

## EU, China to launch new talks on trade 'gaps'

AFP, Beijing

The European Union's trade chief said Saturday new talks with China next year would tackle "gaps" in Beijing's efforts to dismantle trade barriers and protect intellectual property rights.

"We are satisfied China is implementing the bulk of its WTO accession commitments, but there are gaps," said Peter Mandelson, concluding a week-long visit here.

"For example on access to certain service markets and IPR (intellectual property rights). These are best tackled by negotiations and talks."

Mandelson met Friday with China's vice premier, Wu Yi, a former trade minister, and said the two sides agreed on talks starting in January, focusing first on updating a 1985 investment agreement.

In a statement, the EU said it was not seeking a "full-blown" trade agreement because that would involve extensive tariff reductions that would be difficult for both sides.

"But the terms of reference for the negotiations which Wu Yi agreed should be put in place over the next month will reinforce present reciprocal agreements ... where trade conditions are improving but suffer from extensive government restrictions in China," the statement said.

It said the EU had received assurances from Wu that China would build on its present World

Trade Organisation commitments in the new talks.

"China is doing what it is obliged to do. We will maintain this and reform will continue," Wu told Mandelson, according to the EU statement.

Mandelson was in China to push its leaders on IPR protection and on removing market barriers to foreign imports and companies, a message bolstered by China's announcement of a record monthly trade surplus in October during his stay.

The surplus hit 23.8 billion dollars last month, according to customs data.

Exports reached 88.1 billion dollars, an increase of 29.6 percent compared with the same month a year ago, the data said. Imports reached 64.3 billion dollars last month, a rise of just 14.7 percent.

Mandelson warned on Tuesday that China's failure to address market barriers and IPR could harm wider relations between the EU and China, whose trade ties have grown rapidly.

On Saturday he appeared optimistic that the Chinese were prepared to listen.

"From my discussions with Wu Yi, I think China will be ready to open and liberalise further in some key areas as long as the balance of reform is realistic for China's stage of development," he told AFP.

## Russia, US confirm WTO deal

AP, Washington

A longtime economic goal of Russia entry into the World Trade Organisation moved a crucial step forward Friday as US and Russian trade negotiators reached agreement.

It took 12 years of negotiations to get to this point, and details are still being nailed down. Both countries are hopeful that a bilateral pact can be signed next week in Hanoi, where President Bush and Russian President Vladimir Putin will be attending the annual Asia-Pacific Economic Cooperation meeting.

About four months ago, U.S. and Russia had appeared on the verge of an agreement, but it failed to materialize right before the summit of leaders of the world's wealthiest countries in St. Petersburg, Russia. The collapse strained relations between Washington and Moscow.

Russia is the largest economy still outside the 149-nation WTO, which sets the rules for global trade. Putin's government sees membership as a way to show that his country has regained financial muscle since its economic crisis in 1998.

Even if a formal agreement is signed next week, there are other steps that still would have to be taken before Russia could become a member. Clearing those will take time perhaps a year or two, some experts say. Others think it could be done sooner.

Membership in the WTO would mean Russia would receive the same favorable tariff rates for its products as other members. Other countries also would have to follow WTO rules in trade disputes with Russia. And, Russia a big exporter of oil and gas would have to abide by WTO's trade rules.

In theory, freer trade would give Russian companies more opportunities to sell their goods on world markets, while WTO membership for Russia might make its sizable market of potential customers even more attractive to companies in the U.S. and elsewhere, experts said.

"Businesses would feel more comfortable, more at ease doing business in Russia because there would be rules," said Oscar Gonzalez, economist at John Hancock Financial Services.

Terms of the U.S.-Russia agreement weren't released. But the two sides for years have been working to resolve differences over, among other things, piracy of U.S. goods and intellectual property rights, sales of American agricultural products to the country and U.S. access to the country's banking and insurance sectors.

"We have an agreement in principle and are finalizing the details," said U.S. Trade Representative Susan Schwab. "It is a clear indication of Russia's efforts to participate fully in and benefit from the rules-based global trading system," she said. Schwab said she and her counterpart, Russian Economics Minister German Gref, hope to sign the pact in Hanoi.

Some analysts have said that a deal on the WTO could persuade Moscow to soften its opposition to punishing Iran for refusing to halt sensitive uranium enrichment. The United States and its European allies want to impose sanctions on Iran, but Russia has resisted.

## IEA sees tighter oil market ahead

REUTERS, London

Surging demand and lower Opec production may start to deflate world fuel stockpiles that have been filling at the fastest rate in 15 years, the International Energy Agency said on Friday.

The rebound in consumption will come after fuel use grew less quickly than expected in the first nine months of the year, prompting the Paris-based agency to cut its 2006 global demand growth forecast by 130,000 barrels per day (bpd) to 900,000 bpd.

The outlook for world demand growth next year was steady at 1.45 million bpd to 85.9 million bpd, with China driving the expansion.

"Demand growth in the fourth quarter is expected to be exceptionally strong," said Lawrence Eagles, head of the IEA's Oil Industry and Markets division.

"And that is not even allowing for a cold winter. If we see a cold winter it will be even stronger."

Stocks have begun to decline, but it would take severe weather to make a dent in OECD inventories that rose by 1.15 million bpd in the third quarter, the biggest rise since 1991, the energy advisor to 26 industrialized nations said.

It is high stockpiles that spurred the Organisation of the Petroleum Exporting Countries (Opec) into its first output reduction in two years, effective from November 1.

Even before the 1.2 million bpd cut, Opec was pumping less.

October output from the group that pumps more than a third of the world's oil was 29.4 million bpd, down 335,000 bpd from September and 400,000 bpd below the requirement for its crude during the fourth quarter, the IEA said.

At the same time, the world's thirst for oil will rise 2.4 million bpd from the third quarter, the IEA said, 400,000 bpd higher than its forecast last month.

"We would expect to see stock falls in winter anyway, but the Opec cut doesn't help the situation," said Eagles.

Lower Opec output lifted the group's spare capacity to 2.15 million bpd in October, up 210,000 bpd on the previous month.

**ECONOMIC HEALTH?**  
Adding to Opec's concerns that the market is not in balance, there are signs the economy is under strain in top consumer the United States, where stockpiles are weighing particularly heavy.

This year's demand data is distorted because year-ago comparison are skewed by last year's hurricane season, which had a major impact on oil and gas production in the U.S. Gulf.

Until September, the U.S. was showing a weaker-than-expected demand recovery, but since then cheaper prices at the pump have encouraged consumption.

On Friday, U.S. oil was trading at just above \$60 a barrel, roughly 25 percent lower than its July peak of \$78.40.