

# Washington Trade Daily

Volume 19, Number 209

Thursday, October 21, 2010

Trade Reports International Group

## ***Mr. Sharma's Visit to Geneva***

Geneva – India minister for commerce and industry Anand Sharma said here yesterday that the controversial issue of sectoral tariff elimination in the Doha Development Agenda industrial goods negotiations is “voluntary, non-mandatory and will be addressed only after modalities are concluded” (WTD, 10/20/10).

“I have categorically and repeatedly said that negotiations on sectoral tariff elimination cannot be a precondition and that it will be addressed only after modalities are concluded in the spirit of accommodation,” Mr. Sharma told reporters. He continued – “This doesn’t mean that India will not engage on sectorals in the last lap.”

The top Indian trade negotiator suggested that “we would consider some sub-sectors or a few tariff lines where we feel comfortable, but this would happen only after modalities are concluded.”

The United States recently suggested that it is prepared to consider “zero-for-x” – rather than zero-for-zero – tariff negotiations with developing countries, while Japan has mooted the idea of a “basket” approach in the small group meeting on market-opening for industrial goods.

But a number of important developing countries – including China, Brazil, Argentina and South Africa, along with India – flatly rejected both proposals, sources told WTD.

Mr. Sharma met with trade envoys from the four emerging economies to discuss the negotiations on nonagricultural market access – which has become a major divide between industrialized countries and leading developing countries. The five also discussed issues of balance between agriculture and NAMA and demands raised by the United States in the sectorals talks, sources said.

The Indian minister said members cannot revisit issues in agriculture and NAMA that have been stabilized. If anything there can only be an incremental “give-and-take” in the last phase of the negotiations, he said.

### **Separate Meetings**

During the one-day visit, Mr. Sharma held separate meetings with a number of trade delegations and with World Trade Organization Director General Pascal Lamy. In the 45-minute meeting, Messrs. Sharma and Lamy discussed the political climate in the United States and whether a bipartisan consensus on Doha is feasible at all next year, WTD has learned.

The Doha negotiations, said Mr Sharma, must be brought under the chair-led process. He suggested that the small group “brainstorming” process might not proceed beyond its second round of discussions starting early next month.

“There is a window of opportunity to conclude Doha trade talks in 2011, but much will depend on key interlocutors – particularly the developed countries – that have to demonstrate leadership and show flexibility in bringing the round to a close,” Mr. Sharma told the press. “We are clear that we want an ambitious and balanced outcome that would strengthen the multilateral regime and address the historical distortions as well as respect the developmental mandate. ... Once such an outcome is reached, global commerce will grow for the benefit of poor and rich and will bring about prosperity and development.”

Trade envoys of the Group-of-33 coalition – focused on an easy-to-use “special safeguard mechanism” for developing countries – said there needs to be a strong signal from the upcoming Group-of-20 leaders’ meeting in Seoul and the annual Asia-Pacific Economic Cooperation forum meeting in Japan on Doha.



In the meeting, WTD was told, Mr. Sharma emphasized the need for the leaders to recognize that next year is the last window of opportunity to conclude the decade-long negotiations.

In the luncheon meeting with trade envoys from over dozen industrialized and developing countries, Japan trade envoy Shinichi Kitajima said that the existing gap in the Doha negotiations can be closed if emerging countries contribute to the round and appropriately take a bigger responsibility, sources said.

Mr. Sharma responded, WTD was told, that acute problems of poverty exist in developing countries and suggested it is wrong to ask those countries to pay a price for the reform of the overall global trading system.

The Indian minister underscored the need for an urgent agreement on duty-free/quota-free market access for least-developed countries.

---

## ***Around the Globe***

- South Korea sees no room for reworking a free trade deal with the United States and is in no rush to alter it to suit demands from the US Congress, its trade minister said on Wednesday according to a Reuters news service report from Seoul (WTD, 10/19/10). South Korea has said it is willing to examine a US proposal to resolve auto industry concerns over the deal that some studies say could boost \$78 billion annual trade by as much as a quarter. But the two sides have yet to set up a meeting for consultations.

“The agreement was reached three years ago, but the United States wants to take one or two things back,” Trade Minister Kim Jong-hoon told a forum. “But the thing is when you start taking things back, it's like a Pandora's box. This government's position is that we should stick to the agreement as we reached it. Our position is time is on our side.”

A pledge by the two countries' leaders in June to resolve differences blocking the pact by the Nov. 11-12 Group of 20 summit in Seoul now appears all but impossible to meet. Officials from the two sides met last month in Washington, but have set no date for consultations.

- The Obama administration is increasing pressure on China to move more quickly with allowing its currency to rise in value against the dollar, the Associated Press news service reported (WTD, 10/20/10). A senior Treasury Department official told reporters Wednesday the currency issue would be a major topic at weekend meetings in South Korea of finance officials from the Group of 20 major economies.

“When large economies with undervalued exchange rates act to keep their currencies from appreciating, it compels other countries to do the same,” the official said. “It is bad for the system, bad for all of us.” The official spoke under ground rules that did not permit identification by name in advance of the G-20 meetings. The administration wants the Chinese currency to appreciate to make US products more competitive overseas and boost US manufacturing jobs.

Treasury Secretary Timothy Geithner and other U.S. officials have been increasing pressure in recent weeks in advance of Nov. 2 congressional elections. The weak economy and high unemployment have been major issues on voters' minds. Geithner and Federal Reserve Chairman Ben Bernanke will attend meetings Friday and Saturday in South Korea. The group includes traditional economic powers such as the United States, Germany and Japan and fast-growing economies such as China and India.

On Wednesday the Treasury official said the G-20 discussions would examine ways to make progress in reducing trade imbalances. But the official refused to say whether the United States would support inclusion of a specific limit – such as 4 percent of a country's total economy for deficits and surpluses.

- China on Wednesday denied a report that the government plans to slash export quotas of rare earth metals next year, seeking to ease international jitters about China's stranglehold on supplies, Reuters news service reported from Beijing (WTD, 10/20/10). Any cut in Chinese exports could rattle firms which use the metals to make parts for vehicles, computers and cell phones, missiles and new

---

energy technology.

A spokesman for China's Commerce Ministry, Shen Danyang, told Reuters that a report in the *China Daily* on Tuesday that export quotas would be cut by 30 percent in 2011 were "unfounded." "Reports in certain media that China will continue reducing rare earth export quotas next year are entirely groundless and this is purely a mistaken report," the ministry said in a statement later. "China will keep supplying rare earths to the world, but will also continue imposing restrictions on the exploitation, production and exports of rare earths to protect these depletable resources," said the statement, adding that any limits would abide by global trade rules.

China, which has been blocking shipments of crucial minerals to Japan for the last month, has now quietly halted some shipments of those materials to the United States and Europe, three industry officials said this week according to the *New York Times*. "The embargo is expanding" beyond Japan, said one of the three rare earth industry officials, all of whom insisted on anonymity for fear of business retaliation by Chinese authorities. They said Chinese customs officials imposed the broader restrictions on Monday morning, hours after a top Chinese official summoned international news media Sunday night to denounce United States trade actions.

- Russia will probably join the World Trade Organization within a year even as the largest economy outside the trade arbiter has yet to complete talks with other member countries, Lawrence Summers said according to a Bloomberg news service report (WTD, 10/15/10). "We are certainly hopeful that well before 12 months from now the process will have been completed," Summers, the departing director of the US National Economic Council, told reporters in Moscow after meeting with officials including First Deputy Prime Minister Igor Shuvalov and Kremlin adviser Arkady Dvorkovich. "I can now say that the end is in sight."

An accord with the U.S. may help complete Russia's 17-year bid to join the 153-member, Geneva-based body after President Dmitry Medvedev signed an agreement with President Barack Obama in June to resolve contentious issues by the end of September. Negotiators met the deadline "on the main issues of principle," Summers said today. Medvedev is seeking to diversify the economy of the world's biggest energy exporter to lessen its dependence on oil, gas and metals. Obama wants to build a relationship with Russia that can withstand strains over security disputes and broaden the markets for US companies.

While the two countries didn't sign a new agreement today, the US "will be in a position to be supportive of the Russian initiative" to join the WTO, Summers said. Quotas for meat imports remain a point of contention that will need to be negotiated by Russia with the US and other WTO members, a US official who declined to be identified, said today during the briefing with Summers. Russia is committed to reaching an accord on the issue and may resolve all outstanding issues within a few months, he said. Poultry imports from the US were limited in January after Russia, the largest importer of US chicken and turkey, reduced the amount of chlorine allowed in shipments. The Industry and Trade Ministry said in June it will allocate 25 percent of import quotas for US poultry to other countries after talks on resuming purchases stalled.

- Australia will impose an interim duty of 40 percent on biodiesel imports from the United States after finding that US exporters have been dumping the product in the country, the Department of Customs and Border Protection reported in a preliminary determination issued on Monday according to Agri-Net.com.

The agency said the interim duty reflects the size of the dumping and subsidy margins, as well as the level of price undercutting by the dumped and subsidized imports. It also reflects the economic effect on the Australian industry, including loss of sales volume, loss of market share and reduced profits and profitability.

—  —

# On the Web.....

## Agriculture

**Mexico.** Statement by Rep. Arcuri on duties on US exports to Mexico of apples and dairy goods. (available at: [http://arcuri.house.gov/index.php?option=com\\_content&task=view&id=1134&Itemid=117](http://arcuri.house.gov/index.php?option=com_content&task=view&id=1134&Itemid=117) ) issued: 10/19/10.

**Sudan.** Treasury Department statement on export licenses for agricultural shipments to Sudan. (available at: [http://www.treas.gov/offices/enforcement/ofac/programs/sudan/sudan\\_license\\_ag.pdf](http://www.treas.gov/offices/enforcement/ofac/programs/sudan/sudan_license_ag.pdf) ) issued: 10/20/10.

## Business Practices

**Bribery.** US government report on foreign bribery. (available at: <http://www.state.gov/r/pa/prs/ps/2010/10/149736.htm> ) issued: 10/20/10.

## China

**Energy.** American Institute for International Steel statement on the Section 301 petition against China's subsidies in its green energy sector. (available at: <http://www.aiis.org> ) issued: 10/20/10.

## Energy

**China.** American Institute for International Steel statement on the Section 301 petition against China's subsidies in its green energy sector. (available at: <http://www.aiis.org> ) issued: 10/20/10.

## European Union

**ACTA.** European Union statement on the

Anticounterfeiting Trade Agreement. (available at: <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/508&format=HTML&aged=0&language=EN&guiLanguage=en> ) issued: 10/20/10.

**CA.** European Union second quarter current account estimate. (available at: <http://europa.eu/rapid/pressReleasesAction.do?reference=STAT/10/156&format=HTML&aged=0&language=EN&guiLanguage=en> ) issued: 10/20/10.

## Export Controls

**Sudan.** Treasury Department statement on export licenses for agricultural shipments to Sudan. (available at: [http://www.treas.gov/offices/enforcement/ofac/programs/sudan/sudan\\_license\\_ag.pdf](http://www.treas.gov/offices/enforcement/ofac/programs/sudan/sudan_license_ag.pdf) ) issued: 10/20/10.

## Government Procurement

**TBT.** World Trade Organization report of the committee on technical barriers to trade. (available at: [http://docsonline.wto.org/GEN\\_viewerwindow.asp?http://docsonline.wto.org:80/DDFD/ocuments/t/g/tbt/GEN74R6.doc](http://docsonline.wto.org/GEN_viewerwindow.asp?http://docsonline.wto.org:80/DDFD/ocuments/t/g/tbt/GEN74R6.doc) ) issued: 10/19/10.

## Intellectual Property Rights

**ACTA.** European Union statement on the Anticounterfeiting Trade Agreement. (available at: <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/508&format=HTML&aged=0&language=EN&guiLanguage=en> ) issued: 10/20/10.

## Latin America

**Economy.** International Monetary Fund report on the economy of Latin America and the Caribbean. (available at: <http://www.imf.org/external/pubs/ft/reo/2010/WHD/eng/pdf/wreo1010.pdf> ) issued: 10/20/10.

## Manufactures

**Manufacture America.** Commerce Department statement on Manufacture America. (available at: <http://trade.gov/press/press-releases/2010/us-department-of-commerces-manufacture-america-initiative-highlights-resources-to-boost-competitiveness-of-us-manufacturing-102010.asp> ) issued: 10/20/10.

## Mexico

**Agriculture.** Statement by Rep. Arcuri on duties on US exports to Mexico of apples and dairy goods. (available at: [http://arcuri.house.gov/index.php?option=com\\_content&task=view&id=1134&Itemid=117](http://arcuri.house.gov/index.php?option=com_content&task=view&id=1134&Itemid=117) ) issued: 10/19/10.

## Sudan

**Agriculture.** Treasury Department statement on export licenses for agricultural shipments to Sudan. (available at: [http://www.treas.gov/offices/enforcement/ofac/programs/sudan/sudan\\_license\\_ag.pdf](http://www.treas.gov/offices/enforcement/ofac/programs/sudan/sudan_license_ag.pdf) ) issued: 10/20/10.

## World Trade

**Report.** World Trade Organization report on world trade. (available at: [http://www.wto.org/english/news\\_e/news10\\_e/stat\\_20oct10\\_e.htm](http://www.wto.org/english/news_e/news10_e/stat_20oct10_e.htm) ) issued: 10/20/10.