

B R I D G E S

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International Centre for Trade and Sustainable Development

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FTAA TALKS GET CAUTIOUS GREEN LIGHT

Trade ministers from the 34 countries in the Americas came to a partial agreement over the weekend, agreeing that negotiations toward a Free Trade Area of the Americas (FTAA) "should" start next March, in Santiago, Chile. The countries could not agree on the "objectives, approaches, structure and venue" of the negotiations. The hemispheric ministerial conference in Belo Horizonte, Brazil ended on a mellow note as many trade ministers left feeling frustrated by the lack of progress being made and fearful that the process was losing steam. At the Summit of the Americas in 1994, the 34 countries agreed to work toward the FTAA pact by 2005. Talks have been delayed by a disagreement between the U.S.- which wants to begin talks on tariff reductions next year, and Mercosur (Brazil, Argentina, Uruguay and Paraguay) which advocates a go-slow approach on tariff talks. A senior Mercosur official said that until the Clinton Administration receives fast-track negotiating authority, talks on the substantial trade issues cannot begin (see related story below). Fast-track negotiating authority would prevent the U.S. Congress from amending a final trade treaty negotiated by the Clinton Administration, and is critical to U.S. credibility in the negotiating process.

Smaller economies had a victory in the ministerial declaration, which included language insuring that the countries' unique concerns would be considered in all negotiations. A working group on small economies was formed amid complaints from Caribbean and other small economies at having been virtually excluded from the first meeting of trade ministers. "We have seen a growing sensitivity to the need to address the [smaller economy] issue in the development and implementation of the FTAA," said Jamaica's ambassador to Washington. However, definitions still need to be set for exactly who qualifies as a smaller economy.

"Free Trade Talks Get Green Light," FINANCIAL TIMES, May 19, 1997; "Wrangling Over Words Dims Hopes For Americas Free Trade," JOURNAL OF COMMERCE, May 19, 1997.

SAARC SUMMIT YIELDS FREE TRADE DEADLINE

The South Asian Association of Regional Co-operation (SAARC) concluded their Maldives summit last week with an agreement to accelerate the deadline for establishing a free trade area to 2001, rather than 2005. The motivating factor behind the accelerated deadline is the significant inter-country trade potential in the region- as yet barely tapped. "The fact is," one top official said "that for decades, while we've been grouching about poverty and the causes of it, we've simply not been looking in the one direction where we could make immediate and tangible gains- among ourselves." Trade between the seven South Asian countries- India, Pakistan, Bangladesh, Nepal, Bhutan, Sri Lanka, and Maldives, accounts for just 1 percent of all world trade, in spite of the fact that these countries account for 20 per cent of the world's population.

The summit lead to a general admission that failure to end the political hostilities that have persisted since Britain departed 50 years ago has cost the region dearly in terms of lost trade. One official summed up the mood of the summit, commenting that, "There's been a mood of real self-reproach here, a sense of, 'We can't go on like this anymore in today's world, in which so many other nations seem to have overcome old enmities and gone forward to the business of creating wealth for their peoples.'"

India's trade with the member countries of the SAARC accounts for less than 10% of its trade worldwide. Estimates put the potential for trade between India and Pakistan, currently at about \$1.5 billion annually, at a \$20-30 billion level.

"Subcontinent Summit Talks Produce A Wake-Up Call," INTERNATIONAL HERALD TRIBUNE, May 15, 1997.

FAST-TRACK MUST COME QUICK, OR NOT THIS YEAR

This week will be do or die for fast-track negotiating authority. The congressional calendar is such that if the House Ways & Means Committee does not take action on the fast-track bill this week, it is unlikely that the bill will be passed before next year. Republicans maintain that they informed the Clinton Administration about the limited time frame within which fast-track needed to be acted on, yet the Administration still has not made a decision to move forward. According to the president's press secretary, the Administration has not yet moved on the issue because it is "frying a lot of fish right now and the kettle is only so big."

The Administration has met criticism from Latin American countries for trying to set the pace for FTAA talks while lacking the formal authority to do so. A report released last week by the Latin American Economic System (SELA) cites sources indicating that fast-track negotiating authority may be obtained through The Africa Growth and Opportunity Act, a bill currently pending in Congress. Congress is reportedly negotiating a breaking down of barriers to fast-track authority and other questions of interest to Latin America through the bill on Africa. The bill, a package of trade initiatives with Africa is one of the most popular bills in Congress, giving fast-track, if it is indeed made part of the bill, a good chance of getting passed.

"White House, Republicans Trade Charges Over Timing On Fast Track," INSIDE U.S. TRADE, May 16, 1997; "Towards Free Trade on the Back of Africa," IPS, May 13, 1997.

APEC TO TARGET FINANCIAL SERVICES

The Asia Pacific Economic Co-operation (APEC) minister's meeting in Montreal last week ended with an announcement that the forum is committed to forging a financial services deal by December. Talks on a financial services agreement broke down last year when the U.S. left the negotiations, unimpressed by offers put on the table by some countries. The world's leading trading powers have agreed to submit their offers on trade in financial services by the WTO's July 14 deadline. However, the less developed countries in APEC, as well as some Latin American countries, are more reluctant about a financial services agreement. The developing countries within APEC favor unilateral and voluntary plans to remove trade barriers. U.S. Trade Representative Charlene Barshefsky warned at the end of the Montreal meeting that, come offer time, Latin American and Asian countries need to put forward generous offers for consideration. "The United States will put forward an [most-favored-nation] con!

sistent offer, but it will be conditional on achieving a critical mass in the Asian countries and Latin America," Barshefsky said.

"APEC Ministers Agree To Target Financial Services," REUTERS, May 10, 1997.

NEW WTO TALKS ON CHINA THIS WEEK

China and key trading partners will meet this week in Geneva for a new round of talks on its bid to join the World Trade Organization. A previous set of talks was held in March and was said to have been productive, yet trade officials have warned China that they will be looking for flexibility and significant market-opening offers. One trade official commented that "We need to see what [China] comes up with and just how flexible they are ready to be. This session will set the pace for the rest of the year." Three weeks ago, WTO Director-General Renato Ruggiero met with Chinese leaders and urged them to focus on making their market-opening offers as liberal as possible. There had been earlier signs that China considered holding back its WTO bid because of some hostility in the U.S. Congress towards trade concessions to Beijing. While Congress does not have the authority to block China's entry to the WTO, it could withhold most-favored-nation (MFN) status. By offering an attractive market-opening package, China could make it more difficult for the U.S. to reject the offer. Trade officials say that China could be granted admission to the WTO in early 1998, in time for the second WTO ministerial meeting in Geneva, which will coincide with the 50th anniversary celebration of the General Agreement on Tariffs and Trade, or GATT.

"New Round Of China WTO Entry Talks Set Next Week," REUTERS, May 14, 1997.

EVENTS/RESOURCES

Human Rights Monitoring Training Workshop: Ensuring Suppliers' Compliance With Your Company's Code of Conduct: June 24-25, Mexico City. Sponsored by Business for Social Responsibility. Contact: Bridget McNamer, Ph: +01/415/865/2511; Fax: +01/415/ 865/2505.

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