

# Pacific trade push sees momentum and criticism

AFP, Washington

Nine Pacific nations including the United States are moving ahead on building an ambitious free trade zone, but few believe they will meet a self-imposed November deadline as criticism mounts.

President Barack Obama brought the United States into talks on the Trans-Pacific Partnership (TPP) in 2009, breathing new life into a once-obscure group and giving him a chance to shape his own trade agenda.

The US Trade Representative's office reported "considerable progress" during talks that closed Friday and called for "as much progress as possible" before a November summit in Hawaii of the Asia-Pacific Economic Cooperation (APEC) bloc.

Trade Minister Lim Hng Kiang of Singapore, the host of the week-long talks, also spoke of forward movement but said: "It will take time and commitment to reach a consensus on all issues."

The TPP involves nine APEC members - Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, the United States and Vietnam. Asia's two largest economies, China and Japan, are not part of the group but have not ruled out joining.

"No one expects a full agreement with every 'i' dotted and every 't' crossed by November," said Representative Rick Larsen, a member of Obama's Democratic Party from export-reliant Washington state.

But, he added: "There is an expectation that there will be a big step forward on negotiations."

With nine countries involved, there is no shortage of disputes -- and criticism has come not just from the usual critics of globalization.

Representative Don Manzullo, a



US President Barack Obama speaks to employees of AT&T, PepsiCo, UPS and Verizon in Landover, Maryland, on Friday.

AFP

Republican who heads the House Foreign Affairs subcommittee on East Asia and supports free trade in principle, has voiced concern over lack of protection for intellectual property under the TPP.

New Zealand is considering ending patents for software on the grounds that such protections stifle innovation.

"We need to look after American interests first and not just sign an agreement because it helps our engagement in Asia," said Nien Su, a senior aide to Manzullo.

Several lawmakers from US dairy states have demanded that the sector be taken off the table in the TPP. New Zealand is the world's biggest dairy exporter,

led by Fonterra, the country's largest company.

In turn, left-leaning activists in Australia, New Zealand and elsewhere have expressed concern that US exporters would force up prices of medicine and bring in genetically modified foods that do not meet local regulations.

Lori Wallach, director of US advocacy group Public Citizen's Global Trade Watch, warned against a free trade pact that involves nations with controversial records on labor rights, particularly Vietnam.

Wallach said that even if the TPP is

reached by November, it would prove risky for Obama to seek its approval by Congress in 2012, when he is up for re-election.

"These are fights that can be avoided. It's like backing up into a meat grinder," she said of Obama's policy.

Obama is already embroiled with a trade feud in Congress as he seeks approval of a pact with South Korea but Republicans press him to finalize agreements with Colombia and Panama as well.

Secretary of State Hillary Clinton, in a speech to an APEC meeting in March, said the TPP offered a chance to create "a new kind of trade agreement" that "promotes not just more growth, but better growth" and could be expanded eventually to the whole Asia region.

Calman Cohen, who heads the Emergency Committee for American Trade business group, said the TPP would give the United States a seat as the dynamic region shapes its economic future.

The pact would also boost relations with all eight countries, which "will aid the United States as it seeks to advance other important priorities that are beyond the scope of a trade agreement," Cohen said.

Walter Lohman, director of the Asian Studies Center at the conservative Heritage Foundation, said the TPP could help keep the APEC bloc relevant. The United States has striven to be part of Asia's institutions as China rises.

But Lohman called for more political will to match negotiators' energy level.

The call for "as much progress as possible" is just not the kind of goal that is going to inspire the commitments necessary to complete it in any relevant timeframe," Lohman said.

## BRICS to talk economic coordination, not yuan: China

REUTERS, Beijing

Leaders from five of the world's top emerging economies will discuss a coordinated stance on economic issues such as commodity price fluctuations, but the yuan's exchange rate is off the agenda, a senior Chinese diplomat said on Saturday.

The mid-April "BRICS" summit will gather leaders from Brazil, Russia, India, China and South Africa in the southern Chinese beach resort of Sanya.

The summit is unlikely to achieve much concrete, though it will give the world's big rising economies a venue to coordinate views on global financial reforms, commodity prices and other shared concerns.

"The BRICS countries have similar concerns or stances on important questions like the global economy, international finance and development," Assistant Chinese Foreign Minister Wu Hailong told a news conference.

"We hope all sides can strengthen coordination and mutual cooperation on reform of the international currency system, commodity price fluctuations, climate change and sustainable development," he added.

China hoped the summit would in particular be able to coalesce views on commodity price fluctuations ahead of the G20 summit in Cannes, France, later this year, Wu said.

"This is a topic at the G20 summit in Cannes and ... the leaders of the five countries will exchange views on this," he added. "We hope that the five countries' leaders can have a joint stance on this issue and reach a broad consensus."

But Wu said the Chinese currency's exchange rate would not be talked about at the Sanya summit. Some countries say China keeps the yuan artificially undervalued to help boost Chinese exports.

"The renminbi's exchange rate is not on the agenda for discussion," he said, repeating China's standard line that its currency was not the cause of global imbalances.

China's hard work at perfecting the yuan's exchange rate mechanism was "clear for all to see", he added. Renminbi is the yuan's formal name.

## EU launches appeal after claiming WTO Boeing victory

AFP, Brussels

The European Union launched Friday an appeal against a WTO ruling that the United States gave aircraft maker Boeing billions of dollars in illegal subsidies, after claiming victory in the dispute.

"The EU has chosen to quickly appeal technical elements of the ruling for legal strategic reasons," said John Clancy, spokesman for EU trade commissioner Karel De Gucht.

"The EU's victory in this case against Boeing remains very clear for all to see," he said, referring to the WTO finding that state aid provided by Washington reached at least \$5.3 billion (3.75 billion euros).

Clancy said the speed of the EU appeal -- the latest tit-for-tat measure in a seven-year battle over state aid for rivals Airbus and Boeing -- was aimed at accelerating decisions in an earlier WTO finding against Europe.

A WTO ruling in June 2010 accepted three out of seven claims by Washington that Airbus effectively received illegal export subsidies. Both sides have

appealed that ruling.

An EU source close to the negotiations warned that Brussels was anticipating "a much bigger appeal" from Washington on the Boeing case.

De Gucht said Thursday when the findings were released in Geneva that the EU was to "call on the US government to take the appropriate steps that may assist to achieve a mutually agreed solution to this dispute."

However, the US government and Boeing also claimed a moral victory, saying that the amount of illegal subsidies paid to the US aircraft maker was much less than that paid to European rival Airbus.

The appeal is expected to challenge WTO decisions about subsidies not classed as illegal, or where they were not deemed to have been commercially harmful.

Airbus, part of the European Aeronautics Defence and Space Company (EADS), has claimed that illicit US subsidies caused \$45 billion of lost civil airliner sales between 2001 and 2006.

## S&P downgrades Japan's TEPCO

AFP, Tokyo

Standard & Poor's downgraded the long-term rating on Tokyo Electric Power Co. (TEPCO), operator of a nuclear plant at the centre of the world's worst atomic crisis for 25 years, to 'BBB+' from 'A+'.

The agency also lowered the short-term rating to 'A-2' from 'A-1', with both ratings remaining "on CreditWatch with negative implications", it said, suggesting that they could be downgraded further.

Standard & Poor's decision, announced in a statement released Saturday Tokyo time, followed a similar move by ratings agency Moody's.

The deadly earthquake and tsunami on March 11 damaged several TEPCO facilities, and the company now faces huge costs from the crisis at the Fukushima Daiichi nuclear plant, which continues to leak radiation.

The nuclear disaster has forced evacuation of nearby residents and contaminated farm soils, food products and livestock.

"As a result of the unprecedented events of March 11 and the importance of TEPCO to the Japanese economy, we believe that the Japanese government may provide some form of extraordinary support to the company," S&P said.

"However, on a stand-alone basis, we view the credit profile of TEPCO as non-investment grade, with a continued high risk of negative rating transition in the short term," it said.

Some analysts estimate TEPCO could face compensation claims of more than 10 trillion yen (120

## Ford topples GM from top spot

AFP, Chicago

Ford knocked General Motors out of the top spot for US auto sales last month, a feat it had managed only once before since 1998, industry data showed Friday.

The upset came as the US auto industry continues to rebound strongly, with the overall sales rate rising for the sixth consecutive quarter.

March sales increased 16.9 percent from a year earlier to 2.5 million vehicles, according to Autodata.

Meanwhile, rising oil prices in the wake of unrest in the Middle East has contributed to a strong shift towards smaller cars, automakers said.

Firm demand for Ford's updated truck line and its class-leading fuel efficiency helped boost sales 19.2 percent in March from a year ago, to 212,777 vehicles.

That was 6,156 more vehicles than GM sold after posting a 9.6 percent gain.

"Consumers are voting with their wallets," said Ken Czuby, who heads Ford's sales and marketing.

GM has been the top seller in the US market on an annual basis since 1931, according to Automotive News Data Center.

But its crown has been under a determined assault in recent years.

Toyota ended GM's 77-year reign as the world's largest automaker in 2008. Ford last outsold GM in February 2010, but by a margin of just 471 vehicles.

GM also lost the top spot in July 1998 when it was hobbled by a strike at supplier Delphi Corporation and was outsold by Ford by 83,883 vehicles, the trade publication said.

"I don't think it shows a definitive turn, but how competitive the market is," Rebecca Lindland, an analyst with IHS Global Insight, told AFP.

GM remains the industry leader for the quarter, with sales up 24.1 percent to 592,545 vehicles as its share rose 0.7 points to 19.4 percent.

Ford's sales for the first three months of the year are up 15.9 percent at 496,720 vehicles but its share was down 0.6 points at 16.2 percent. Both GM and Ford have under-



Alan Mulally (R), president and CEO of the Ford Motor Company, and Derrick Kuzak, group vice president of Global Product Development, are seen at the New York International Auto Show in New York on Thursday.

gone several rounds of intense restructuring after Asian makers wrested away market share and consumers shifted away from their former cash cows -- the gas-guzzling sport utility vehicles which fueled their profits in the 1990s.

Ford managed to get its books in order ahead of the 2008 financial crash and was able to survive the worst economic downturn in decades without resorting to government help.

GM emerged from a government-backed bankruptcy in July 2009 as a stronger but significantly smaller company.

"Our approach to the first quarter was to gain momentum and we did just that," GM's Johnson said in a conference call prior to the release of Ford's results.

"We'll continue to be very positive about our outlook, that we do have the right products at the right time and we continue to believe our company will continue to grow."

Chrysler, which also came out of taxpayer-funded bankruptcy reorganization in 2009, posted a 31 percent increase in March sales to 92,623 vehicles.

It was Chrysler's best month since May 2008 and the 12th consecutive month of year-over-year sales increases.

Toyota saw sales drop 5.7 percent from the heavily-incentivized March 2010 sales to 176,222 units.

While its quarterly sales were up 12.5 percent gain to 433,924 vehicles its share fell a full point to 14.2 percent in the first three months of the year.

"Our sales momentum continued in March and contributed to a strong first-quarter close," said Bob Carter, head of Toyota Motor Sales, USA.

"With improving purchase intentions and healthy inventory levels heading into April, we feel confident about our sales outlook."

Japanese rival Honda posted a 23.5 percent increase in sales to 133,650 vehicles in its sixth straight month of double-digit US sales growth. Its share for the quarter remained unchanged at 10.1 percent, according to Autodata.

Nissan's sales jumped 26.9 percent to 121,141 vehicles in March while its quarterly share rose 0.3 points to 9.3 percent.

Supply problems resulting from Japan's March 11 quake disaster did not appear to have made a significant impact on the US market even though Toyota, Honda, Nissan, Ford and GM have had to temporarily idle some US factories.

"Based on everything we see right now we don't see anything that's going to slow down the industry,"



Protesters gather outside US Senator Charles Schumer's office to demand more jobs on Friday in New York. The US Labour Department announced that the unemployment rate fell to 8.8 percent last month as the US economy enjoyed a net gain of 216,000 new jobs.

AFP