

B R I D G E S

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EU-U.S. STRIKE HELMS-BURTON DEAL; WTO PANELS SET FOR CANADA, INDIA

The EU and U.S. announced Friday that they had reached an agreement in principle over the Helms-Burton anti-Cuba law. The U.S. Helms-Burton law allows U.S. citizens to sue foreign companies doing business on land that Cuban President Fidel Castro expropriated from Americans after the Cuban Revolution in 1959, and allows for the denial of visas to foreign business executives whose companies violate Helms-Burton. The deal calls for U.S. President Clinton to try to limit the application of Helms-Burton, in return for which the EU will request that the WTO suspend its dispute panel hearing on the EU complaint against Helms-Burton, which were set to begin April 14. The deal is still pending approval by EU member states and the U.S. Congress. The EU has reserved the right to reinstate its WTO complaint if the U.S. fails to deliver on its side of the deal, or if Helms-Burton is applied against a foreign company. Meanwhile, the bill's co-author Senator Helms said after the EU-U.S.

S. deal was struck that, "I have a message for our friends in Canada and Mexico: Take no comfort from these negotiations,...No matter what their outcome, unless and until you stop trafficking in stolen American property in Cuba, (U.S. sanctions) will continue to apply to you."

In other trade dispute news, the WTO announced April 10 that a panel will be established to investigate Canadian complaints that Australia's import ban on Canadian salmon violates open trading rules. Australia maintains that its import restrictions are based on strict quarantine regulations, which it says are consistent with WTO rules. Australia blocked Canada's first request for action by the Dispute Settlement Body last month, but under WTO rules was not allowed to do so twice. Also on April 10, India announced that it will join Malaysia, Pakistan and Thailand in

their complaint against the U.S. over the U.S. ban on shrimp imports. A dispute settlement panel will rule on whether the U.S. is imposing domestic environmental legislation on other countries by its import ban on marine shrimp caught with methods that harm endangered sea turtles.

"EC Agrees Helms-Burton Deal," FINANCIAL TIMES, April 12, 1997; "Don't Bank on EU's Cuba Deal, Helms Says; No Break for Canada, U.S. Senator Declares," THE GLOBE AND MAIL, April 12, 1997; "WTO Sets Panel in Canada-Australia Salmon Row," REUTER, April 10, 1997.

MEXICO-EU RESOLVE DIFFERENCES, FORGE AHEAD ON TRADE DEAL

After two years of talks Mexico and the European Union have agreed on a set of guidelines by which the two sides will negotiate a commercial, political and cooperation accord. Talks had stalled previously over Mexican refusal to prioritize political and cooperation issues, leaving commercial agendas for last. The EU and Mexico have now agreed to discuss all three issues simultaneously. More significant, the European Parliament has insisted that EU negotiators include a human rights clause in any trade agreement. Last week, Mexico agreed to the EU demand. "Of course Mexico will support the European Union's desire for democracy and human rights," Mexican Foreign Minister Jose Angel Gurria. Trade talks for a final agreement will begin in June. Officials from both sides say that a free trade accord will most likely not be concluded until 2000 or 2001.

The EU will hold separate trade talks with Mercosur and Andean Pact countries. Some EU countries, most notably France, would like there to be fewer free-trade areas negotiated for by the EU executive Commission. However, less developed countries, especially in South America, have implemented significant economic reforms on promises of lucrative trade deals. When considering trade agreements, the EU will also be looking closely at how Latin American countries have addressed drug trafficking between Latin America and the EU. The EU has offered generous generalized system of preferences (GSP) benefits to Latin American countries who substitute food crops for drug crops, although critics argue that this has not been very effective in stopping the flow of drugs to Europe.

"Mexico And EU Overcome Trade Differences," IPS DAILY JOURNAL, April 8, 1997; "Mexico Agrees To Rights Clause In EU Trade Deal," REUTER, April 7, 1997.

WORLD BANK REPORT ON DEVELOPMENT

A challenging road ahead for sub-Saharan Africa is the picture painted by the "World Development Indicators 1997," released by the World Bank last week. Infant mortality rates for the region are significantly higher than other developing countries, at 90 deaths per 1000 births, compared to 60 per 1000 births (down from 107 per 1000 in 1970) in low or middle income countries. While developing countries have experienced an average 1.5 per cent growth in gross national product per capita since 1970, GNP per capita in the sub-Saharan region has fallen 0.8 per cent in real terms since 1970. Renewed media and development attention is being paid to the region, as the developed world takes a hard look at the total costs associated with region's continued failure. Former GATT chief Peter Sutherland and U.S. Deputy Treasury Secretary Lawrence Summers are among those inside and outside the development community urging serious and urgent action, lest devastating humanitarian and economic consequences result. What form that action should take is the question the World Bank and leading developed countries need to consider. "World Development Indicators 1997" reports that the sub-Saharan region received \$32 of aid per person in 1994, compared to \$17 per person in low and middle-income countries. Because the region is so poor, this kind of aid is quite important to the region's economies—accounting for 30 per cent of national income in some of the region's economies, so that less foreign aid is not possible in the short term. However, to be most effective, the money must be used differently, and include a focus on development of the private sector.

A separate internal World Bank report says that foreign aid to developing countries has had no net impact on countries' economic growth or economic policies. The report's co-author David Dollar notes that this is no reason to abandon foreign aid, saying that "We got into thinking we could induce countries to reform. But it turns out that this was wrong...Many very poor countries have adopted better policies and could benefit a great deal from better targeting of aid."

"Developpement: La Banque Mondiale Mesure Les Ecart," LE FIGARO, April 8, 1997; "Stephanie Flanders: Putting A Spotlight On Africa," FINANCIAL TIMES, April 7, 1997; "Foreign Aid: World Bank Study Shows Little Impact," FINANCIAL TIMES, April 14, 1997.

JAPAN TO ADMIT U.S. TOMATOES; U.S. LOOKS TO WTO ON BROADER ISSUES

Japan is ready to admit U.S. grown tomatoes for the first time, after seven years of trying to enter the market by U.S. exporters. Japan is expected to announce the end of the ban next month, with U.S. growers able to ship most likely by June. The move opens up a \$100 million a year market. U.S. growers had claimed that Japan was imposing phony trade barriers on U.S. tomatoes, claiming they potentially carried "blue mold," a disease non-existent in the U.S. According to industry officials, Japan moved to end the ban after the U.S. threatened to bring the matter before the WTO.

Tomatoes aside, the U.S. is not satisfied with Japan's over-all import regime for fruits and vegetables. The Clinton Administration last week requested formal consultations in the WTO regarding the U.S. complaint that Japan's import regime for fruits and vegetables violates WTO market access and phytosanitary rules. In particular, the U.S. is challenging Japan's limitation on imports of apples. Red Delicious and Golden Delicious apples are currently allowed for import into Japan from the U.S., but Japan has barred some Pacific Northwest varieties that growers are confident will be successful there. An informed source reports that the Clinton Administration is still considering whether the WTO consultations should be "more broad than apples."

"Japan Ready To Let In U.S. Tomatoes," JOURNAL OF COMMERCE, April 14, 1997; "U.S. Considering Broad Challenge Of Japan Agriculture Import Regime," INSIDE U.S. TRADE, April 11, 1997.

BRAZIL FACES WTO ROW WITH EU OVER AUTO TARIFFS

The EU may follow the lead of Japan and the U.S. by bringing its dispute with Brazil over car tariffs to the WTO. In March 1995, Brazil raised its tariffs on car imports from 32 to 70 percent, later reducing the tariffs to 35 per cent tariffs for car manufacturers who produce in Brazil. The EU has since been working to achieve a more agreeable tariff regime with Brazil, but is not satisfied with its progress. "We are not satisfied with what we've been offered," EU trade commissioner Sir Leon Brittan said, "If we continue not to be satisfied the resort to a panel would be the natural step." Both the U.S. and Japan have already made formal complaints to the WTO over Brazil's car-import regime. Brazil has agreed to reduce its tariffs within a few years, probably the same amount of time the WTO would need to conduct a formal investigation into the matter. Trade diplomats say that fact takes most of the teeth out of the EU threat.

"Brazil Warned Of WTO Probe Into Car Tariffs," FINANCIAL TIMES, April 7, 1997.

APEC AND INVESTMENT

Attracting foreign capital investment is the goal of an ambitious set of "voluntary" principles adopted by the 18 member countries of the Asia Pacific Economic Cooperation (APEC) forum. The principals look to institute "prudent monetary, fiscal and exchange rate policies" that APEC deems crucial for the region's development. APEC is looking to attract investment in the region for infrastructure development, and according to a group statement will, when possible, "bypass existing government monopolies to allow private sector investment in infrastructure projects like roads and telecommunications." APEC also recommended developing credible local or regional debt rating agencies to counter the concern of many developing countries that traditional debt rating services do not understand the region.

"APEC Endorses Accord To Attract Investment," INTERNATIONAL HERALD TRIBUNE, April 7, 1997.

USTR TRADE REPORT SHOWS PROGRESS FOR DEVELOPING COUNTRIES

The office of the U.S. Trade Representative recently released the 1997 National Trade Estimate Report on Foreign Trade Barriers (NTE). It is an inventory of the main trade barriers - consistent or not with international trading rules - to U.S. exports of goods and services, foreign direct investment and the protection of intellectual property rights. The study covers the United States' largest export markets - 46 countries,

Taiwan, Hong Kong, and two regional bodies. The trade barriers analyzed include import policies, standards, government procurement, export subsidies, lack of intellectual property protection, service barriers, investment barriers, and anti-competitive practices.

The report notes that although most developing countries have strengthened their legislation on the protection of intellectual property rights, enforcement of the rules remains weak. While recognizing that legislative steps have been taken, the U.S. still considers intellectual property rights insufficiently protected, particularly concerning patented pharmaceuticals and copyrighted videos, records, tapes, and software. In addition, according to the study, some developing countries create trade barriers by applying stricter sanitary and phytosanitary measures, such as testing, labeling and certification standards, than are internationally required. The report also claims that these measures are often applied without transparency or adequate notification.

The U.S. has a slight trade deficit with the thirty-odd developing countries covered by the report. The efforts made by most of these countries to liberalize their investment regimes have encouraged growth in U.S. Foreign Direct Investment (FDI) since 1994. The investments are mainly concentrated in the petroleum, wholesale, manufacturing, banking and media) remain largely closed, kept as state monopolies. The U.S. claims that overall, FDI is still relatively strictly controlled by governments and that many countries suffer from a lack of transparency and offer an uncertain investment environment.

EVENTS/RESOURCES

International Conference on Sustainable Development of Countries with Economies in Transition: April 21-23, Minsk, Belarus. Contact Conference Secretariat at International Conference on the

Environment, information manager Vagn Isaksen, Rendam A/S, Phone: +45/39/66/12 00; or chief biologist Henrik Gruttner, the Water Quality Institute, Phone: +45/42/86/5211.

World Development Indicators 1997 (see article above): US\$60; CD ROM US\$275 single user/\$550 multiple users. Available from The World Bank Publications Order Desk, PO Box 7247-8619, Philadelphia, PA 19170-8619 USA. Ph: +01/202/473/1155; Fax: +01/703/661/1501; Internet: <<www.worldbank.org>>.

The World Trade Organization: Multilateral Trade Framework For the 21st Century and U.S. Implementing Legislation, Terence P. Stewart, Editor. Published by the American Bar Association Section of International Law and Practice. 1996, 752 pages. US\$95. Order from ABA, Publication Orders, PO Box 10892, Chicago, IL 60610-0892, USA. Ph: +01/202/662/1660; Fax: +01/202/662/1669.

1997 National Trade Estimate Report on Foreign Trade Barriers (see article above) is available at the U.S. Trade Representative website at <http://www.ustr.gov/reports/index.html>. 393 pages in length.

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