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Trade Reports International Group

Berne Continues Opposition to AVEs

Geneva – Switzerland yesterday pressed its opposition to a compromise formula on converting special and complex tariffs into ad valorem equivalents which was agreed over the weekend by the “Five Interested Parties – the United States, the European Union, Australia, Brazil and India (WTD, 4/18/05).

Berne stuck to its insistence that it cannot accept anything other than an even split in calculating AVEs between using the World Trade Organization IDC data and the United States Comtrade system.

But despite the stringent opposition, one Swiss source told WTD that the situation is not that “desperate” – suggesting an agreement could be reached today. Underlying the Swiss opposition to the FIPs proposal is its concern that the five members of FIPs are deciding issues among themselves even though others have greater stakes in the outcome.

Said one FIPs source – “The Swiss are fighting a battle through AVEs to enter into the FIPs, but the United States ... will not let that happen.”

New Formulas on NAMA

Geneva – Acting US Trade representative Peter Allgeier yesterday proposed a formula with multiple coefficients and a new set of flexibilities for reducing industrial tariffs in the Doha Development Agenda trade negotiations – which suggests that each member of the World Trade Organization can choose depending upon its capacity (WTD, 4/14/05).

Participating in a senior-officials meeting at the Canadian mission, Mr. Allgeier told his counterparts from some 20 countries that members will have to construct the final formula in the non-agriculture market access talks by taking elements from the five formulas presented so far by the United States, the European Union, Mexico and Chile, Norway, and India and Brazil.

Joining other “Friends of Ambition in NAMA” – the EU, South Korea and Japan, among others – the US official urged developing countries to agree to reduction commitments based on applied tariffs.

But India and Brazil – who yesterday introduced their own proposal – flatly refused, saying that insistence on applied rates is no where contained in the 2001 Doha mandate or the July framework.

The Canada-sponsored meeting was the first among senior trade officials to focus strictly on industrial tariffs and trade.

An EU proposal for a simulation exercise based on different formulas to be run by the WTO secretariat was endorsed at the meeting. South Korean Ambassador Choi Hyuck suggested that members need not offer any more formulas than those that are already on the table.

Another Formula

Argentina, Brazil and India late last week presented their much-anticipated proposal to cut industrial tariffs, which will pave the way for substantial week-long nonagricultural market access negotiations beginning next Monday. They presented a modified-“Girard” formula which calls on industrialized countries to produce deeper cuts in their industrial tariffs than developing nations. “Less-than-full” reciprocity in reduction commitments has to be an in-built component of the formula, the



members stated. It would be achieved through the incorporation of sufficiently higher components for developing countries as compared to industrial nations. Consequently, industrialized countries would have to undertake higher percentage reductions.

In addition, the three countries underscored Special and Differential Treatment flexibilities – including longer implementation periods, less-than-formula cuts and the exclusion of some tariff lines. They said harmonization of tariffs among countries with different industrial and economic structures and with varying societal needs “would not deliver the developmental objective of the round.”

On the treatment of unbound tariff lines, the proposal called for appropriate flexibilities for developing countries to achieve full binding to 100 percent of tariffs. The average base date of presently unbound lines would be negotiated.

Around the Globe

- The ninth round of talks aimed at reaching a US-Andean free trade agreement started yesterday in Lima, with the negotiations scheduled to run until Friday, Dow Jones news service reported (WTD, 3/22/05). The sessions, taking place in a downtown hotel, will cover a number of issues, including agriculture, textiles, intellectual property, investments, market access, the environment and labor.

Peru, Colombia, Ecuador and the US started talks for free trade agreement in May last year, aiming to boost their respective exports. “There aren't any soft or easy negotiations. They are always going to be difficult, and we never thought that these talks would be any different,” Peru's trade minister, Alfredo Ferrero, told reporters yesterday. The three Andean nations are expected to approve a common trade pact, with any annexes specific to each nation contained in the overall deal.

A tenth round is expected to take place in June in Ecuador with a final round to take place later in Washington.

- Agriculture Secretary Mike Johanns yesterday announced that a team of experts on bovine spongiform encephalopathy will travel to South Korea and Japan as part of the continuing efforts to resume US beef and beef product exports to the two countries (WTD, 4/15/05). The delegation, led by Deputy Under Secretary for Marketing and Regulatory Programs Charles Lambert, will review how US BSE prevention programs ensure the safety of US beef.

Members of the delegation also will encourage both governments to adopt import regulations that are in closer compliance with the World Organization for Animal Health guidelines. The team will first travel to South Korea April 19 to 22 for technical discussions with government officials and informational sessions with local media. From April 25 to 27, the team will be in Japan for technical discussions and sessions with consumers, scientists, government and business representatives.

Following the delegation's travel to South Korea and Japan, both countries are expected to send technical teams to the United States to review beef production and processing systems as a further step toward resuming imports of US beef. Together these markets represented 57 percent of total US exports by value, according to Agriculture.

- South Korea has made some progress in the war against counterfeit and pirated goods, but it still needs to fight more, a US trade official said yesterday according to a Yonhap news agency report from Seoul (WTD, 4/12/05). “We think Korea is a key partner to fight counterfeit and piracy, but both countries are still concerned about the widespread problems,” Victoria Espinel, acting assistant US Trade Representative for intellectual property, said in a press conference.

Earlier in the day, five US officials from the USTR and other US government agencies met with South Korean government officials to discuss ways to curb piracy and counterfeiting of the US goods. In the meeting with South Korean officials, Ms. Espinel said they had “good and productive discussions to make them move forward to effectively address the counterfeit and piracy problems.” South Korea is the final leg of the U.S. trade officials' four-nation tour, which includes Hong Kong, Singapore and Japan, in

Asia to step up its campaign against piracy.

- The Canadian Cattlemen's Association and 23 other organizations yesterday announced that they have asked Canadian government to initiate dispute settlement mechanisms with the United States under either the World Trade Organization or North American Free Trade Agreement on continued US restrictions on Canadian beef (WTD, 4/11/05). The groups believe that dispute settlement is an essential element that the government must use to achieve the re-opening of the US market to live cattle, other affected ruminants, all beef and other affected meat products.

- United Nations Secretary-General Kofi Annan urged world leaders to adopt a treaty to liberalize global trade next year which, as a crucial first step, will give exports from the world's poorest countries duty-free and quota-free access to all markets, the Associated Press news service reported (WTD, 4/18/05). Annan yesterday told international finance and trade officials meeting at the United Nations following weekend talks in Washington that completing the so-called Doha Round of trade talks is essential to helping meet U.N. goals to halve the number of people living in dire poverty by 2015.

- Australia and China have agreed to launch talks on a bilateral trade pact despite concerns in Beijing about exposing its sensitive farm and finance sectors to competition. The breakthrough in Australia's push to forge stronger economic ties with the Asian powerhouse followed more than three hours of talks between John Howard and Chinese leaders President Hu Jintao and Premier Wen Jiabao in Beijing.

- Japan Trade Minister Shoichi Nakagawa said a third weekend of anti-Japanese demonstrations in China is raising concerns among international companies about investing in the world's most populous country, Bloomberg news service reported. The protests "are amplifying fears among companies in Japan and elsewhere that they will face devastation should they offend China," Nakagawa said on a Fuji television talk show in Tokyo. Over the weekend 20,000 people in Shanghai took to the streets, hurling stones and paint at the Japanese Consulate and vandalizing Japanese restaurants. The protests may force Japan to recall diplomats from China and advise its citizens to leave, Nakagawa said on Asahi Television's Sunday Project program.

- Japan said Monday that China, the United States and European Union members were among 41 countries whose trade barriers hurt Japanese companies, the Associated Press news service reported from Tokyo. The Economy, Trade and Industry Ministry's 172-page report for 2005 identified high tariffs, antidumping steps and other practices it says put Japanese businesses at a disadvantage in overseas markets. A ministry official told reporters that Tokyo plans to press the countries to end such practices.

Tokyo's complaints against the United States were familiar ones: tariffs on hot-rolled steel – begun in 1999 against Japan, Brazil and Russia and expected to continue for at least five more years – and a US antidumping law the WTO has ruled is illegal.

- Egypt is intent on moving forward with a long list of economic reforms – accomplished primarily by taking the government increasingly out of the day-to-day business activities (WTD, 3/14/05). On banking reform, Egypt's Central Bank Governor Farouk El Okda told a meeting of the US-Egypt Friendship Society that Cairo will fully privatize its four government-owned banks in the next three years, starting with the huge Bank of Alexandria. The top-ranking bank official also said that President Mubarak has ordered the sale of government stock in a range of public/private banks.

Public banks –which are not run either effectively or efficiently – hold over half of the country's deposits and outstanding loans, Mr. Okda said.

The only way for Egypt to keep its economy growing with an expanding birth rate is through less government and more private-sector innovation, Minister of Investment Mahoud Mohieddin told the same gathering. Growth, he said, can only come from increasing Egyptian exports and promoting foreign direct investment in all sectors of the economy.

Current nations plans calls for boost economic growth from the current 4.9 percent pace to 5.5

percent to 6 percent.



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On the Web.....

Agriculture

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Russia. Agriculture Department report on Russian new sanitary and phytosanitary procedures. (available at <http://www.fas.usda.gov/scripts/gd.asp?ID=146119411>) issued: 4/18/05.

Canada

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Free Trade Agreement of the Americas

GAO Report. General Accountability Report on the Free Trade Agreement of the Americas. (available at <http://www.gao.gov/new.items/d05166.pdf>) issued: 4/18/05.

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US Trade Representative

Portman Nomination. Letter to members of Congress on the nomination of Rep. Portman as new US Trade Representative from a

coalition of business organizations. (available at <http://www.businessroundtable.org>) issued: 4/18/05.

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