COMMENT

Not all WTO members are equal

By Qian Zhang

Chinese exporters' mood swung from low to high on July 15, when the World Trade Organization supported China's case against the European Union's anti-dumping duties on Chinese-made steel fasteners.

This unprecedented victory over the Europeans came 10 days after the WTO ruling that China's restrictions on raw materials exports were illegal.

The rulings under the same WTO framework have mirrored to some extent the conflicting interests and unequal status of WTO members.

In theory, the establishment of the General Agreement on Tariffs and Trade, the WTO's precursor, is aimed at fostering global free trade, growth and citizens' well-being. Its preamble starts with the pledge that all members will be treated as equals.

In fact, there is a disparity between the privileges enjoyed by old and new members.

This reality owes much to the fact that a candidate must obtain the approval of all 153 members to join the WTO, although there is an article stipulating that a two-thirds majority vote is enough for the admission of new members.

This arrangement enables existing members to dictate terms on the accession of new members, which previously centered on trade but now increasingly extends to their domestic economic systems. They seek to curb the rights of new members, leading to de facto inequality in the WTO.

It took nearly 15 years for China to join the WTO in 2001, with then Premier Zhu Rongji quipping that Chinese negotiators' hair had turned white due to the prolonged membership talks.

Likewise, Russia, after initiating its WTO bid 18 years ago, remains outside the WTO amid the tussle over attempted curbs on its rights.

The Articles 15, 16 and 17 in the protocol of China's entry into the WTO are typical "unequal treaties," allowing other members to not recognize its market economy status and employ Transitional Safeguard Mechanism, a punitive trade practice, against specific Made-in-China products.

China lost the raw material case precisely because Article 11 in its WTO accession protocol demands that the nation abandon all tariffs imposed on exports.

However, Article 20 in the GATT's charter spells out that it is a sovereign right to limit raw material exports to ensure supply for domestic industry. But the WTO protocol has stripped China of this prerogative.

These conflicts of interest amongst WTO members, old and new, can be partially attributed to the rivalry between the developed and developing world. The 23 countries that formed the GATT were all developed countries and have dominated the evolution of world trade rules ever since. To preserve their predominance and preempt emerging economies from catching up, they've conspired to curtail new members' rights by all means.

Even if the parties involved in trade frictions are both from the developing world, they don't necessarily share common interests. Rather, some may be antagonistic contenders for export market share and foreign capital inflows.

A prerequisite Mexico demanded as quid pro quo for its acceptance of China's entry into the WTO was that China must permit Mexico to levy special tariffs on its goods until 2008. This is a "diktat" that even the EU cannot tolerate. In early October 2002, Karl Falkenberg, trade representative of the European Commission, called for Mexico to remove the punitive duties on Chinese products and bring its measures into conformity with its WTO obligations.

Under the Western democratic system, elected politicians are poised to find foreign scapegoats for their own countries' woes.

Furthermore, the unilateralism of Western economic giants like the U.S. has intensified trade rivalries. GATT's Articles 22 and 23 mandate that trade spats must be settled through bilateral dialogue or multilateral mediation.

Yet the US, a key drafter of the GATT charter, reneged on that very principle with the first dispute it filed with the entity. At the second GATT assembly, held on September 9, 1948, it refused to engage Cuba in any negotiation over the latter's textile import ban. It arrogantly demanded that Cuban authorities unconditionally relax the ban and even sought the assembly's authorization to retaliate against a "protectionist" Cuba.

Fortunately, the assembly rejected the US request to go for some payback and founded a workshop to end the row. The workshop model, led by trade experts, has since become the default mechanism of resolving trade wars.

For emerging economies marginalized in setting global trade rules and desperate for external markets, a few "unequal treaties" are temporarily acceptable insofar as they don't compromise general equality and mutual benefits. After all, tolerating retail curbs on rights is better than being left out of the WTO and reaping no gains at all. Nevertheless, no countries, great powers in particular, can permanently live with harsh terms shoved down their throats.

To remedy the injustice, new WTO members ought to actively participate in multilateral, regional and bilateral trade talks and establish more equitable rules to supplant the "unequal treaties."

(Source: peopledaily)

Iran pushing ahead with economic reform: MEED

The latest edition of the Middle East Economic Digest magazine in an article praises Iran's economic performance in privatizing companies, reducing the number of ministries, phasing out subsidies, fighting inflation and moving toward a free market.

Following is the text of the article:

"Although Iran suffers from a wide range of economic and social problems, including a lack of jobs, brain drain, inflation and trade sanctions, in the past year, the government has shown a new determination to tackle these issues.

It was always expected that the removal of subsidies would lead to higher inflation in the short-term and the potential for unrest, as the price of gasoline quadrupled overnight. But more positively, the removal of the subsidies has already reduced the consumption of electricity and gasoline. Of the money saved, the government said 50 percent would be spent on Iran's lower classes and there is anecdotal evidence that this wealth now is reaching small towns and reviving economic activity.

A further 20 percent is due to go into key infrastructure projects. One of the major projects expected to benefit is the expansion of the Tehran metro. The development of the country's transport infrastructure has been slow, held back by a lack of financing.

However, in May, the Iranian majlis, or parliament, approved a bill to allocate a minimum of $2b from the National Development Fund for investment in subways and other urban transport projects.

The Washington-based IMF is forecasting Iran's economy will remain flat in 2011, due to the combination of sanctions and the phasing out of subsidies. Inflation is predicted to accelerate, rising to 22.5 percent."

Other reforms are also progressing, including an effort to improve ministerial efficiency, with plans to reduce the number of ministries to 17 from 21.

Ahmadinejad has also announced ambitious plans

to tackle unemployment, which currently stands at about 11.3 percent. The aim is to cut that figure by 2-3 percentage points by 2013, creating up to 2.4 million new jobs each year.

Meanwhile, the government's privatization plans have also moved forward over the past year. The Iranian Privatization Organization (IPO) says it divested $80b-worth of government-owned assets in 155 companies between 2005 and 20 March 2011. The IPO is aiming to raise $l2.5b from the sale of further assets over the next four years.

The largest contributing sector was the oil industry, including refineries and exploration assets, which generated $27.6b. A further $11.5b was raised from the sale of shares in the Telecommunications Company of Iran, $9.8b from the sale of shares in the petrochemicals sector, $4.8b from the country's power plants and $4.3b was raised from the sale of assets in the banking and insurance sector.

If Iran can continue in its current direction, then the introduction of a free market economy will be achieved.

MEED is a well-known business magazine for the Middle East and North Africa (MENA), providing analysis and commentary on Middle Eastern markets, companies, people and data on the regional projects market.

Explosion hits Iran-Turkey gas pipeline

An explosion disrupted early Friday the work of a pipeline in the east of Turkey that pumped natural gas from Iran.

The pipeline had to be put out of operation after flames from the resulting fire reached 60 meters.

Firefighters were ultimately able to put out the blaze, which had spread hundreds of meters wide with flames that leapt tens of meters into the air.

Iranian gas flow to Turkey has been halted due to the explosion and repairs have been started which will take one week, a Turkish Energy Ministry official told Reuters on Friday.

"Repairs have been started on the Turkey-Iran pipeline. The repairs and restarting of gas flows will take one week," the official told Reuters.

He said Turkey was buying additional gas from Azerbaijan and Russia to cover the shortfall caused by the explosion, which according to state-run Anatolian news agency occurred in the eastern Turkish province of Agri.

Meanwhile, Managing Director of Iran's National Iranian Gas Company (NIGC) Javad Oji has expressed NIGC's readiness to cooperate with Turkey's state-owned pipeline company, Botas, to restore the flow of natural gas to Iran's western neighbor as soon as possible.

Iran is Turkey's second-biggest supplier of natural gas after Russia, sending 10 billion cubic meters of gas each year. Turkey uses gas to fire half of its power plants.

It was not immediately clear what had caused Friday's blast but sabotage is common on pipelines leading into Turkey from Iran and Iraq, where Kurdish separatist militants operate.

Late last month, gas exports from Iran to Turkey were briefly halted due to a blast. The pipeline was swiftly repaired and gas flows were resumed a day later.

(Source: Agencies)

Sanctions against CBI could hurt the global economy

A new U.S. Congressional push to sanction Iran's Central Bank is aimed at reducing Iranian oil revenues, but could backfire and hurt the global economy.

On Tuesday, the Wall Street Journal disclosed a letter to the White House signed by 92 senators urging the Barack Obama administration to place new restrictions on dealings with the bank as part of a strategy to "cripple" Iran.

Experts on the Iranian economy told IPS that any action that cuts Iranian oil sales could cause a spike in global prices and ultimately help Iran's oil-dependent economy.

The Senate letter got a big endorsement from the American Israel Public Affairs Committee (AIPAC), the influential Jewish lobby group that has made stopping Iran's nuclear program major priority.

(Source: The International News)

Indian oil companies have paid first tranche of Iran oil debts: Indian Finance Minister

Indian firms have paid the first installment of their Iran oil debts, Finance Minister Pranab Mukherjee told reporters on Friday.

India and Iran have resolved the issue over payments, he said, triggered at end-December when the Reserve Bank of Indian scrapped a long-standing regional clearing house mechanism under the US pressure.

Indian refiners' debts to Iran for some 400,000 barrels per day of crude had mounted towards $5 billion but a new mechanism put in place recently has allowed them to start payments.

Indian Oil Corp. paid Iran 73 million euros ($104 million) earlier this month and expects to clear its outstanding dues of about 380 million euro for crude purchases by the end of August, the financial head of the company said Wednesday.

(Source: Agencies)

Maintenance work on Iran's South Pars gas field nears completion: Sources

Rolling summer maintenance outages on parts of Iran's giant South Pars gas field, which have led to lower Iranian fuel oil exports since July, are expected to be completed by the end of September, industry sources said.

The work on South Pars facilities, part of the world's biggest gas field, has led to a big drop in fuel oil exports since mid-July as the lack of gas led Iranian power plants to burn more oil instead, they said.

The five-stage rolling maintenance program, running at South Pars since June, should be completed at the end of next month, an industry source with knowledge of the plans said.

"South Pars has an outage going on," another industry source said.

"They still maintain that October will be back to normal."

The offshore South Pars field contains about half

of Iran's estimated 29.60 trillion cubic meters of reserves, according to the data from BP, the world's second largest after Russia.

The South Pars reservoir is shared by Iran and Qatar.

Iran's lower fuel oil exports have tightened fuel oil supplies in Singapore and Fujairah. Fuel oil flows to East Asia have also been affected.

The National Iranian Oil Co. (NIOC) has told Asian buyers that September-loading exports will be limited.

"The market is still tight," said a Middle-East based fuel oil trader. "Although we're hearing that they are trying to force out one Bandar Abbas cargo export or so to utilize the market strength."

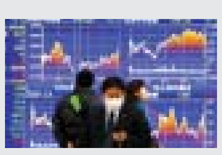
Regular buyers as well as Persian Gulf-based traders were unsure if the cut in exports would last beyond September, as NIOC has not given any indication.

"We were told by NIOC that this situation was going to last until the end of September and then come back to normal afterwards," another fuel oil trader said.

(Source: Ruters)

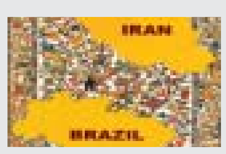
NEWS IN BRIEF

Japan slashes 2011/12 growth forecast to 0.5 pct on quake



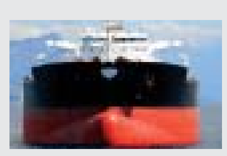
Japan's government cut its economic growth forecast for the current fiscal year to 0.5 percent from 1.5 percent to reflect the slump in factory output after a magnitude 9.0 earthquake, tsunami and nuclear meltdown in March, the cabinet said on Friday. The government's new forecasts, approved at a cabinet meeting, are in line with what a government source told Reuters on Thursday.

Brazil, Iran trade quadrupled



Brazil is the largest trading partner of Iran among Latin American countries, according to the International Monetary Fund, Press TV reported. Bilateral trade with Brazil had quadrupled from $500 million in 2005 to $2 billion in 2009. Trade is forecast to increase to $10 billion in the next five years, Press TV reported.

Iran supplies 4% of South Korea's oil products imports



South Korea imported 136.34 million barrels of oil products in the first half of this year, down 4.6% from a year earlier. It received 4% of its oil product imports from the Iran, according to the energy ministry. South Korea also imported 459.31 million barrels of crude oil in H1 2011, up 9% from the same period last year, 86.2% of which came from the Middle East.