economic realities that influenced the development of the 2002 farm bill simply don't exist today."

In 2001, he said, agricultural exports had declined for five straight years and were down to \$50 billion a year. Since then, exports have risen to a record \$68.7 billion (in 2006) and are expected to reach \$77 billion in 2007. Farm cash receipts, meanwhile, have been climbing and are expected to hit \$242 billion in 2006 — \$41 billion more than in 2001. "Clearly, we're seeing a much stronger agricultural industry than we saw five years ago," Johanns said. "Interestingly enough, in fiscal year 2000, we provided the highest subsidy payments on record: \$32 billion, and yet the farm economy was far, far from impressive. "The 2002 farm bill was written for an industry that was far different than that of today. We've had both good yields and strong prices, which have created an increase in revenue. The increase in exports has had a positive impact because we're taking advantage of greater international demand for the products you raise."

Many of the speakers at the farm bill forums USDA held in 2005 were calling for "a straightforward, simple extension" of the current farm bill, "but I don't hear that so much any more," said Johanns, speaking to reporters following his speech at the National Cotton Council's Beltwide Cotton Conferences in New Orleans. He acknowledged that many cotton growers would like to preserve the commodity provisions of the 2002 law in the next farm bill. But he said cotton growers must be wary of farm policies that subject them to even more challenges in the World Trade Organization. "If I'd walked into that room today and said, 'I've been thinking about this, and I've got an idea I'm going to develop policies that will jeopardize 80 percent of your market,' they would be booing me and justifiably so. Eighty percent of their crop goes into the international marketplace. You lose that, and you've just lost cotton in the United States."

Producers of other crops are also having second thoughts about the current farm bill, in part, because they probably will not receive counter-cyclical payments or loan deficiency

payments for their crops in 2006 or 2007. “Prices for those crops are very high, and it’s allowing those farms to produce for the marketplace,” the secretary said. “Since I was that high, I can remember farmers saying they didn’t want to farm for the government but for a price and a profit.” Farm groups also are concerned, and rightly so, about the lower baseline for farm programs a product of the savings from the 2002 farm bill. “If you just simply extend the current farm bill, you have a situation where you simply won’t have as much money compared to 2002,” he noted.

And specialty crop producers, who have not received farm program payments, are saying they want help in the next farm bill. “Now I didn’t have a single one of those farmers come in and ask for a cash subsidy,” he told reporters at the Beltwide. “But they did ask for increased funding for conservation, research, market promotion, phytosanitary/sanitary issues and border issues.”

Johanns said he believes it’s possible to write a farm bill that will withstand WTO challenges like Brazil successfully brought against the U.S. cotton program in 2004 and 2005. “There are many ways to support agriculture,” he noted. “Under WTO rules, direct payments, for example, are not considered market-distorting. In general, if you tie your program to price or production; i.e., you get paid more with more production or if a program kicks in because of a certain price, you’re likely to have a bull’s-eye on your back relative to WTO.” USDA’s farm bill proposals, which he said are about “a month away,” will attempt to address such issues while continuing to provide support for American farmers. “I believe in supporting agriculture,” he told reporters attending the Beltwide. “I think how you do it is a very critical issue. You can support farmers, but you have to do it in a way that provides for a safety net that is beyond challenge.”

Source: Farm Press, US, 26 January 2007.

India leads G-33 WTO stand on farm protection

A day ahead of the crucial meeting between Trade Ministers of key WTO players here, India and other developing countries comprising the G-33 today put the onus of

restarting the stalled global trade talks on developed countries, particularly the US and EU. The G-33, which met on the sidelines of the World Economic Forum, evaluated the current status of Doha Round negotiations and asserted that the concerns of world's small, vulnerable and poor farmers must be addressed in the WTO talks. The informal mini-ministerial of key WTO players such as the United States, European Union, India and Brazil tomorrow is the first major effort for reviving multilateral talks that were suspended in July last year after rich and poor countries failed to agree on the most contentious issue of agriculture. Addressing the G-33 meeting, Commerce Minister Kamal Nath said: "The livelihood of billions of poor and vulnerable farmers in developing countries cannot be jeopardised." There must be mutual respect of sensitivities, if the Doha Round negotiations were to move forward, he said. Nath along with other Ministers stressed the importance of G-33's unity in safeguarding the interests of farmers and cautioned against attempts to steamroll agreements that could adversely impact their livelihood. He also offered to host a G-33 meeting in New Delhi in March this year.

India's view, particularly on agriculture negotiations, was also supported by China, which agreed that the issue was not just of trade but of subsidies and how to reduce it. A strong articulation of the G-33 position could be an indication that the deadlock on trade talks might continue unless the US changes its position on reducing farm subsidies. Developing countries with defensive farm interests want that adequate number of products should be kept out of duty cuts obligation so that poor farmers are protected. "For us, agriculture is not trade, it is livelihood," Nath has maintained.

The G-33 is for protecting poor farmers through the window of Special Products and Special Safeguard Mechanism. "Ministers emphasised it was vital to ensure that the modalities for SPs and the SSM are designed to effectively address their food and livelihood security and rural development needs, while at the same time ensuring predictability and transparency," a G-33 release said.

Meanwhile, EU Trade Commissioner Peter Mandelson has said he expected a breakthrough on Doha Round of talks within a month or so. He said the broad outlines of a deal in the talks with overall indicators of cuts in farm tariffs and subsidies and goods tariffs, was not far away. "I believe we can get a breakthrough on the big numbers in agriculture and industrial goods in the next month or so," Mandelson told 'Financial Times'. But he argued that the onus was on the US to offer more cuts in farm subsidies. The newspaper also quoted US Trade Representative Susan Schwab as saying a framework agreement was possible "in a matter of months", but that would require rapid progress in the next few weeks.

Source: PTI, Davos, 26 January 2007

SHOW US THE MONEY

Sugar producers want aid promised by EU since subsidy cuts

Officials of the Caribbean Community (Caricom) have criticized European Union (EU) officials for failing to disburse sugar aid pledged to producers in the region following subsidy cuts. The EU promised E40 million (US\$51.6 million) in aid to sugar producers in the Caribbean, Africa and the Pacific to cushion the blow of a 36% reduction in EU subsidies for sugar coming from those areas. The cut took effect in January.

Guyana's foreign trade minister Henry Jeffrey said Caricom officials were told the EU would release the aid last year, but were later informed that they should expect it by mid-2007.

However, that money has still not been forthcoming. Jeffrey said: "To this date no one has drawn down. This has been happening all the time. We are promised money and it takes years to draw down."

Source: Caribbean Net News, Jamaica, 26 January 2007.