# US still out of line on WTO cotton ruling, alleges Brazil

AFP, *Geneva*

Brazil on Friday accused the United States of failing to fall fully into line with a World Trade Organisation ruling ordering Washington to remove its contested subsidies for cotton producers.

At a session of the WTO's dispute settlement body, Brazilian diplomats asked the global body to establish a panel of experts to formally certify that the United States had not implemented the March 2005 ruling.

That ruling had said that Washington's payouts to producers were an illegal subsidy which skewed international trade by undermining global cotton prices.

Brazil claimed that the United States had not gone far enough when it recently repealed a controversial subsidy programme, and alleged that other forms of support remained in place.

The United States on Friday blocked the Brazilian request, saying it was "without basis" -- a step allowed under the rules of the 149-nation WTO, which sets the framework for global commerce.

Brazilian diplomats said that they would try again at another dispute settlement meeting later this month, a move which could launch a tortuous procedure at the WTO.

If the panel is eventually set up, it would have three months to deliver its verdict.

If the panel were to decide that Washington was still violating international trade rules, Brazil could then ask the WTO to authorise retaliatory customs duties against a swathe of US goods.

Brazil had previously asked for the right to impose sanctions worth 4.0 billion dollars (3.0 billion euros), but the request was put on ice during the complex WTO arbitration process that led to last year's ruling.

On August 2, the United States announced that it had formally repealed its so-called "Step 2" cotton subsidy

In the wake of the March 2005 WTO decision, Brazil had reached a deal with Washington, giving the United States time to adapt its legislation.

Following the collapse at the end of July of wider WTO talks on reforming global commerce, West African countries that are heavily reliant on the crop for their export earnings warned they may launch their own legal challenge over the US cotton subsidies.

According to US government figures, the subsidies excluding federal insurance guarantees for farmers stood at 3.1 billion dollars (2.4 billion euros) for the 2005 crop year. That was down from 3.7 billion (2.9 billion euros) for 2004.

## Iran sees no OPEC quota change

AFP, *Tehran*

Iran on Saturday predicted OPEC would not change its output quota at its next meeting in September, saying the cartel would keep the market well supplied in order to quash criticism it wanted to keep prices high.

"I do not think that the production ceiling of OPEC will change because of the slowdown in the world economy and a production increase of the non-OPEC countries," said Iran's representative to OPEC, Hossein Kazempour Ardebili.

"The demand for OPEC oil is bit less than before.

"But considering the circumstances and the prices it appears that OPEC will continue its policy of supplying more than the market demands in order not to be accused of trying to increase prices," he told reporters on the sidelines of a conference in Tehran.

# UN warns Asia-Pacific against bubble burst

PTI, *New York*

The United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) has warned the region's governments to protect and prepare against sudden or unexpected market downturns rather than remaining complacent in the current atmosphere of prosperity.

Asian countries have to stay alert despite the lull in financial markets recently, says UNESCAP in a new report titled "The Calm Before the Storm: Managing the Risks of an Asia-Pacific Financial Downturn."

"There are a number of new emerging risks which may lead to more stormy weather ahead," the report warns, citing possible interest rates hikes in developed countries, oil price shocks, housing market overheating, and investor overreaction and contagion.

The region has biter memories of the 1997 Asian financial crisis, but the report notes that countries there are now in a stronger position to handle turbulence.

"Governments have improved economic policies, depend less on portfolio flows, and have bigger foreign reserves and better banking sectors."

The report cautions that "as Asian economies are becoming more integrated into the global economy, they also face a higher risk from the constantly shifting global environment."

It calls on governments to focus on controlling inflation and debt, improving banking regulations, and monitoring complex financial products.

PHOTO: AKTEL

**AKTEL Managing Director Ahmad bin Ismail, Huawei Director Mao Xue Qing, Alcatel Country Senior Officer Hugue Cornez and Ericsson Bangladesh Managing Director Arun Bansal pose for photographs with the trainees, trainers and coordinators at the certificate giving ceremony of a training programme titled 'GSM Fundamentals: Level 1' organised by Chittagong Skills Development Centre (CSDC) recently. The CSDC conducted the 8-day training programme to create skilled human resources in GSM Technology.**

PHOTO: UNITREND

**Rupali Chowdhury, director (Operations), along with other senior officials of Berger Paints (BD) Ltd poses for photographs with the dealers of the company on the occasion of 'Berger Dealers' Meet' held recently in Thailand.**

IMF CHIEF CAUTIONS

## India should focus on financial reform

PTI, *Washington*

The International Monetary Fund has said India should make its financial system more efficient and hasten structural reforms to sustain high economic growth, which averaged about eight per cent in the last three years.

IMF Managing Director Rodrigo de Rato also cautioned about inflationary pressures in the Indian economy, but was appreciative of the Reserve Bank's efforts in this direction.

"There is need to make the financial system more efficient and with bigger competition there is the need for structural reforms to make India more capable of benefiting from the world economy," de Rato told a group of journalists from Asia Pacific.

He will preview the forthcoming annual fund-bank meeting in Singapore later this month.

"Certainly structural impediments not only in terms of flexibility in the markets but also in terms of the structure are a key question in the Indian agenda for the future," the IMF chief said.

He said though India's growth has averaged about eight per cent in the last three years, some inflationary pressures are building. "In that respect, monetary authorities and their efficiency is very important and has been shown already," he added.

"India is one of the countries that has been changing in a very positive direction recently. We see the government reform agenda as a very important one as the VAT reforms of last year showed. But the question here is not what has been done in the past.... but how can we face the future," de Rato said.

On global economy, de Rato said, whereas the pace of expansion in the United States is moderating on account of the slowdown in the housing market, the growth prospects are encouraging elsewhere in the world.

"Europe has been above most people's expectations. Japan appears to have put deflation behind it. China and India continue to grow strongly," he said.

However, there are "more clouds on the horizon" than a year ago -- inflation risks, high oil prices having the potential of adversely affecting both inflation and growth and the major setback of the Doha Round.

Asia, the IMF chief said is the most dynamic region in the world, which is growing in importance every passing year with forecasts for its growth at 7.25 per cent in 2006 and seven per cent in 2007.

"What happens in Asia affects not only more than 2.5 billion people, who live there but the world as a whole," he said.

However, he cautioned that further volatility in global financial markets could affect capital flows, growth prospects and inflation in the region.

## China aims for greater influence over commodity prices

AFP, *Shanghai*

China wants a greater say in the setting of global resource prices and hopes to achieve this by creating unified industry negotiating groups, the Financial Times reported Friday.

Wei Jianguo, a vice-minister for commerce urged the nation to set up teams to handle oil, alumina and copper, similar to the way it did for iron ore this year, the newspaper said.

As China has emerged as the largest or fastest-growing market for many or the world's commodities, Beijing has vociferously argued that it should hold greater sway over global prices.

The country's rapidly growing industries have been a major factor in pushing raw materials prices up to record highs, especially for commodities such as iron ore, copper and alumina.

Smarting over a 71.5 percent increase in the price of iron ore in 2005, China's steelmakers banded together to take the lead in this year's annual negotiations of contract iron ore prices with the world's largest miners.

Chinese negotiators, led by the its biggest steelmaker, Baosteel, insisted on a rise of no more than 10 percent during bitter talks that dragged on for months.

Although in the end China agreed to a 19 percent rise, Wei, writing in the Beijing-based Economic Daily, held up the model of negotiation as a viable one for other industries.

"With reference to the model set for iron ore, we should start as soon as possible a price-negotiating system for oil, alumina and copper and other commodities, and expand the use of long-term trade contracts," Wei said.

"We are a large buyer but lack international pricing power, and as a result, the cost of buying resources and energy products is getting higher and higher."

Chinas short-term, trading mentality, combined with its inexperience in managing long-term contracts, has resulted in many of its companies relying on the spot market for resources.

This has proved an expensive strategy over the past four years, as tight supplies have seen spot prices soar higher than contract prices, the paper said.

## US economy adds 128,000 new jobs

AFP, *Washington*

US employers created 128,000 new jobs in August, the government said Friday in a release that showed consensus-beating growth to non-farm payrolls.

The jobless rate dipped to 4.7 percent from 4.8 percent in July, the Labor Department said.

The non-farm payrolls figure, seen as one of the best indicators of economic momentum, rose from July's revised growth of 121,000, and came just ahead of Wall Street's consensus forecast of 125,000 for August.

The department revised the July figure up from its previously reported number of 113,000, and also upgraded the June figure to 134,000 from 124,000.

Economists estimate that the world's largest economy needs to create 125,000 to 150,000 jobs each month to keep pace with growth in the working population.

Various other indicators have shown the US economy flagging of late. The Federal Reserve last month suspended a long-running campaign of interest rate hikes to leave the main cost of borrowing at 5.25 percent.