
**DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT
OFFICE OF INTERNATIONAL AND DOMESTIC AFFAIRS
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WORLD TRADE ORGANIZATION

- The World Trade Organization released its final report on a long-running dispute over European state subsidies for developing Airbus aircraft. According to the U.S. Trade Representative, “the WTO Panel found that every instance of launch aid provided by certain EU nations for new Airbus aircraft over the last forty years are WTO-inconsistent subsidies.” The European Commission countered with claims that the report “found that European support did not result in any job losses in the United States or lost profits to the US aircraft industry,” and said it is considering an appeal. The Aerospace Industries Association commented on the report, saying it “sends a clear message to those WTO member countries developing, or considering developing, civil aviation production that free and fair trade principles matter and will be enforced.”

MANUFACTURING

- Pratt & Whitney Canada predicted that the market for business jets will rebound to its peak level by 2015. The company, a division of United Technologies, is the largest manufacturer of small and midsize jets in the world.

TRADE

- During the first-ever Mid-Year Review Meeting of the U.S.-China Joint Commission on Commerce and Trade (JCCT) on May 25, senior U.S. trade officials encouraged China to create an open environment for innovation and make progress on other priority trade issues. The U.S. is focused on addressing discriminatory industrial policies such as indigenous innovation, improving IPR enforcement and ending non science-based regulations that block U.S. agricultural exports.
- U.S. Ambassador to the WTO Michael Punke and EU Chargé d’Affaires John Clarke met in Geneva with Japanese Ambassador Shinichi Kitajima to express the U.S.’s and EU’s long-standing concerns regarding the lack of a level playing field between Japan Post and private sector companies in the insurance, banking and express delivery sectors. While Punke and Clarke stated that the U.S. and EU remain neutral on whether Japan Post should be privatized, they expressed disappointment that draft postal reform legislation does not address U.S. and EU concerns about the preferential treatment that Japan Post currently receives compared to private sector companies. They also raised common concerns regarding provisions in the draft legislation that give Japan Post additional competitive advantages, including less rigorous regulation of Japan Post operations.
- The U.S. and the European Union have signed an agreement designed to lead to settlement of a longstanding dispute over the EU’s bananas trading regime. In the agreement, the EU undertakes not to reintroduce measures that discriminate among bananas distributors based on the ownership or control of the distributors or the source of the bananas, and to maintain a non-discriminatory, tariff-only regime for the importation of bananas. The U.S.-EU agreement complements the Geneva Agreement on Trade in Bananas (GATB) between the EU and several Latin American banana-supplying countries, which provides for staged EU tariff cuts that will bring the EU into compliance with its obligations under the WTO Agreement.

- The U.S. and Russia have reached an agreement to permit the resumption of U.S. poultry exports to Russia.
- The U.S. international trade deficit increased to \$40.3 billion in April from \$40.0 billion (revised) in March, as exports decreased more than imports.

REGIONAL

NORTH AMERICA

- Job creation by private companies grew at the slowest pace since the start of the year, as a wave of Census hiring lifted payrolls by 431,000 in May. The unemployment rate dipped to 9.7% as people gave up searching for work. Virtually all the job creation in May came from the hiring of 411,000 Census workers. Such hiring peaked in May and will begin tailing off in June. By contrast, hiring by private employers, the backbone of the economy, slowed sharply. They added just 41,000 jobs, down from 218,000 in April and the fewest since January.
- Boeing is expected to enter the bidding to build a new fleet of presidential helicopters. Boeing says it will buy the rights to build a midsize helicopter from European firm AgustaWestland. This entry will go against one from Sikorsky and Lockheed Martin, who will work as a team.
- The U.S. Commerce Department reported that gross domestic product rose by 2.7% in the January-to-March period. That was less than the 3% estimate for the quarter that the government released last month. It was also much slower than the 5.6% pace in the previous quarter.

EUROPEAN UNION

- The British government is preparing for substantial defense spending cuts as the country moves to slash its record-high budget deficit. In the first review of the U.K.' defense capabilities since 1998, lawmakers will strive to shift from strategies left over from the Cold War to new and future threats, and a procurement report last year already stated that the Ministry of Defense would not be able to afford as much as half of the equipment it is seeking to buy in the next decade.

ASIA

- Japanese Prime Minister Yukio Hatoyama resigned to improve his party's chances in an election next month, after his popularity plunged over his broken campaign promise to move a U.S. Marine base. He is the fourth Japanese prime minister to resign in four years. Finance Minister Naoto Kan emerged as a likely successor.