

B R I D G E S

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

International Centre for Trade and Sustainable Development

May 12, 1997

Vol. 1, Number 15

TABLE OF CONTENTS

- WTO Interim Report Goes Against EU in Beef-Hormone Case, but France Will Keep Ban
- Clinton-Caribbean Talk Bananas
- Investment: Rays of Hope for Africa-UNCTAD
- 'Made in the USA' Standard to Be Liberalized
- Report Urges Accelerated Conclusion of FTAA
- WTO to Focus on Regional Agreements
- EVENTS/RESOURCES

WTO INTERIM REPORT GOES AGAINST EU IN BEEF-HORMONE CASE, BUT FRANCE WILL KEEP BAN

In an interim report issued last week, a WTO dispute panel is reported to have found against the EU in a long-standing dispute with the United States over an EU ban on imports of hormone-treated U.S. beef. The three-member neutral panel is also preparing a ruling for an identical case brought against the EU by Canada, most likely to be released in August. A final ruling in the U.S. case will be issued after a month long comment period. Although neither EU nor U.S. officials have commented on the leaked details of the interim report, the EU has in the past expressed a preference to pay compensation for its ban on hormone-treated beef rather than lift the ban. Public opinion in the EU is strongly opposed to the use of hormones in food processing. Philippe Vasseur, French Minister of Agriculture, said that France will continue to ban imports of U.S. beef treated with hormones and will start using a special label of origin on other American beef as of July 1. He added that France was entirely prepared to pay penalties - even if it meant heavy fines - to keep hormone-treated meat out of the territory. Australia, New Zealand and Norway back the U.S. in its complaint.

"Trade Panel Said Set To Set Fault With EU On Hormone Ban", REUTER, May 6, 1997. "U.S Hails EU Beef Imports Ruling by WTO", FINANCIAL TIMES, May 10-11, 1997. "France to Keep Meat Ban", FINANCIAL TIMES, May 12, 1997.

CLINTON-CARIBBEAN TALK BANANAS

This past weekend in Barbados leaders from 15 Caribbean countries met with touring U.S. President Bill Clinton, where Clinton and his "fellow Caribbean leaders" came to an agreement lowering tariffs on Caribbean textiles and leather goods. The agreement falls quite short of the Caribbean desire for NAFTA parity, although the U.S. committed to pursue discussions toward that goal. The Caribbean leaders and Clinton agreed to disagree, however, over the EU banana import regime-which a WTO ruling found last week to be in violation of world trading rules. Caribbean leaders showed open dissatisfaction with the U.S. efforts to end EU trade preferences toward banana exports from African,

Caribbean and Pacific countries. Clinton proposed Saturday that the EU drop the preferences and instead impose a tariff on bananas from non-ACP countries, and use the tariff revenue to help ACP countries diversify their exports. The Caribbean leaders rejected Clinton's proposal. Jamaican Prime Minister P.J. Patterson commented that "For many of our countries, bananas are to us what cars are to Detroit [Michigan, USA]." The Barbados meeting did yield a joint statement agreeing to further discussions on the matter and acknowledging "the critical importance to Caribbean countries of the continued access of Caribbean bananas to the traditional markets of the European Union."

"Clinton in Caribbean: No Bananas Today", NEW YORK TIMES, May 11, 1997.

INVESTMENT: RAYS OF HOPE FOR AFRICA-UNCTAD

The United Nations Conference on Trade and Development (UNCTAD) last week released its "World Investment Directory: Volume V Africa", reporting on foreign direct investment (FDI) in the continent. Overall, Africa still does not interest private investors; between 1991 and 1995 only 2% of world FDI flows went to Africa. Only a handful of countries get the vast majority of these financial flows, leaving the rest of the continent marginalized. Hights of disinvestment have occurred in certain regions. But there are some good news too. The report, which surveys 53 African countries, shows a shift in FDI flows away from the traditional primary commodities in the region, flowing progressively instead toward the finance, insurance and manufacturing sectors. France and Britain continue to be the biggest investors in the region overall, while U.S. investment has increased notably from US\$173 million in 1994 to \$1.2 billion in 1996-most of which is concentrated in South Africa, Nigeria and Egypt. Zaire in particular has seen European investment--dominated by Belgium and France, decrease significantly from its former levels, supplanted by U.S. investment spurred by interest in the country's mineral resources. Intra-regional investment is also on the rise, most significantly in North Africa, where such activity is encouraged by economic agreements between the Maghreb nations including Algeria, Libya, Morocco, Mauritania and Tunisia. The UNCTAD report details the emerging trend of African TNCs, as the continent experiences increased liberalization in trade and investment and as formerly state-run corporations become privatized. The report states that the emergence of TNCs "shows that there are firms in Africa that can be competitive internationally, not only through trade but also through production in foreign markets." The TNCs are most active in banking, retailing, tourism, brewing and satellite television.

"L'Afrique, Continent Oublie", LE FIGARO, May 6, 1997; "Les Investissements Directs En Afrique Restent Faibles", LA TRIBUNE, May 6, 1997; "European Investment In Zaire Falls, US Rises-UNCTAD", REUTER, May 6, 1997; "African Transnationals: A New Phenomenon", IPS DAILY JOURNAL, May 6, 1997.

'MADE IN THE USA' STANDARD TO BE LIBERALIZED

The U.S. Federal Trade Commission (FTC) last week proposed new guidelines for product labeling and advertising that carry the claim "Made in the USA". The FTC said that its rules must reflect changes in the global economy, including the fact that manufacturing is now a declining part of the U.S. economy and consumers' growing understanding about how the products they buy are made. The proposed guidelines call for at least 75% of manufacturing costs to be incurred in the U.S. - instead of the 98% currently applied - and for the products to be "substantially" transformed or assembled in the U.S. The FTC said the new guidelines would provide the flexibility manufacturers and marketers need to remain competitive in the global economy. The rules would not pertain to items covered by

the Textile, Wool or Fur Acts, nor apply to the automobile industry. The guidelines are subject to public comment until August. Many consumer groups and labor organizations strongly object to liberalizing the "Made in the USA" standard. Consumers, particularly those who prefer to "buy American" worry that the relaxed standard will lead to misleading advertising. Manufacturers who use solely domestic inputs complain that their competition will enjoy an unfair advantage by using less expensive foreign-made inputs. Observers have expressed concern about the impact of these changes on future interpretation and negotiations of rules of origin in the multilateral context.

"Made (Partly) In The USA", FINANCIAL TIMES, May 6, 1997; "Made-in-USA Product Label Claims May Take On New Meaning", WALL STREET JOURNAL, May 7, 1997; "Made in U.S.A'-or Someplace", INTERNATIONAL HERALD TRIBUNE, May 7, 1997.

REPORT URGES ACCELERATED CONCLUSION OF FTAA

The Institute for International Economics (IIE), a Washington-based think tank, recently released a report advocating the conclusion of the Free Trade Area of the Americas by 2000, rather than 2005 as was agreed to at the 1994 Summit of the Americas. The report "Summitry of the Americas: A Progress Report," recommends that the FTAA accomplish an early conclusion by tackling fewer initiatives, setting measurable goals and progressive timetables for each initiative, setting financial targets and creating reporting requirements and monitoring mechanisms. Despite criticism that little progress has been made toward the FTAA, and that the U.S. in particular dropped the ball after the 1994 summit, the report, written by a key planner for the 1994 summit, maintains that progress has been made since the Summit of the Americas. The report cited periodic ministerials held, the creation of 11 working groups and the implementation of NAFTA and the Southern Cone Common Market, as building blocs toward the FTAA. The report also advocates that the FTAA should only be open to democracies. In other FTAA news, Bolivian President Gonzalo Sanchez de Lozada, speaking before the Organization of American States, said that labor and environment provisions should be left out of the Free Trade Area of Americas pact. As hemispheric trade ministers prepare to meet in Belo Horizonte, Brazil this week, Sanchez de Lozada urged countries to pursue the highest common denominator in trade negotiations so that the FTAA agreement can address the long term needs of the entire region.

"Chile Summit Should Call For Conclusion of FTAA Negotiations By 2000, Report Says"; "Bolivian President Urges Omitting Labor/Environment From FTAA Pact," INTERNATIONAL TRADE REPORTER, May 7, 1997.

WTO TO FOCUS ON REGIONAL AGREEMENTS

The WTO's Committee on Regional Trade Arrangements (CRTA) is gearing up to fully examine individual regional agreements over the next year, opening up a debate about the relationship between regional trade agreements and the multilateral trading system. Australia is reportedly the most eager for the CRTA to pursue an in-depth review of regional trading arrangements (RTAs), anticipating the review to lead to tougher disciplines placed on RTAs altogether. The EU, Japan, Korea and Hong Kong also support a review of RTAs. At issue is whether Article 24 of GATT and Article 5 of the General Agreement on Trade and Services (GATS) adequately discipline RTAs. Article 24 of the GATT requires regional arrangements to cover "substantially all trade," and the GATS allows for RTAs, provided they ensure "the absence or elimination of substantially all discrimination." Australia put forward a proposal to the CRTA in February, suggesting eight topics for discussion around RTAs.

BRIDGES, Vol. 1, Number 15, May 12, 1997

These include the effectiveness of "open regionalism;" the relationship between larger and smaller countries which are part of a RTA, and the extent to which regional pacts support the multilateral system and the increasing numbers of RTAs. Australia maintains that the CRTA received a mandate at the Singapore ministerial "to discuss the broad, systemic relationship between regional trade agreements. . . and the multilateral system." Next month the CRTA will begin its reporting on the North American Free Trade Agreement, as well as the recent expansion of the EU to include Austria, Sweden and Finland. The CRTA will offer WTO members a chance to debate the committee's reports. "It will be the first assessment the committee will have to make about the conformity of major [RTAs with WTO rules]," one trade official said. NAFTA is expected to raise the most concern among WTO members, many of who take issue with NAFTA rules of origin and agricultural provisions, which critics find to be trade distorting.

"WTO Members Poised To Open Major Debate On Regional Trade Pacts", INSIDE U.S. TRADE, May 9, 1997.

EVENTS/RESOURCES

UNCTAD Report: World Investment Directory: Volume V Africa (Sales No.E.97.II.A.1), available from UN Sales Section, Palais des Nations, CH-1211 Geneva 10; Fax: +41/22/917/0027; E-mail: unpubli@unog.ch ; \$75.

Summitry of the Americas: A Progress Report (see above): By Richard Feinberg. 272 pages, US\$20.00. Available from the Institute For International Economics Distribution Center, PO Box 361, Annapolis Junction, Maryland 20701-0361 USA. Fax: +01/301/953/2828; E-mail: orders@iie.com .

Dispute Resolution in the World Trade Organization: May 30, 1997, Geneva , Switzerland. Contact Cameron May Ltd., 69-71 Bond Way, London SW8 1SQ, U.K. Ph: +44/0/171/582/7567; Fax: +44/0/171/793/8353; E-mail: 100615.1547@compuserve.com .

BRIDGES is published by the International Centre for Trade and Sustainable Development and edited by the Institute for Agriculture and Trade Policy. We encourage the reproduction of BRIDGES. Comments and suggestions are welcome and should be directed to: Ricardo Meléndez-Ortiz, Executive Director, ICTSD, Geneva Executive Center, 13 chemin des Anémones, 1219 Châtelaine, Geneva, Switzerland; email: ictsd@iprolink.ch; voice: (41-22) 979-9492; fax: (41-22) 979-9093; Web: www.ictsd.org

Anja HALLE
Senior Editor
hallea@ss20.unep.ch