

# CHINA TRADER

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Editor: *John Green of Strategies*

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**MORE POWER FOR CHINA-IMF AGM:** The 184 members of the IMF (International Monetary Fund) have voted a significant increase in China’s voting power (and in its ‘membership fee’). This has come at the price of moving some traditional vested interests aside - and ‘over their dead bodies.’ There have also been squawks from Latin America and the Middle Eastern oil states.

What all this signifies is maybe the most significant rebalancing of world economic power since the end of WW2.

China is therefore now no. 6 in the IMF (behind US, Japan, Germany, France and UK).

Of less (but still noteworthy) significance is the movement up the batting order of South Korea, Mexico and Turkey.([www.imf.org](http://www.imf.org))

## IMF WARNING ABOUT CONSEQUENCES OF SUBVERSION OF WTO:

The Fund’s AGM, through Anne Krueger, its First Deputy Managing Director, has strongly backed the WTO and all it stands for. She re-affirms that on balance, globalization, multi-lateral trade and capital exchange (International investment) have together produced what global growth and prosperity there is.

But now she’s worried about three current trends (including one to which the NZ government is now committed):

- preferential trade agreements (e.g. ‘cers/ftas’), which, she says, are ‘discriminatory’.
- Discriminatory global capital (e.g. investment) flows. There’s a need, she observes, for ‘internationally recognized rules ... that provide for uniform treatment, regardless of country of origin.’
- the persistence of some countries ‘selfish’ attitudes, ‘regardless of the effects of their actions on other countries.’

She specifically takes aim at those responsible for the evident failure of the WTO’s DDA (Doha Development Agenda). This failure, she believes, ‘should be greeted with alarm by all who have shared in the rising living standards of the past six decades.’

[NZ’s prime weapon in its global trade policy has been its commitment to - and reliance on - the WTO/GATT. All else is ‘fail-safe’] (<http://americanresearchcentre.usembassy.gov>)

**WTO - A BRIDGE TOO FAR?:** DG Pascal Lamy has shared with a WTO Public Forum, the widespread ‘frustration and regret of the WTO, civil society and academia, about the universal risks to the world of losing a major - maybe unique - opportunity to integrate more vulnerable economies into international trade, and widening their potential for contributions to sustainable growth and poverty alleviation.’

Following discussions in October with the trade ministers of various WTO member countries, DG Lamy’s confirmed that ‘it’s now obvious that the cost of failure, and the missed opportunity to rebalance

the trading system, would hurt the developing countries more than others.' (Address to the WTO's Trade Negotiations Committee)

As noted before in 'China Trader' the democratic, consensual decision making structure of the WTO, leaves everybody else at the mercy of the most perverse, the most selfish, and the most short-sighted.

[Exactly what each country has agreed to is now available on the WTO's website 'Schedule of Concessions']

(<http://wto.org/english/hatope/schedules-e/genl> )

**CHINA BLOCKS WTO DISPUTES SETTLEMENT:** In a move of potential interest to NZ FTA negotiators, China's blocked an attempt by Euroland, US and Canada (on behalf of their vehicle parts industries) to use the WTO disputes resolution mechanisms, to investigate its import procedures.

Conceivably, a vexatious example of 'ntb' (non-tariff-barrier)?

([www.wto.org/english/news\\_e/news06\\_e/dsbc](http://www.wto.org/english/news_e/news06_e/dsbc))

### **APEC LEADERS - A 'WISH LIST' FROM HANOI:** A SUMMARY, in order of priority:-

- a need above all, for a WTO/DDA agreement - a goal APEC's leaders have committed their united and considerable weight into achieving. (56% WORLD GDP; 48% WORLD TRADE; 40% WORLD POPULATION; a MAJORITY of the 'Great Powers' on the UN Security Council; 21 members - and more to come?) The leaders communiqué says it all:-

'... spare no efforts to break the current deadlock.'

The consequences of letting the WTO negotiations die are '...too grave for our economies.'

What this means is well spelled out in an APEC Business Advisory Council (ABAC) report for the leaders meeting:-

'Suspension of negotiations means that the (WTO) Round will not be completed this year, and businesses and consumers around the world will continue to be excluded from the benefits of expanded trade liberalization.

Failure to conclude the Round means that governments have missed an historic opportunity to lower barriers to trade in agricultural products, improve non-agricultural market access and trade in services...'

- they agree upon a need for 'high quality, consistent, transparent, comprehensive ... trade agreements.'

[Whether they'll get them's another matter. NZ's agreements are a model - Asian ones, so far, shallow, protectionist and 'picky.'

The leaders agree that REAL reductions in commercial transaction costs are what's needed - down 5% in three years.

In order to clean up the complicated, contradictory mess of existing regional trade agreements, the leaders are now committed to the development of templates, chapter-by-chapter, of guidelines for the design of what an FTA should be. Officials need to deliver within two years.]

- APEC countries need to be more closely integrated; and, the leaders think, are actually growing closer together.
- the time has now come (SEE ABOVE WTO), thanks in particular to a big push from the US' Bush administration, for serious attention to the \*FTAAP (Free Trade Agreement AsiaPacific). It's taken (i) the collapse at WTO (ii) the collapse of the Bush administration in the last Congressional elections, to generate some steam - even though there are going to be problems. SEE BELOW\*
- They plan to cut red tape REGIONALLY for the benefit of small/medium businesses.
- they accept the need to narrow the region's rich/poor divide.
- fascinated by cyberspace, the leaders have adopted the 'APEC Technology Choice Principles' based on technology trade, the sanctity of Intellectual Property - and a freely flowing internet.

All the top priorities deal with trade promotion, where the corporate sector worried about:-

- energy supplies
- crisis contingency management

Specifically:-

- counterterrorism and aviation security
- disease pandemics
- regional disaster preparedness

(including economic consequences)

All these were also ticked off, as were counter-corruption measures (for next year), regional tourism promotion; multi-cultural harmony; professionalization and expansion of APEC's Secretariat. ([www.apec.org/leaders\\_declaration](http://www.apec.org/leaders_declaration))

**\* A FREE TRADE AGREEMENT FOR THE ASIA-PACIFIC? FOR and AGAINST:** The corporations which comprise ABAC, while they back the idea, were (until George W. Bush suddenly got behind it, just before the APEC Summit in Hanoi) doubtful whether it was do-able.

FOR:-

- Evidence that APEC's serious, with all the batting power of its 21 members (soon to be supplemented?), might be just what's needed to 'encourager les autres' to make the concessions needed for a successful Doha Development agreement-saving WTO (which is what's really wanted).  
[never mind that two of the three principal stumbling blocks are APEC members]
- The US can easily switch the energy and resources it's been putting into Doha negotiations, into those for FTAAP, because they are similar in scale. How determined the Bush administration is about this will be signalled by the referral of FTAAP to its International Trade Commission for study. WATCH THIS SPACE.
- This will make APEC a most attractive club to join - and from next year, it will be open for new members. And this will make APEC even more powerful.
- The negotiations will also jolt APEC's infrastructure, demanding streamlining as well as up scaling. This has long been a problem.
- FTAAP negotiations will provide a great opportunity to harmonise the horrible mishmash of agreements currently clogging up regional commerce

AGAINST?:-

- China:Japan rivalry may split APEC and destroy the negotiations
- There may also be a fundamental split between the countries favouring comprehensive 'quality' commitments (NZ a good example), and those favouring 'picky', exclusion-ridden agreements (most Asians).
- WTO Doha may not be jolted at all, or (Euroland-style) only jolted into a 'picky' mishmash of a minimal consensus which satisfies nobody. Significantly, every previous negotiating Round has produced sweeping trade openings which have been the foundation for the next. It is feared that a mishmash will produce first the

stagnation and then the corrosion of the WTO - and of international commerce as we know it.

- FTAAP negotiators may find themselves fighting those of the EAS (East Asia Summit)?
- IF the negotiations are measured on an Asian/WTO-style series of 'consensus', any agreement 'will take a very long time.'
- arguments about rules-of-origin will very likely be very difficult to resolve.([www.pecc.org](http://www.pecc.org))

And then there's China ...

CHINA and FTAAP:

Apparently, Chinese responses at the Leaders Summit in Hanoi were at best, 'neutral.'

But examination of a paper by influential Chinese Academician, Sheng Bin, paints a different picture.

Although he sees difficulties for the government in dealing with internal pressures (ESPECIALLY the currently VERY sensitive farming/rural lobbies) Dr. Sheng thinks China could come to the party. China could, he believes, play a central role in an FTAAP.

Yet at the same time he doesn't see the Chinese supporting a 'high-quality' free trade agreement (though this is precisely what China has committed itself to in its negotiations with NZ).

Even so, Dr. Sheng sees advantages - especially geopolitical advantages, in an FTAAP:-

- It would help iron out China:US commercial friction
- It would unscramble the mess of existing bilateral/regional trade agreements - and those to come.
- It would give WTO/Doha (and Euroland?) a good jolt - a kick restart.
- It would get China into new markets, providing new sources of dynamism for the economy - with a consequent 'welfare' effect.
- And most significant of all 'regional and free trade agreements can be instruments of COMMERCIAL DIPLOMACY to realise CHIINA'S VISION OF GEOPOLITICS and GLOBAL STRATEGY.'  
([www.pecc.org](http://www.pecc.org))

**US WARNING ABOUT CONTINUED IP THEFT:** Commerce Secretary Carlos Guttierrez has warned of the prospect of increased protectionism in the US, in the wake of the Democrats' election victories (the labour unions being heavily behind them). Failures to follow through on patent, trademark theft only fuel, Guttierrez believes, US

worries over the financial and trade imbalances between the two countries.

On the other hand he credits the government with its pursuit of counterfeiters in the pharmaceutical sector; prosecutions to support patent and trademark holders; and the cancellation of licences held by movie pirates.

And naturally he wants more, and he wants it urgently:-

- Lower standards of criminal culpability
- More prosecutions for commercial piracy and counterfeiting
- The cross-border sharing of information, to facilitate the tracing of pirated discs, back to their source
- The expansion of market access for American movies.

(<http://newzealand.usembassy.gov/americanresearchcenter>)

**TROJANWARES FUEL INDUSTRIAL ESPIONAGE:** Its annual global value's estimated to be about us\$20bill, and it appears to be a particular plague on sites in Costa Rica, Russia, Switzerland, UK - and in the financial services sector everywhere.

And the incidents are on the increase - from 2 attacks a week, to one a day now.

A particularly virulent source has been identified as Israeli, but out of a London site. ([www.bbcnews.com](http://www.bbcnews.com))

**2007 OPPORTUNITIES AT CANTON FAIR:** Members of the NZ Air NZ Inaugural trade mission were treated to a very frank briefing at the Jubilee Canton Fair, by Premier Wen Jia Bao (perhaps a fruit of the 'Mr Victor' effect? SEE BELOW)

He confided that from next year the Fair's function is to change - and drastically. Henceforth it will be the IMPORT/Export Fair.

Aside from being a potentially transforming opportunity for NZ's China Traders, it's also a significant change in Chinese trade policy. Premier Wen said it will be one means of cutting China's giant trade surpluses, deflecting constant American carping about its bilateral deficit with China - and an incentive to Chinese consumers, to spend. It will also facilitate China's acquisition of the latest foreign technology.

[120-strong, the Inaugural mission was NZ's largest yet, apparently]

**ANOTHER SIGN OF THE TIMES:** There are new signs that the world's hedge funds are discovering a new source of high-yielding if speculative investment: FOOD.

Where more conventional funds are happy with 8% returns, restless hedge fund managers need 15-20%. ([www.bbcnews.com](http://www.bbcnews.com))

**FREE EDUCATION FOR CHINA'S NEEDY:** China's welfare equalization reforms continue to gather speed. Premier Wen announced an expansion of last year's elimination of all school fees for 50m children in the poorest, far Western provinces. Henceforth free education will be applied to another 150m children in the remaining provinces.

([www.bbcnews.com](http://www.bbcnews.com))

**RECOGNITION AT JUBILEE FAIR FOR 'Mr Victor', NZ's CHINA TRADER:** NZ's - and the Association's - Victor Percival was one of only three Westerners especially invited to the 50th Jubilee Canton Fair, to be awarded a Certificate for Outstanding Contribution, from the hand of Premier Wen Jia Bao. The other two were representatives from French retailer 'Carrefour', and Sweden's IKEA. He is the only westerner still living who was at the first one, in 1957.

And the reason he was, was because he concluded from the Anglo-EEC negotiations in Europe that 'NZ Inc's' comfortable days were over. It was time to develop an equivalent. China, he surmised, had the potential to fill that bill.

Since that time, 'Mr Victor' has attended some 60-odd fairs, and trodden most of China's highways and byways, becoming in the process a celebrity in the Peoples' Republic as a notable import/exporter.

His speech at the Jubilee opening aptly summarises how far he and China have come in the last 50 years. 50 years ago the NZ Government and Diplomatic Service tried to stop him going, and it took a week to get to Hong Kong - and sometimes hours to get into China - proper. Now it takes 10hrs, and China and Hong Kong are one.

Then, he was one of seven people on the Canton train for the Fair - now 200,000 flock there.

Then, contracts closed totalled US\$70m - now they are worth billions, twice a year.

The Fair, he maintains, now enables every country to benefit from the China Trade.

In his time, Victor Percival said, he's seen China rise again, to the world's third trader, fourth economy.

'As an old friend of China', he concluded, 'I've dedicated my life to the friendship between NZ and China.'

In an unrehearsed break with protocol, Premier Wen shook his hand, followed by Vice-Premier Wu Yi, Commerce and Trade Minister Bo Xi Lai, and various provincial governors. NZ received a fine little promotion from Premier Wen - the whole ceremony was televised on CCTV1, live to an estimated audience of 300m. This does not include CCTV International's global audience, where it also appeared.

[Victor Percival appears on China's list of 20th century Special Friends of China, alongside Charles de Gaulle, Richard Nixon, Henry Kissinger - and NZrs Rewi Alley and Kathleen Hall. His biography 'Mr Victor - China Trader', is in preparation]

**NZCTA MEMBERSHIP FEES CUT:** The revised schedule is now:

- Corporates: \$300
- Less than 5 staff: \$100
- Personal: \$50

The secretariat will refund anybody who's already paid at the old rate.

**EVENTS**

- 2007  
9 FEB Canberra, ACT, AUS  
'Chinese in the Pacific  
- Where to now?' Workshop  
(the role the Chinese have played in the Pacific, and the challenges ahead (for whom?))  
<http://repas.anu.edu.au/cscsd/activities>
- 15 FEB Auck/NZ  
NZ Opening, Confucius Institute, AU

**NZCTA AGM:** The Executive has been unanimously re-elected as follows:-

**EXECUTIVE COMMITTEE:**

- S Ferguson, Chair
- V Percival, Vice-chair and member for life
- A Bogatski, Treasurer
- R Jeffery
- R Fyers
- R Rabindran
- R Duncan
- C Lassiter
- L Lim
- A Benvie
- VACANCY, ex-officio (MFaT)
- P English, ex-officio (NZTE)

The Association's Strategic Plan was circulated, and copies are available from the Secretariat. Minister of Trade, P. Goff, provided an informal briefing for members, and questions and answers.

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