

EU asks WTO to approve \$4b sanctions on US

Row over Washington's tax break scheme

BRUSSELS, Nov 18: The European Union asked the World Trade Organisation (WTO) yesterday to authorise up to \$4.04 billion a year in EU trade sanctions on the United States in a row over a US tax break scheme for businesses, says Reuters.

The EU's sanctions request is the highest ever made to the WTO, the global regulator for trade disputes, EU officials said.

However, the EU and the United States have agreed to follow lengthy WTO procedures in the case and it will be the middle of next year, if at all, before the EU could actually put sanctions on US goods.

The row over the US tax break scheme is potentially the most explosive of a series of transatlantic trade disputes.

The United States imposed more than \$300 million of trade sanctions on the EU last year over its banana import policy and its ban on hormone-treated beef. Aid to the aircraft industry and genetically modified foods have also caused friction.

US officials have warned that if the EU ever imposed heavy sanctions in the tax dispute it could spark a major trade war between the world's leading commercial powers, whose two-way trade totalled around \$250 billion in 1999.

The WTO ruled in February that the US Foreign Sales Corporation (FSC) programme, which granted around \$4 billion a year in tax breaks to major US exporters such as aircraft maker Boeing Co and software giant Microsoft Corp, was an illegal export subsidy.

US President Bill Clinton this week signed legislation repealing the FSC programme, which doled out tax breaks to exporters through offshore subsidiaries, and replacing it with a new tax relief system for US companies.

Washington says the new law, which excludes some types of US taxes, brings it into line with the WTO ruling. The EU contests this.

The new law "not only maintains the violations found by the WTO in the FSC case but may even aggravate them," the EU said in a statement.

US Trade Representative Charlene Barshefsky and Deputy Treasury Secretary Stuart Eizenstat said in a statement issued in Washington that the United States would challenge the EU's \$4.04 billion sanctions request.

They urged the EU to reconsider its view that new US legislation still violates WTO rules. "We continue to strongly believe it is WTO compliant, as it neither constitutes a subsidy nor is it export contingent," the US officials said.

The United States remained open to further talks with the

EU to resolve the dispute. Both sides should continue to manage the issue responsibly to avoid "any escalation of tensions that could harm our strong bilateral relationship," they said.

The EU released a broad list of goods from which US products could be selected for sanctions if the WTO agrees with it that the new US law does not comply with global trade rules. Products on the list range from live animals, cereals and books to iron and steel, electrical machinery and aircraft.

EU trade spokesman Anthony Goode said the EU had also asked for WTO consultations with the United States - the first step towards the for-

mation of a WTO panel of experts to rule whether the new US system complies with global trade rules.

Also in Geneva, US trade ambassador Rita Hayes said the United States would, as expected, seek WTO arbitration on the EU's sanctions request. Requests for sanctions are often sharply scaled back by WTO arbitrators.

EU Trade Commissioner Pascal Lamy, at a business conference in Cincinnati, Ohio, stressed the need for the EU and United States to avoid shouting threats at each other in the tax dispute. "We all know that trade disputes are quite normal in view of the huge volume of transatlantic trade," he said.

Vietnam to press on with economic liberalisation

Free info key to knowledge-based economy: Clinton

HANOI, Nov 18: Communist Vietnam insisted it would press on with market-opening reforms Saturday after US President Bill Clinton criticised attempts to turn back the clock on economic liberalisation, reports AFP.

US Trade Representative Charlene Barshefsky met Vietnamese Trade Minister Vu Khoan after Clinton warned his communist hosts freedom of information was crucial to development in a knowledge-based economy.

But Khoan appeared keen to reassure his American counterparts that Hanoi was convinced a full dismantling of the Stalinist economy, while retaining tight political control, was the key to accelerated development. "Vietnam is already an open economy," he told reporters as

he met Barshefsky for talks at the trade ministry on implementation of a landmark bilateral trade deal signed in July, still to be ratified by Congress.

"Because of this open door policy that we have, the economy has developed substantially over the past few years."

He said exports had increased almost six-fold in a decade.

"Of course, if the economy is closed, then the impact will be reversed. We understand in the coming 10 years, we are going to have to accelerate the integration process to increase our exports and foreign investment in Vietnam."

"We will also try to accelerate our integration into the World Trade Organisation (WTO), and the trade agreement (with the US) is a positive step

smoothly."

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