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# *B R I D G E S*

## *W e e k l y N e w s D i g e s t*

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International Centre for Trade and Sustainable Development

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#### **Global Economy Still Casts Shadows On Developing Countries**

The International Monetary Fund (IMF) last week released its biannual "World Economic Outlook," reporting that the pace of world economic growth will quicken in both 1997 and 1998, to a 4.4 per cent growth rate-- up from four percent in 1996. Developing countries as a whole are expected to see their economies grow by 6.6 per cent this year, a slight increase over the 1996 level of 6.5 per cent growth. The IMF cites trade globalization and rapid technological developments as the chief engines for economic growth. The report notes, however, that "a large part of the developing world...has not yet reaped the benefits of globalization....some of the poorest countries, especially in Africa, have fallen behind not only in relative terms but also in absolute terms." As a panacea, the IMF suggests "well-targeted assistance" and debt relief based on structural changes for the regions involved.

The IMF/World Bank spring meetings set for early this week are expected to have globalization as the common theme. The IMF will be emphasizing that while globalization has created some problems--e.g. downward pressure on wages in industrialized nations, it has also provided tremendous opportunities for trade and growth. Also expected to be a point of discussion at the meetings is the debt relief initiative instituted last September.

International aid agencies have criticized the IMF and World Bank's approach to debt relief, charging that the institutions' approach forces developing countries to pursue fiscal and monetary policies that increase poverty. In response, IMF Managing Director Michel Camdessus said last week that IMF assistance in the poorest countries leads to rapid improvements in social conditions. Mr. Camdessus stated that in 27 countries receiving enhanced structural adjustment facility loans (made to support reform programs), illiteracy rates have fallen an average 3 per cent a year and infant mortality has fallen an average 2 per cent per year-- facilitated, Mr. Camdessus notes, by an increase in real terms of 38 per cent in education spending, and increased health spending by 50%. Mr. Camdessus said that last weeks decision by the IMF and World Bank to approve Uganda for a new debt relief package offered hope for

poor countries. Oxfam criticized the institutions for releasing funds to Uganda too slowly-- scheduled for April 1998, saying the funds should be made available immediately.

“IMF’s 1996 Landscape Shows Clouds Over The Poor,” IPS, April 23, 1997; “Bonnes Nouvelles Sur Le Front De L’Economie Mondiale, LE NOUVEAU QUOTIDIEN, April 22, 1997; “World Bank and IMF To Highlight World Picture,” FINANCIAL TIMES, April 22, 1997; “IMF: Rejects Accusations That It Increases Poverty,” APRIL 25, 1997.

### **ILO Proposes Social Label**

Michel Hansenne, Director-General of the International Labor Organization (ILO), last week proposed the creation of a “social label” for products from countries which ensure fundamental workers’ rights. Hansenne suggested the social labeling scheme in a report for the June ILO annual meeting. This initiative is part of the ILO charge to act as overseer of labor standards- in light of the decision at the WTO Singapore ministerial not to include trade and labor linkage on the trade organization’s agenda. The ILO, in a three-pronged campaign, will be pushing for all ILO member countries to sign on to the core conventions- which include freedom of association and the right for workers to organize, freedom from forced or child labor, and non-discrimination; and for a change in the ILO constitution allowing for all member states to be monitored on these conventions, whether the country supports them or not. Participation in the social labeling program would be voluntary- a kind of badge of support and compliance with ILO conventions, and one that Hansenne hopes will be valuable to consumers. “Ratification of such a Convention,” Hansenne said, “would be attractive in terms of real economic interests, and not only from a moral standpoint,” the director-general said.

The U.S., which had pushed for trade and labor linkage to be added to the W TO agenda, hope that the ILO Conventions will eventually be enforceable through WTO trading rules. The U.S. contends that this kind of action is necessary to squash fears by U.S. workers that their jobs are being lost to cheaper labor in less-developed economies. Developing countries maintain that trade and labor linkage via the WTO would act as a mask of protectionism for Western goods competing with less costly goods from developing nations.

“Il Faut Creer Un Label Social Mondial,” LIBERATION, April 24, 1997; “U.N. Labor Chief Looks To Global ‘Social Label’,” REUTER, April 23, 1997.

### **EU and ACP Countries Meet Regarding Lome Convention**

The EU and its trading partners from African, Caribbean and Pacific (ACP) nations were to meet in the Netherlands April 18-19 to discuss joint relations after the Lome Convention expires in the year 2000. The hottest topic was likely to be the EU’s banana import regime, which gives preference to ACP countries, and which an interim WTO ruling has found to be discriminatory against U.S. and Latin American countries under WTO trading rules. EU and African countries are also likely to debate the issue of using vegetable fat in cocoa, which the Ivory Coast would like banned, but which British producers favor.

In related news, the EU Commission on April 16 adopted a three part proposal for improved market access to the EU for Least Developed Countries (LDCs). First, to allow for the rapid alignment of commercial preferences granted to LDCs in and out of the Lome Convention. Of the 50 countries classified as LDCs, only 10 (Afghanistan, Bangladesh, Bhoutan, Cambodia, Laos, Maldives, Nepal and Yemen) are not members of Lome. Second, flexible application of rules of origin for certain LDCs. Third, the Commission is calling on industrialized and more developed countries to take a closer look at preferential market access within the framework of the WTO, noting that to maintain credibility, trading rules cannot exist solely to make already wealthy countries richer, but that some preferential access is necessary to assist LDCs.

“Dans Un Document Sur L’Acces Des Pays Pauvres Au Commerce Mondial, La Commission Propose Que Tous Les Pays Les Moins Avances (PMA) Beneficient Du Regime De Lome,” AGENCE EUROPE, April 17, 1997; “EU and ACP States To Discuss New Lome Convention,” REUTERS, April 17, 1997.

### **Threats of Food Surplus For EU**

Massive food overproduction awaits the EU on the horizon if action is not taken soon. So says European Agriculture Commissioner Franz Fischler, after reviewing a report by farm experts to EU farm ministers. The report forecasts a surplus of 45 million tons of wheat by 2005, compared to the current surplus level of 2.7 million tons. The report forecasts 58 million tons of surplus cereals overall by 2005. Mr. Fischler warned that the present EU farm policy makes the surpluses inevitable. Further aggravating the situation is that the EU will be unable to get rid of the surplus as exports as world trading rules limit the amount of subsidized farm products allowed on the market.

The EU is set to reform the beef and cereals sectors by 1999, and Mr. Fischler hopes the report on surpluses will shape the direction of those reforms. One proposed measure for reversing chronic overproduction would be for the EU to begin exporting without refunds. Currently the EU offers support prices above the world price for wheat and other cereals—Mr. Fischler suggests bringing EU prices more in line with world market prices, cutting as much as 15 per cent from present support prices. Mr. Fischler also noted that increasing production restrictions, e.g. taking land out of production, and diverting funds away from farming to other rural development programs, would be needed to curb production.

“La Perspective D’Excedents Sans Precedent En 2005 Impose Une Reform De La Politique Agricole Commune,” LA MONDE, April 24, 1997; “Farm Commissioner Warns of Huge Food Mountains,” FINANCIAL TIMES, April 23, 1997.

### **ADB Reports On WTO And Asia**

Trade liberalization is the key to success for developing countries according to the Asian Development Bank’s “Asian Development Outlook 1997-1998.” The report states that developing countries in Asia should experience overall positive benefits from WTO trading rules, but that the benefits will vary

between regions. Benefits “[depend] on how much countries pursue trade liberalization to enhance efficiency and on changes in terms of trade, especially for agriculture,” according to the report. East Asia

is expected to profit the most from liberalized global trade according to the report, followed by Southeast Asia and South Asia. Most significant, Bangladesh, India and Pakistan should reap great benefits from the inclusion of textiles and clothing within WTO trading rules. Asian developing countries account for 40 percent of all world textiles exports and 5 percent of clothing exports. The commitment to reduce export subsidies by some industrialized countries should have significant effects for Asia. The report criticized the Philippines and South Korea for not being more aggressive about reducing their export subsidies in light of these reforms. The report also noted that extended copyright protection under WTO rules to include films, databases and computer software will require a number of Asian countries to change their laws to meet WTO requirements.

“ADB Report Cites Benefits To Asia From WTO Trade Rules,” INTERNATIONAL TRADE REPORTER (BNA), April 23, 1997.

### **Mexico Falling Short On IPR Enforcement**

While Mexico has made great strides creating the laws necessary to fulfill its intellectual property rights commitments under NAFTA and the Trade Related Aspects of Intellectual Property Rights agreements, its enforcement of these laws is falling quite short of expectations. An expert conference held in Mexico City last month, led by the U.S. based International Anti-counterfeiting Coalition (IAC), said the immediate task is to train Mexican prosecutors and law enforcement officials in intellectual property law and enforcement. AIC president John Bliss cited lack of training, corruption and a lack of criminal prosecution as the main barriers to controlling counterfeiting in Mexico. Bliss noted that The Mexican Industrial Property Institute, the agency responsible for investigating possible counterfeiting, is taking action to improve its enforcement record by hiring additional staff and improving training of its investigators. Bliss estimates that copyright violations in Mexico costs businesses approximately US\$500 million annually, mostly from piracy of software, books and entertainment products. Further, Bliss adds that Mexico is often used as a transshipment point for pirate goods from Asia. Trade in counterfeit goods is also on the increase, according to Bliss. Levi Strauss maintains that counterfeit jeans are exported from Mexico to the United States, where a fake label is added, and then the jeans are re-exported to Europe with a U.S. bill of lading for credibility.

“Intellectual Property Rights Seen As Insufficient, Experts Say,” WORLD INTELLECTUAL PROPERTY REPORT, May 1997.

### **Events/Resources**

World Economic Outlook: Available from the International Monetary Fund, info needed.

Asian Development Outlook 1997-1998 (see above): Available from the Asian Development Bank, 6 ADB Avenue, Mandaluyong, Metro Manila, The Philippines.