

Table of Contents

- World Trade Growth Sluggish: Return to Normal Level Says WTO
- Andean Community Regroups After Peru Departure
- Trade-Environment Linkage Farther Off, Brittan Says
- India Looks To Revise Farm Goods Tariffs
- U.S. Labor Code Takes Aim At Sweatshops
- Shrimp Farms Pose Major Ecological Risks
- Events/Resources

WORLD TRADE GROWTH SLUGGISH: RETURN TO NORMAL LEVEL SAYS WTO

After two very strong years, world trade volumes grew four per cent in 1996, compared to the much more robust eight and ten per cent growth rates in 1994 and 1995, respectively. The World Trade Organization, which released the trade figures last week in its Overview of Trade Developments, is not concerned with the deceleration in trade, citing 1994 and 1995 as "unusually strong" years for trade growth, and saying the 1996 figure is merely a return to trade growth levels recorded at the beginning of the decade. WTO economists are predicting a modest increase in trade growth this year, as Latin America continues to expand at a high rate.

The deceleration in trade growth has been attributed to the stalling of the formerly booming Asian economies. China, Malaysia, Hong Kong and Thailand all experienced sharp contractions in export trade in 1996, and Asia as a whole had the smallest export growth among all regions. Economists are saying that the slowdown in Asia reflects the fact that in the 1980s, Asian economies boomed while playing catch-up with western economies, and that process is nearly complete. Further, Asian nations based their expected trade growth on computers and telecom equipment, markets which have declined considerably in the last two years.

Latin America, led by Mexico, had an export growth rate nearly triple the world average. Without Mexico, whose exports expanded by 20 per cent for the second year in a row, Latin American exports were more in line with the world average, at 5 per cent. Africa saw the value of its exports and imports expand more rapidly than total world trade. WTO economists state that this is due mostly to increased fuel exports, with other sectors remaining stagnant.

"World Trade Slumps As Tired Tigers Lag Behind," THE GUARDIAN, April 11, 1997; "Slump In World Trade Growth," THE HINDU, April 11, 1997; "Asia's Juggernaut Isn't Slowing, It's Only Changing Gear," ASIA TIMES, April 17, 1997; "Deceleration Of Merchandise Trade Growth," SUNS, April 10, 1997.

ANDEAN COMMUNITY REGROUPS AFTER PERU DEPARTURE

Peru officially left the Andean Community on April 11, after a 5 year battle over the group's common foreign duty scheme. A founding member of the Andean trade group in 1969, Peru had distanced itself from the bloc in 1992, and since then has not taken part in the free trade zone between the rest of the Andean members—Bolivia, Colombia, Ecuador, and Venezuela. The presidents of the four remaining countries are meeting this week in Sucre, Bolivia to discuss the reformulation of the community and the advancement of free trade negotiations with MERCOSUR (Argentina, Brazil, Paraguay and Uruguay).

Peru had been at odds with the Andean Community since 1992, and prior to its departure on April 11, had been negotiating with its trading partners towards a resolution of their differences. Peru incurred the ire of Colombia and Venezuela over the delay in resolving the common tariff issue. It was also at odds with the bloc over the timetable for its gradual re-incorporation into the Andean free trade area, from which it had been excluded upon failure to adopt the common tariff scheme. Peru was intent on an eight year timetable, with the rest of the bloc allowing for five years. In addition, Peru wanted compensation from the Community-- saying exports from other Andean countries containing inputs bought outside of the region enjoyed tariffs lower than Peru's. The Andean partners responded that Peru should have adopted the Community's tariff scheme in order to enjoy the same benefits, rather than seeking compensation. Failure to resolve these differences led to speculation that Peruvian President Alberto Fujimori would not be invited to this week's Andean ministerial summit, although the government announced its withdrawal from the community before being dis-invited to the summit. Peru had previously signed bilateral accords with each of the Andean countries.

"Peru Dejo El Pacto Andino," EL COMERCIO, April 14, 1997; "Disintegracion Comercial," REVISTA SEMANA, April 7, 1997; "Restructuring In The Wake Of Peru's Departure," IPS, April 14, 1997.

TRADE-ENVIRONMENT LINKAGE FARTHER OFF, BRITTAN SAYS

European Union External Relations Commissioner Sir Leon Brittan said last week that little progress should be expected from the WTO Committee on Trade and Environment (CTE) towards trade and environment linkage until after the 1998 Ministerial Conference. Brittan cited many WTO members' opposition to the CTE's work, and that CTE proponents need to "face up to reality and accept" that consensus on major issues will be extremely difficult to reach until at least after the 1998 ministerial conference. "The obstacles which we have encountered in the first two years of CTE's existence," Brittan said, "require a revision not of our ambitions but of our timing. Even with more support from the U.S. or Canada or from other Organization for Economic Cooperation and Development countries, it is not likely that developing countries will radically change their attitudes. Brittan did note that, despite the disappointing status of the trade-environment linkage, the CTE has "taken seriously" developing countries' concerns that links between trade and environment disciplines could result in unfavorable trade measures against them. Brittan also stated that the trade-environment linkage is crucial to WTO credibility. "How can we expect citizens...to put trust in the multilateral trading system if it is seen as turning a blind eye to the environment," Brittan said.

In other WTO news, the so-called "Invisible Committee" of senior Washington-based officials from WTO member countries met April 10 to discuss WTO accession negotiations, implementation of the telecoms pact, and to begin preparations for the 1998 WTO ministerial conference. No definitive direction for WTO work resulted from the meeting. A consensus had already been reached, prior to the meeting of the committee, that the next ministerial conference will be held in 1998 in Geneva, to mark the 50th anniversary of the multilateral trading system. The committee is steering toward adding no new initiatives to the WTO agenda at the 1998 ministerial, but rather to use the time for updates on the

existing WTO work program. The group also agreed that preparations for the 1998 Ministerial Conference should not be as time-consuming and extensive as those for Singapore, since the conference is largely ceremonial in nature.

"Brittan Lowers Expectations For WTO Environment Committee Through 1998;" "Senior Officials Seek To Develop WTO Agenda Through 1998 Ministerial," INSIDE U.S. TRADE, April 18, 1997.

INDIA LOOKS TO REVISE FARM GOODS TARIFFS

India is likely to revoke its zero tariff bindings on a number of agricultural products, in a move likely to attract criticism from trading partners. India had agreed, as part of GATT negotiations, to zero tariffs on a number of agricultural goods, including rice, maize, millet sorghum, milk, grapes, soybean and rapeseed oil, and sheep. Indian policy planners say that since the GATT negotiations, India has seen much growth in domestic production of these goods, and is planning as well to ease quantitative restrictions on the goods soon, so that the zero tariff binding should be removed. India notified the World Trade Organization of its plan to revise the tariff bindings in accordance with Article XXVIII of GATT, claiming the step is necessary to protect domestic producers of farm goods. India has said that no action will be taken on removing quantitative restrictions before a decision is made on the import bindings. The EU and U.S., India's major trading partners, are demanding the phasing out of quantitative restrictions. The restrictions are currently maintained on conditions of Balance of Payments, on which India will resume WTO consultations in June. With the recent fall of the Deve Gowda government, it is not clear whether phasing out of these quantitative restrictions will be supported by the new administration. Indian Commerce Ministry Officials worry that, if the new government does not support the phasing out of such Balance of Payments curbs, India might be brought to task at the WTO, where the U.S. has previously complained about India's failure to honor its TRIPs commitments.

"India Keen To Revise Tariff Bindings On Farm Goods," THE HINDUSTAN TIMES, April 13, 1997.

U.S. LABOR CODE TAKES AIM AT SWEATSHOPS

President Clinton unveiled a code of conduct last week designed to put an end to the U.S. fashion industry's exploitation of poor workers in developing nations. The code calls for a maximum 60-hour week, a ban on employing children under the age of 15, and a ban on physical and psychological abuse. The guidelines were developed by a presidential task force, with representatives from clothing companies including Liz Claiborne, Nike, Reebok International and Philips-van Heuzen. Critics argue that the code lacks substance and does not go far enough to ensure improved conditions. No specific rules on wages are provided for, and enforcement of the guidelines will be supervised by accounting firms rather than human rights groups.

"Labour Code Could Help Put End To Sweatshops," FINANCIAL TIMES, April 14, 1997.

SHRIMP FARMS POSE MAJOR ECOLOGICAL RISKS

India's Supreme Court, citing environmental damage, has ordered all large commercial shrimp farms in coastal states closed by April 30. Shrimp farming is worth \$500 million dollars a year to India, who along with Ecuador, Indonesia and Thailand, accounts for 70 per cent of the world's farmed prawns, a \$9 billion dollar global industry. Japan, the U.S. and the EU are the main importers of farmed shrimp. Conservationists had urged the Indian Supreme Court to close the farm operations, citing wetlands

destruction, pollution of coastal waters and environmental degradation such that to repair existing damage would cost more than the revenue gained from shrimp exports. Further, because shrimp farming requires about 60 million liters of water (about half of which is fresh) per metric ton of shrimp farmed, many regions are being drained of their already scarce fresh water supply. In India, the World Bank, the FAO and the Asian Development Bank have all supported shrimp farming as a means of generating foreign exchange. Because shrimp farms are increasingly run by multinational companies, critics argue that local communities are held hostage by threats that companies will leave if regulation gets too strict. Catching shrimp in the wild rather than raising them on farms also presents problems for India - see stop press notice below.

"The Tiny Shrimp Causes Big Ecological Worries," INTERNATIONAL HERALD TRIBUNE, April 11, 1997.

EVENTS/RESOURCES

STOP PRESS: Michael Cartland of Britain, Kilian Delbruck of Germany and Carlos Cozende of Brazil have been appointed as members of the WTO dispute settlement panel on the "shrimp-turtle case." All three are considered well-versed in the trade and environment debate. The dispute, brought by Malaysia, Thailand, Pakistan and India against the United States, concerns a U.S. import ban on wild-caught shrimp from countries who do not require what the U.S. considers effective sea turtle protection measures on shrimp trawlers.

DATE CHANGE: The WTO High Level Meeting on Integrated Initiatives for Least Developed Countries' Trade Development, initially planned for June, has been postponed until October, 1997. Exact dates have not been set. For more information, contact the International Centre for Trade and Sustainable Development, 13, chemin des Anemones, 1219-CH, Geneva, Switzerland. Ph: 41/22/979/4942; Fax: 41/22/979/9093; E-mail: ictsd@iprolink.ch.

The Overview of World Trade (see above): Available from The World Trade Organization Information and Media Relations Division, Centre William Rappard, 154, rue de Lausanne, CH-1211 Geneva 21. Ph: 41/22/739/5007; Fax: 41/22/739/5458; Internet: <http://www.wto.org>

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