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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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### **U.S. ANNOUNCES SUB-SAHARAN TRADE, DEVELOPMENT BILL**

The U.S. last week announced its "African Growth and Opportunity Act," legislation which provides for a sub-Saharan Africa recovery program. The bill promotes trade, investment, and increased development in Africa, and aims to de-emphasize aid as the only means of cash flow from the U.S. to the region. The bill calls for the negotiation of free trade agreements with African countries that take steps to reform their economies. If passed, the bill will allow for the establishment of a government-backed US\$150 million African equity fund, and a \$500 million infrastructure fund. The money is to be raised from private companies who, the Clinton Administration hopes, will finally see the continent's potential. The bill charges the U.S. Export-Import bank with taking a closer look at trade finance for Africa, after authorizing only four medium or long-term commitments last year. The Clinton Administration is also encouraging the U.S. to forgive all bilateral concessional debts to nations which adopt aggressive growth policies, as well as urging the World Bank to offer \$1 billion in loans to African countries who take on macroeconomic reform.

At present, African imports into the U.S. total only 1.9 per cent of all U.S. imports, and the U.S. has little debt in Africa. Both these facts, plus the Clinton Administration's need for a foreign policy success, make the "African Growth and Opportunity Act" an attractive, relatively uncontroversial

piece of legislation. However, U.S. Trade Representative Charlene Barshefsky rejected a proposal in the bill to eliminate quotas on textiles for Kenya and Mauritius, to be granted after safeguards against transshipment are implemented in those countries. "We support a program that will be consistent with our overall commitments under the WTO, while at the same time taking into account the interests of U.S. industry and Africa," Barshefsky said at last week's hearing on the bill. Textile industry officials say the textile provision in the bill will promote "massive customs fraud," and cause the loss of U.S. textile jobs. Textiles are only a small percentage of the total African exports to the U.S. The U.S. trade initiative with Africa is also high on the agenda for the G-7 summit in June, to be held in Denver.

"U.S. Unveils Trade, Investment Initiative For Africa," REUTER, April 29, 1997; "America Loses Its Afrophobia;" "The Not-So-Dark Continent," THE ECONOMIST, April 26, 1997; "Barshefsky Rejects Africa Bill's Textile Access, Offers To Negotiate," INSIDE U.S. TRADE, May 2, 1997.

### **EU ADOPTS FLEXIBLE TEXTILES REGIME**

Amid protests from Portugal, European Union foreign ministers last week agreed on a flexible approach to import quotas for textiles. The EU will allow countries to transfer unused quotas in one clothing category to another, and allow for exceeding quotas to be compensated in reduced imports in the following year. Portugal, with support from Spain, opposes the liberalized approach, saying the regime could hurt the EU's multi-billion-dollar textiles industry. A third of Portugal's exports are textiles. According to Euratex, a European textile-lobby, 100,000 jobs were lost last year in the European textile industry due to increased competition from developing countries. Low cost producers—notably China, Indonesia and Vietnam, breached EU import quotas in recent years, as EU members presumably turned a blind eye, happy to buy cheaper products. The EU is aiming to liberalize its textiles market as part of its agreement in the Uruguay Round of GATT.

"Brussels To Ease Import Quotas," FINANCIAL TIMES, April 30, 1997.

### **WTO BANANA PANEL ISSUES FINAL RULING**

The World Trade Organization Dispute Resolution Body (DSB) issued its final ruling on the EU banana-import regime. In an intensely technical ruling, the DSB found that EU policies violate the General Agreement on Tariffs and Trade by extending preferential treatment to banana imports from African, Caribbean and Pacific (ACP) banana exporting nations (see BRIDGES No. 8). The case was brought by the United States on behalf of Chiquita Brands International, and later joined by Mexico, Ecuador, Guatemala and Honduras. Ecuador's ambassador to the EU, Alfredo Pinoargote, welcomed the ruling last week, saying "The current EU banana regime discriminates against banana imports from Ecuador," adding that the regime has cost Ecuador millions of dollars. ACP nations which depend on banana exports for a large part of their revenue have been working since the draft ruling was issued last month to address the future without EU trade preferences. The EU is planning to appeal the ruling.

"OMC Tumba Cuota Bananera De La UE," EL ESPECTADOR (Colombia), May 1, 1997; "Ecuador Welcomes Banana Ruling," REUTER, April 29, 1997.

## **JAPAN AND INDONESIA IN DERBY OVER WTO PANEL ON CAR POLICY**

Japan formally requested a WTO panel to rule on its complaint against Indonesia's national car policy—only to have the request rejected the following day by Indonesia. The Indonesian ambassador attending last week's WTO Dispute Settlement Body (DSB) meeting said, "Indonesia is convinced the car program is consistent with the WTO." A Japanese trade representative commented upon rejection of the Japanese request for a dispute panel that "The Japanese government perfectly understands the desire of the Indonesian government to build its own automotive industry. . . . However such a policy should be carried out in accordance with Indonesia's rights and obligations under the WTO agreement." Japan, the EU and the US filed a complaint against Indonesia's national car policy--which provides domestic producers with tax exemptions if local content ratios are raised to 60 per cent in three years, saying that the policy is in conflict with the most-favored-nation principle and other world trade rules. Japan, wary of upsetting relations with Indonesia, delayed as long as it could its decision to press forward with the panel request. The EU supported Japan's decision to request a panel. Japan is allowed to ask a second time for a panel to be created, at which time the DSB would automatically grant Japan's request under WTO rules.

"Indonesia Rejects WTO Panel Request Over Car Row," KYODO NEWS INTERNATIONAL, April 30, 1997; "Japan To Apply For WTO Panel On Indonesian Car Policy," KYODO NEWS INTERNATIONAL, April 28, 1997.

## **FREE TRADE, FAST-TRACK URGED FOR U.S.-CARIBBEAN RELATIONS**

At a two-day forum held last week to forge a common agenda for the Western Hemisphere for the 21st century, President Clinton said that regaining the momentum of the 1994 Summit of the Americas will be the theme of his trip this week to Mexico, the Caribbean and Central America. The U.S. has been criticized for not doing enough to expand free trade through the Americas since the December 1994 summit, where 34 regional governments pledged to create an all-encompassing free trade area by 2005. Bolivian President Gustavo Sanchez commented at the forum that "a bucket of cold water" had fallen on U.S. efforts to expand free-trade in Latin America. Getting fast-track authority for negotiating free-trade agreements is crucial for the Clinton Administration, proponents say, so that the president "[can] credibly engage in free-trade discussions." Fast-track allows the president to pass a trade agreement through Congress without amendments being added post-negotiations. Mexican President Ernesto Zedillo said that NAFTA has been a success for Mexico, Canada and the U.S., and a more open economy for the region will benefit all nations involved.

A group of the leading citizens from throughout the Americas endorsed a report released last week by the Washington-based Inter-American Dialogue, saying the U.S. should move quickly to expand free trade throughout the region. The report said that "Nothing is more important for the future of Latin America than the struggle against poverty and social injustice." The report went on to urge the Clinton Administration to reverse the "coercive" nature of its policies toward Cuba. The U.S. stands alone in its trade-embargo against Cuba, facing opposition from all other countries in the region, as well as its EU trading partners. "U.S. policy," the report says, "should recognize that it is self-defeating for Washington to act in isolation in its Cuba policy . . . It must be willing to moderate its uncompromising approach." The report was endorsed by five former presidents, including Raul Alfonsin of Argentina, Oscar Arias of Costa Rica, Osvaldo Hurtado of Ecuador, Nicolas Ardito Barletta of Panama, and Jimmy Carter of the U.S.

"U.S. Pledges Greater Free Trade Efforts For Latam," REUTER, April 28, 1997; "U.S. Urged To Drop Stance On Drugs And Cuba, Move On Trade," IPS DAILY JOURNAL, April 25, 1997.

## **U.S. ANNOUNCES FOUR WTO CASES OVER IPR**

The U.S. will pursue four dispute settlement cases at the WTO, claiming that the intellectual property protection of Denmark, Sweden, Ireland and Ecuador does not meet international obligations. The U.S. says Ecuador has failed to amend its laws in accordance with the Trade Related Aspects of Intellectual Property (TRIPs) Agreement, seven months after its accession to the WTO. Ecuador, which joined the WTO after TRIPs was in effect, is not eligible for the transition period afforded to developing countries already members at the time of TRIPs adoption. As for Denmark and Sweden, the U.S. is unhappy with the countries' failure to allow surprise raids and seizures to collect evidence in civil proceedings. A U.S. trade official said this makes it impossible to pursue cases, for example, where software pirates such as those at large companies buy one copy of a computer program and copy it for the entire corporation. The U.S. case against Ireland is over the country's failure to amend its copyright law to comply with TRIPs. A period of 60 days of bilateral consultations ensues before a WTO panel is convened in any of these cases.

"Barshefsky Announces Four WTO Cases On IPR, Threatens Two More," INSIDE U.S. TRADE, May 2, 1997.

## **CORRIGENDUM**

The article entitled "ILO Proposes Social Label" in issue No. 13 of *BRIDGES* mistakenly stated that the next WTO Trade Policy Review session would focus on Fiji. Fiji's trade policy was reviewed April 9-10. At that meeting, the United States for the first time included labor standard-related issues in its questions to the country under review. The next country to be reviewed is Cyprus, at a session scheduled for late June.

## **EVENTS/RESOURCES**

The Multilateral Agreement on Investment: May 7, 1997, Washington, D.C. Sponsored by the American Society for International Law (ASIL). Presenter Edwin D. Williamson, Sullivan & Cromwell. For information contact ASIL, Ph: +01/202/939/6000; Fax: +01/202/797/7133.

Subsidizing Unsustainable Development: Undermining the Earth With Public Funds: By Andre de Moor and Peter Calamai, commissioned by The Earth Council. CDN\$9.95, US\$7.50, plus postage and handling. For more information and to order, contact The Earth Council Institute-Canada, Ph: +01/416/203/8088, E-mail: <<ecfoster@web.net>>.

## **RESOURCES**

WTO AGREEMENTS AND COMMITMENTS ON CD-ROM: Contains all the agreements of the Uruguay Round. Data is divided into three sections: Legal texts governing trade in goods, services and trade-related aspects of intellectual property (TRIPs); goods commitments; and services

commitments and exemptions, including software for searching and making comparisons. Order from the World Trade Organization, Rue de Lausanne 154, CH-1211 Geneva 21, Switzerland: 41/22/739/5208; Fax: 41/22/739/5792; Email: publications@wto.org. SF 1,000 for single user, SF 2,000 for LAN license.

**TRADE AND ENVIRONMENT:** Work of the WTO Committee on Trade and Environment (CTE) is reported in detail in this publication. Free subscriptions from Information and Media Relations Division, WTO, 154 rue de Lausanne, 1211 Geneva, Switzerland.

**A HANDBOOK FOR OBTAINING DOCUMENTS FROM THE WORLD TRADE ORGANIZATION,** John Barlow Weiner and L. Brennan Van Dyke, Center for International Environmental Law (CIEL). Practical information on gaining access to WTO documents: How to find out whether a document is restricted or unrestricted, recommendations for NGOs, and contacts at the WTO. Order from the International Center for Trade and Sustainable Development, 13, chemin des Anemones, 1219 Chatelaine, Geneva, Switzerland. Phone: +41/22/979/9492; Fax: +41/22/979/9093. Email: ictsd@iprolink.ch.

**AGRICULTURE AND ENVIRONMENT FOR DEVELOPING REGIONS,** Royal Tropical Institute. A monthly journal containing abstracts from literature concerning agricultural development, environmental management, production and processing in developing rural areas of Africa, Asia, the Pacific, Latin America and the Caribbean. Also available on CD-ROM. Order from Sarah Cummings, Information Library and Documentation, Mauritsgade 63, 1092 AD Amsterdam, The Netherlands. 31/20/5688/711; Fax: 31/20/6654/423. Email: IBD@support.nl. Dfl \$525 (@US\$840.00).

**INTERNATIONAL TRADE AND THE MONTREAL PROTOCOL,** by Duncan Brack. This report examines the interaction between international trade and environmental protection with regard to the Montreal Protocol on Substances that Deplete the Ozone Layer. Examines the effectiveness of the Montreal Protocol as a model for multilateral environmental agreements, and threats posed to it from non-compliance and illegal trade. It also considers problems encountered by developing countries looking to participate in the regime. Order from Plymbridge Distributors Ltd., Estover Road, Plymouth PL6 7PZ, UK. 44/0/1752/202/301; Fax: 44/0/1752/202/333.

## **MEXICO PLANS ECOLABELING PROGRAM**

Mexico plans to issue an ecolabeling standard for bottles and packages in 1997. Mexico will study the issue in the private and academic sectors during the year, considering complications that will arise if the EU issues labeling procedures which are different from the US. This could force Mexican companies to carry both labels and create higher costs to businesses, a National Institute of Ecology official said. Bottles and other product packaging total 25-30% of garbage found in Mexican municipal landfills in volume and 15% in weight.

"Mexico Examining Creation of Standard on Eco-Labeling on Bottles, Packages," **INTERNATIONAL ENVIRONMENT REPORTER (BNA)**, January 22, 1997.

## **US BLOCKS WTO SHRIMP PANEL**

The United States blocked a bid by Thailand and Malaysia for a World Trade Organization dispute resolution panel to rule whether a US ban on shrimp imports violates WTO trading rules. The two countries hold that the ban is an attempt by the United States to apply domestic environmental laws outside its borders. Australia, Japan, the EU, Mexico, Colombia, Pakistan and India support Thailand and Malaysia in its request for a panel. The US shrimp ban was implemented in the middle of 1996 against countries using fishing methods that entrap sea turtles. Sea turtles are internationally recognized as being in danger of extinction. The US had instituted the ban in response to a US International Trade Court ruling calling for shrimp embargoes against countries whose sea turtle protection programs are not certified by the State Department. The International Trade Court revised its ruling in November, such that shrimp may now be imported from countries that are not certified provided that shrimp is harvested in an aquaculture facility where shrimp spend at least 30 days prior to harvest, or if the shrimp are harvested with mechanical nets that would not require turtle excluder devices under the US program. Environmental groups last year won a ruling from the New York International Trade Court that shrimp caught without the nets could not be imported in the US. While Thailand had the ban lifted by the US last year after ensuring that its fleet was equipped with the mechanical nets, it stated that it was staying in the case to support Malaysia and to defend the principle that one nation's laws should not be applied to others. The US maintains that the protection of the environment, and especially of internationally recognized endangered species like the sea turtle, is a global concern. The situation has WTO trading rules in an apparent conflict with United Nations conventions on the environment. Thai and Malaysian trade officials have made it clear that they will renew their request for a WTO panel under at its next session.

"US Blocks Asian Bid for WTO Panel On Shrimp Ban," REUTER, January 22, 1997; "US Facing WTO Panel Request Against Wild Shrimp Embargo," INSIDE US TRADE, January 17, 1997.

## **EU-SOUTH AFRICA MAKE LITTLE PROGRESS IN TALKS**

After three days of talks, South Africa and the European Union made little headway toward a trade and development agreement. A South African trade official said talks are likely to continue through the year and that no concessions nor specific trade issues were agreed upon at the talks held in Johannesburg this past week. The EU negotiating team stressed that it would be impossible to make progress in the talks until South Africa brought specific proposals to the table. The EU team complained that the South African negotiators were not prepared for the detailed work involved for trade negotiations. Prior to the talks, South Africa had outlined its negotiating position, calling for the EU to rethink its approach to trade negotiations and address regional concerns and the need for "asymmetrical" trade liberalization which would benefit South Africa. The EU had previously rejected South Africa's proposal for full accession to the Lome Convention, which would grant South Africa most favored nation status and ensure access to EU markets. The EU suggested instead in its own proposal to South Africa last March, proposing that both sides should create a free-trade zone by phasing out tariffs over a 10-year period. The EU proposal also excluded 40% of South Africa's agricultural products from the EU market. South Africa has accused the EU of failing on its promise to assist the country in its transition to a democratic government. Critics hold that the EU, despite bold language at the beginning of non-racial rule in South Africa, have only reduced trade barriers on less than five percent of South African exports, and argue that only 1.7 percent of EU farm imports come from South Africa, and most of those in the winter months. Glenys Kinnock, a member of the European Parliament, and a supporter of South African accession to the Lome Convention, chastised

the EU saying "How can it be acceptable that we see an import taxes of 11p on South African melons compared to 0p on Turkish melons, 0p on Venezuelan melons and 0p on Costa Rican melons?" The South African negotiating position calls for any trade deal to be asymmetrical, that is, the EU should open up a significantly greater percentage of its markets to South Africa than South Africa would be required to open to the EU. Also, the EU should pay more attention to the impact of a trade agreement on the wider region of the South African Development Community, which plans an internal free trade area in eight years. In addition, South Africa wants the EU to revise its stance excluding 40% of South African farm imports from EU markets, saying that such a position is inconsistent with WTO rules. The next round of talks is scheduled to be held in Brussels next month.

"Pretoria Fails to Advance EU Talks," FINANCIAL TIMES, January 28, 1997; "South Africa Urges Rethink of EU Trade Stance," REUTER, January 21, 1997; Glenys Kinnock, MEP, FINANCIAL TIMES, January 17, 1997.

### **EU THREATENS WTO ACTION OVER MYANMAR SANCTIONS**

The European Union warned the US State Department that a 1996 Massachusetts law discouraging procurement contracts between state agencies and companies that do business in Myanmar (formerly Burma) violates the World Trade Organization Agreement on Government Procurement (GPA). With sanctions against Myanmar reportedly being considered in the state legislatures of New York and Connecticut as well as Massachusetts, the EU took action and issued a demarche on January 22 asking the Clinton Administration to warn Massachusetts that the "Act Regulating State Contracts with companies doing business with or in Burma (Myanmar)," enacted in June 1996, violates the WTO. The Massachusetts law places a 10% premium on bids to state agencies from companies that do business in Myanmar, and prohibits those companies from purchasing or leasing state-owned property. As part of GPA negotiations in the Uruguay Round, the US had agreed to cover Massachusetts along with most other states as part of its offer on sub-federal agencies. The US included states in its GPA negotiations in an effort to make its offer more attractive to the EU. The EU demarche states that the Massachusetts law violates the GPA and by maintaining the law the US is reducing its GPA offer. The demarche notes three reasons why the Massachusetts law violates the GPA: "First, it violates Article VIII(b) of the GPA, given that it imposes restrictions on a tendering company which are not essential to ensure the firm's capability to fulfill the contract. Secondly, it infringes Article X(3) of the GPA, because it imposes qualification criteria based on political, rather than economic considerations. Thirdly, it is in contradiction to Article XIII(4) of the GPA to the extent that the statute allows the awarding of contracts based on political instead of economic considerations." Also in the demarche, the EU warned that further legislation currently under consideration in Massachusetts calling for similar sanctions against countries doing business with or in Indonesia would also reduce the US offer under the GPA. The EU asked the US what action, if any, it plans to take in response to the Massachusetts legislation. "Furthermore," the demarche concludes, "the European Community fully reserves its rights under the WTO dispute settlement procedure." As of this writing, the US had not yet responded to the EU demarche, nor contacted Massachusetts about the matter.

Delegation of the European Commission, Demarche on Massachusetts Burma Legislation, January 22, 1997; "EU Warns US That Massachusetts Burma Sanctions Law Violates WTO," INSIDE US TRADE, January 31, 1997.

## **WTO AND IMF HIT INDIA ON IMPORT CONTROLS**

Both the International Monetary Fund and the World Trade Organization called on India the week of January 20 to cut tariffs. India has been enjoying a special dispensation under WTO rules allowing the country to maintain quantitative restraints on imports. Most of India's consumer goods sector is covered by quantitative import restraints. The IMF presented evidence to the WTO's balance of payments committee arguing that India's high import controls are no longer needed, citing India's currency reserves, which are expected to reach \$18.5 billion at the end of 1997, the equivalent of about five months worth of imports. The WTO balance of payments committee responded to the IMF presentation by asking India to present a plan for the elimination of quantitative import controls. India has cut trade barriers significantly over the past five years, and says it is willing to phase out controls. India's bone of contention with the IMF and industrialized countries is over how rapidly import controls should be eliminated. India would like to proceed cautiously, gradually removing controls in a way that would give many of India's small and medium sized businesses time to adjust to foreign competition. The WTO asked India to submit a plan to be considered at the next balance of payments meeting in June.

"India Urged to Cut Tariffs," FINANCIAL TIMES, January 21, 1997; "India Asked for Quotas Plan," FINANCIAL TIMES, January 22, 1997.

## **ILO GEARING UP FOR POST-SINGAPORE WORKER RIGHTS DRIVE**

The International Labor Organization is fueling up for a high-gear drive to strengthen international observance of labor standards. This comes on the heels of the Singapore ministerial conference, where the World Trade Organization decided to keep hands off labor issues amid strong opposition to WTO involvement from India and other developing countries. The ILO will focus its efforts on getting more countries to ratify seven ILO conventions on basic worker rights. The core conventions include the prohibition of child and slave labor, the prohibition of discriminatory employment practices, freedom of association, worker's right to organize and to collective bargaining. ILO director-general Michael Hansenne is looking to the ILO governing body to endorse a declaration toughening surveillance of the core conventions when it meets in March. If approved, the ILO would be able to investigate and condemn countries for violations of basic workers rights even if the country has not ratified the core conventions. Currently the ILO only has these powers in cases involving union activities. The ILO will also be studying social-labeling projects such as the Rugmark, which certifies that carpets have not been made with child labor. Director-general Hansenne noted social pressure for these types of programs, evidenced by consumer boycotts and protests in the US and Great Britain which have yielded solid benefits such as assurances by the International Federation of Football (FIFA) that the soccer balls they use are not made with child labor.

"ILO Plans Worker Rights Drive," FINANCIAL TIMES, January 16, 1997; "Le BIT Reprend L'offensive Sur les Normes Sociales," LE FIGARO, January 16, 1997; "Après la Reunion de Singapore, le BIT a Besoin D'Armes Pour Faire Respecter Les Normes Sociales," JOURNAL DE GENEVE.



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