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LONGER PHASE-OUT FOR DEVELOPING COUNTRIES

India last week proposed to the WTO Balance of Payments (BOP) Committee that it be allowed a nine year phase out period for lifting restrictions on imports. The plan was rejected as "unacceptable," led by the major trading powers on the committee who initially proposed a three year phase-out. One U.S. official commented that "Such a long phase-out period is definitely incompatible with India's economic growth, and even with its own self-interest." India contends however that since opening up its economy in 1992, its trade deficit has deepened, as imports have doubled and exports have not kept pace. Pakistan, Brazil, Nigeria, Egypt, Cuba and Peru offered support to India on this issue, saying richer countries should be more understanding towards social problems caused by market reform in poorer nations.

India's nine-year plan was offered to the BOP in response to the committee's request, made in January, that the country come up with a plan for lifting import restrictions. The U.S., EU, and Japan are pushing for an end to India's import regime, saying they are hurt by Indian restrictions on industrial and consumer goods. Australia, Canada and New Zealand take issue with India over restrictions on agricultural imports. India's Secretary of Commerce, P.P. Prabhu, defended India's nine-year phase out proposal to its detractors, saying "The Indian reform process has been based on the solid foundation of popular consensus and any intensification of balance of payments crisis [sic] will be a set back to this reform process and trade liberalization." An IMF report released in January contradicts India's contention of balance-of-payments weakness, reporting that India's balance of payments are healthy and that the country has foreign exchange reserves of about \$23 billion.

"Indian plan for imports rejected," FINANCIAL TIMES, June 11, 1997; "India offers WTO phased lift of trade bars," REUTERS, June 10, 1997; "India seeks German support at WTO meeting," THE ECONOMIC TIMES (India), June 6, 1997.

FAST-TRACK DEBATE TROUBLED OVER ENVIRONMENT AND LABOR ISSUES

U.S. Representative Charlene Barshefsky added more fuel last week to speculation that the Clinton Administration will seek to exclude labor and environmental linkage from a fast-track bill. Fast-track allows the Administration to negotiate trade agreements that will not be subject to amendment once presented to congress. "The question is," Barshefsky said to the House International Relations Committee, "must these discussions [on labor and environment issues] necessarily be tied to trade agreements."

The Administration would like to exclude the issues from a fast-track bill, and instead outline objectives for labor and environment in an accompanying presidential statement. Republicans oppose excluding trade and labor issues from fast-track. Instead, they support the inclusion of "directly trade related" labor and environment issues in a trade agreement. AFL-CIO and union presidents announced they would launch a major campaign against passage of a fast-track bill that does not call for the inclusion of labor rights in trade agreements.

The fast-track debate will certainly pick up speed in the next few months, as a vote on whether or not to grant fast-track authority is due in September. Some congressional republicans argue that the Administration is putting passage of the bill by the second Summit of the Americas at risk. The summit is set for March 1998 and will kick-off talks on the Free Trade Area of the Americas (FTAA). Fast-track is essential to the credibility of U.S. negotiators in FTAA talks.

In separate negotiations to expand NAFTA to include Chile, Barshefsky noted that "The Chilean government itself has told us they will not negotiate without assurance that congress cannot renegotiate the agreement." Meanwhile, as fast-track awaits passage, Canada and Mexico are pursuing their own trade agreements with Latin American countries, saying they cannot wait any longer for the U.S. to act.

"Barshefsky says labor, green issues could stay out of trade deals;" "Union presidents vow to fight fast-track bill without labor rules," INSIDE U.S. TRADE, June 13, 1997; "Clinton bogs down on trade," INTERNATIONAL HERALD TRIBUNE, June 10, 1997.

CHINA SEEKS NEW SUPPORT FOR WTO ACCESSION BID

China is proceeding optimistically toward WTO accession, even as its U.S. most-favored-nation status remains a point of contentious debate. The chief Chinese negotiator on China's accession to the WTO last week announced that China will send a team of trade negotiators to Geneva in September to engage in market access negotiations, hopefully bearing fruit in time for the planned summit between Presidents Clinton and Jiang.

The Geneva session is reportedly a bridge-building exercise with small to mid-size trading partners, who have complained that China has assigned "too much importance" to the large trading powers like the U.S.. Chief Chinese negotiator Long Yongtu said "We want our team staying [in Geneva] as long as possible to meet the concerns of all trading partners, no matter how small." Long also noted that "[WTO] membership will bring very limited commercial benefits to [China.] What we are trying to do [is] to get the world to recognize that China is serious about international rules and practice." Meanwhile, U.S. Secretary of State Madeline Albright urged Congress last week to extend China's MFN status, saying that engagement with China is the best way to create change in Beijing. "People think it's a trade off between human rights and trade policy," Albright said to the Senate Finance Committee. "The strategic relationship - that is the issue here."

Congress has until September 1 to revoke MFN status for China. Those opposed to extending MFN argue that China's record on human rights and the promotion of abortion have gotten worse as its economic ties with the U.S. have deepened. Representative Frank Wolf, opposed to renewing MFN for China, has introduced the Freedom from Religious Persecution Act, which would restrict U.S. exports to individuals and government agencies in countries that restrict freedom of religion and engage in "widespread and ongoing persecution." China's negotiator Long maintains that the MFN debate will become mute should the Chinese WTO accession take place.

"Chinese official optimistic on WTO market access deal this year," INSIDE U.S. TRADE, June 13, 1997;
"Albright makes case for China's trade status," INTERNATIONAL HERALD TRIBUNE, June 11, 1997;
"House bill would restrict exports to those limiting religious freedom," JOURNAL OF COMMERCE, June 11, 1997; "China's trade status emerges as key issue for conservatives in U.S.," WALL STREET JOURNAL EUROPE, June 11, 1997.

MAI: DAVID VERSUS GOLIATH?

The Multilateral Agreement on Investment (MAI), currently being negotiated by the Organization for Economic Cooperation and Development, would remove barriers to the movement of capital and create an international set of rules for investment.

Opponents argue that the MAI is merely a mechanism through which multinational corporations will gain an unhealthy amount of power. One anti-MAI ad run during the recent elections in Canada read "The new Multilateral Agreement on Investment gives the corporations so much power, Parliament won't matter." Two particular points of the MAI treaty feed the fears of MAI detractors: The agreement will supersede all local, state and national trade international business regulations, and allow companies to sue a government for damages if found in violation of the MAI. A recent conference in the U.S., sponsored by Public Citizen, entitled "MAI: Big Business Over the Rest of Us?" considered the effects of the MAI on society, and looked at possible alternatives to an international treaty on investment.

The apprehension apparent in the conference title is, according to MAI proponents, unwarranted. Supporters say the MAI will foster more and better competition, improve services and encourage innovation and increased investment. The agreement would afford foreign firms investing in a country the same treatment for investment purposes enjoyed by domestic firms. OECD countries will seek means to enforce the MAI via the WTO.

"Anti-MAI battle going nowhere," THE GLOBE AND MAIL, June 7, 1997; "MAI: Big Business Over the Rest of Us?" MAI CITIZEN'S CONFERENCE BRIEF, June 10, 1997.

APEC CREDIBILITY DEPENDS ON MORE THAN TRADE

While the Asia-Pacific Economic Cooperation (APEC) forum strives to set the pace for international trade, the trade organization struggles with its role as a leader in environmental protection. APEC environmental ministers met last week in advance of the upcoming APEC summit this fall in Vancouver. Together, the 18 economies of APEC account for nearly half of all the world's trade. Voicing the concern of many, U.S. delegate Eileen Claussen said, "Many people have real doubts about whether APEC can evolve into a credible force for environmental protection. It is true that we certainly have not become one yet."

The U.S. and New Zealand made it clear to their Pacific Rim partners that they must start to address serious environmental problems, specifically to expand APEC's agenda to include global warming. "The APEC economies contribute almost half of global carbon-dioxide emissions. The problem cannot be solved without us," Ms. Claussen told ministers. The environmental ministers reportedly made very little progress toward cutting carbon emissions from automobiles, pollution believed to be a factor in global warming.

"Act on pollution, APEC urged group's credibility called on the line," THE GLOBE AND MAIL, June 10, 1997.

DEVELOPING MOSLEM NATIONS LAUNCH 'D-8'

Istanbul was host over the weekend to the inauguration of the Developing Eight group of economies. Turkey, Iran, Indonesia, Bangladesh, Egypt, Malaysia and Pakistan signed a declaration outlining the 'D-8' goals: cooperation in trade finance, communication, technology and eliminating poverty. The group identified six projects on their work agenda, including joint ventures in the Islamic insurance, agricultural and aircraft industries.

"Moslem nations: Group of eight aim for economic cooperation," FINANCIAL TIMES, June 16, 1997

CLINTON TO PUSH U.S. TRADE AGENDA IN SOUTH AMERICA

Venezuela hosted U.S. Trade and State Department representatives last week in talks to prepare President Bill Clinton's first visit to the region in October. Adjusting Venezuelan law to conform with U.S. goals for intellectual property rights (IPRs) will be at the top of the Clinton agenda. The U.S. and Venezuela are currently revising bilateral agreements on taxes, foreign investment and IPRs. Reportedly, the U.S. considers that negotiations to "modernize" the current IPR accord, in force since 1993, are proceeding unsatisfactorily.

In May, the Working Group on Intellectual Property Rights of the Free Trade Area of the Americas (FTAA) agreed to circulate a questionnaire on IPRs in order to determine the current content and implementation of IPRs in the region. The questionnaire is not legally binding and responses to it are not compulsory. The responses will serve as a basis for the Working Group's next meeting, July 10-11 in Washington DC. On July 9, members of the Working Group will meet, at the invitation of the U.S., to consider what changes to IPRs will be needed to accommodate new products in biotechnology.

In other regional news, meetings to initiate Peru's application for associate membership in Mercosur, the Southern Latin American trade bloc composed of Argentina, Brazil, Paraguay and Uruguay, with Chile and Bolivia as associate members, will take place in July in Montevideo, Uruguay. Peru has recently withdrawn from the Andean Pact, leaving a physical gap between Venezuela, Colombia, Ecuador and Bolivia, and hopes to ally with the Southern Cone.

"El mensaje deberá ser claro: Propiedad intelectual dominará agenda de Clinton en Venezuela", EL NACIONAL (Caracas), June 9, 1997; "FTAA Nations To Answer IPR Questionnaire, Rework Inventory", AMERICAS TRADE, May 29, 1997; "Perú deberá presentar proyecto para integrarse a Mercosur", EL COMERCIO (Lima), June 10, 1997.

EVENTS/RESOURCES

Human Development Report 1997: The United Nations Development Program (UNDP) released its 1997 report focusing on extreme poverty eradication. Available in all U.N. languages. For more information contact The Human Development Report Office, UNDP, Ph:+01/212/ 906-3661; Fax:+01/212/906/3677; Internet: <http://www.undp.org/undp/hdro/97order.htm>.

APEC Environmental Ministerial: Information and reports posted at <http://www.ec.gc.ca/apecmeet/> and <http://www.iisd.ca/linkages/sd/apec.html> IISD also has published bulletins on the PIC negotiations and the recent WTO/CTE symposium at: <http://www.iisd.ca/linkages>

The 10th meeting of the Conference of the Parties of the Convention on International Trade in Endangered Species is being held from 9-20 July. For articles and information on the conference: <http://wildnetafrica.co.za/cites> or contact ICTSD.

WTO Dispute Settlement Body: The next DSB meeting will be held Wednesday June 25, 1997. Updates or changes posted at - <http://www.wto.org/wto/meets.html>

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