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UNGASS: GLOBALIZATION, SUSTAINABILITY AND ENVIRONMENTAL GOVERNANCE

Global environmental governance and the effects of trade liberalization on sustainable development, particularly in reference to developing countries, were among the many topics discussed at the 19th UN General Assembly Special Session to review implementation of Agenda 21. The meeting concluded early Saturday morning in New York.

- Accelerated globalization and interaction, fueled by international trade and capital markets liberalization as well as foreign direct investment presented major changes in the world scene since Rio, most participants said. In the light of these changes, governments agreed that "decisions on further liberalization of trade should take into account effects on sustainable development."

The Programme for Further Impelementation of Agenda 21 (one of the two outcomes of the special session) acknowledges that although globalization presents opportunities, only a limited number of developing countries have been able to take advantage of these trends: while the effects of trade liberalization are global, their benefits are not universal. The programme notes that income disparities between and within countries have increased and that external factors have become critical in determining the success or failure of developing countries in their national sustainable development efforts.

Text proposed by the US and supported by the G77/China on the pursuit of "eco-efficiency" was agreed with respect to the need for developed countries to pay special attention to avoiding negative impacts on developing countries' export and market access opportunities.

The agreements called for the establishment of favorable macroeconomic conditions to enable all countries to benefit from globalization, and greater responsiveness to sustainable development objectives at the UN, WTO and Bretton Woods institutions. Timely and full implementation of the Uruguay Round results, promotion of universality of the WTO, analysis of the environmental effects of international goods transports, and institutional cooperation between UNCTAD, WTO, and UNEP were also among the meeting's key recommendations on trade issues.

On forests, agreement was reached on text underlining the "urgent need" for further clarification through multilateral negotiations of trade and environment issues in relation to forest products and services.

On Institutional Arrangements, the special session agreed that the UN Commission on Sustainable Development (CSD) has a role to play in assessing the challenges of globalization as they relate to sustainable development. In this respect, the CSD is called to establish a closer interaction with international financial, development and trade institutions such as the WTO.

- The 1998 CSD session of CSD will address the topic of technology transfer and in 2000, the CSD will examine trade and investment, as well as economic growth and agriculture.

- A paragraph proposed by Australia calling for effective dialogue with major groups (including NGOs), particularly at WTO, UNCTAD and UNEP, was referred to further debate at ECOSOC's next session.

In other UNGASS news, delegates examined a proposal by Germany, Brazil, South Africa and Singapore to create a World Environment Organization (WEO), a United Nations agency which would bring together the Commission on Sustainable Development, the U.N. Environment Programme (UNEP), and the secretariats of the Rio conventions on climate, biodiversity and desertification. The initiative seeks to bring stronger institutional support to dealing with global environmental issues, streamlining the fragmented efforts of UNEP, the U.N. Development Programme (UNDP), the World Bank and the Global Environment Facility. Citing the need for a mechanism to assure that environmental agreements were enforced, UNEP Executive Director Elizabeth Dowdeswell said: "We [UNEP] don't have that capability right now the needs of today require that we take on some of the characteristics of a global organization [there is] an overwhelming feeling that the environmental voice of the United Nations needs greater clout."

EARTH NEGOTIATIONS BULLETIN, Vol.55 No.88, June 30, 1997; "New global environment body proposed," IPS, June 25, 1997; "Four nation proposal for new U.N. body," IPS, June 23, 1997.

EU OFFER A BOOST TO FINANCIAL SERVICES NEGOTIATIONS

The EU will put its offer for liberalizing financial services on the table by July 14, EU External Relations Commissioner Sir Leon Brittan said last week. The WTO-sponsored negotiations aim to lower barriers to trade in banking, insurance, securities and other financial services. Brittan said the EU proposal provides free, non-discriminatory access within the internal EU market to financial services markets, the right to establish branches and a nearly unimpeded ability to provide cross-border reinsurance and transport insurance services. It also allows EU residents to purchase unlimited banking and investment services abroad.

The offer by a leading economic power is seen as a major push to the financial services talks.

Negotiations were halted in 1995 when the U.S. walked out of talks because it judged offers from Latin American and Asian countries inadequate. Since then, the four trade powers - the United States, the EU, Japan and Canada and the Asia-Pacific Economic Cooperation forum (APEC), which includes many developing countries, have renewed their commitment to reaching a deal. The deadline for submitting offers to the WTO is December 12, 1997.

"Leon Brittan veut liberaliser les services", LE FIGARO, June 25, 1997; "EU financial services offer," FINANCIAL TIMES, June 25, 1997; "US warns on financial services", FINANCIAL TIMES, June 6, 1997; "U.S. seeks Asian, Latam shift for financial pact", REUTERS, 1997.

CARIBBEAN NAFTA PARITY

The U.S. Congress is again considering the issue of NAFTA parity for Caribbean Basin nations. Before NAFTA's passage in 1993, the U.S. had suggested that it would try and ease the anticipated devastating effects of NAFTA on the Caribbean by extending similar trade preferences, or "NAFTA parity," to the region. Since then, efforts toward "NAFTA parity" have failed in the U.S. Congress, and any new efforts towards that end face an uncertain future as the U.S. struggles with mixed feelings about free-trade agreements.

For their part, Caribbean nations have warned since 1993 that their manufacturing and textile sectors would be supplanted by duty-free exports to the U.S. and Canada from Mexico. Caribbean officials say that investment needed for future growth in the region is being diverted to Mexico. Most concerning to Caribbean officials is the fate of their textile and apparel sectors without NAFTA parity.

Critics argue that since the idea for parity was first brought up in 1993, U.S. imports from Caribbean countries jumped 40% between 1993 and 1996, according to the U.S. Commerce Department. Textile and apparel imports increased two percentage points from 11.3% in 1993 to 13.3% in 1996. The Commerce Department also reports that investment in the region increased 32% between 1993 and 1995, while investment in Mexico decreased 8% during the same period.

The Clinton Administration proposal for NAFTA parity, critics say, would in fact create new barriers to Caribbean imports. Caribbean apparel exporters would be required to use U.S.-made fabrics to qualify for trade preferences. Further, the U.S. would have to wait until 2005 to see any real benefit from extending NAFTA parity. Caribbean nations will have seven years under the Clinton plan to open their markets. Opponents say that Mexico was given preferential trade access through NAFTA because it was willing to open up its markets to U.S. imports and investment, and that the Caribbean Basin must do the same if it wants equal trade status. Without that, NAFTA-parity is merely an aid package disguised as a trade action.

In other regional news, Caribbean Basin nations are reportedly making overtures to Cuba to open up trade with the region. To the chagrin of the U.S., Caribbean countries are looking to get in on the ground floor with Cuba by investing there. Viewing Cuba as a potential threat for tourism dollars, Caribbean countries look to curb any potential losses from that sector by prospering from future economic growth in Cuba.

"Nafta disparity," JOURNAL OF COMMERCE, June 20, 1997; "Caribbean leaders push to open trade with Cuba," JOURNAL OF COMMERCE, June 24, 1997.

AFRICA A PRIORITY AT G-7 AND UNGASS

The G-7-Plus-One Summit in Denver June 20-22 put Africa at the top of its agenda, calling for "new concrete action to support the efforts of African countries to participate fully in the expansion of global prosperity." The U.S. is taking the "lead" in this with its proposed African Growth and Opportunity Act - calling for free-trade agreements and increased investment in African nations willing to open up its

markets. A senior State Department official commented that "We're going to pay more attention to those who are making the right political and economic reforms. We want to help the magnets for change."

Even if they are satisfied by the renewed U.S. interest in Africa, Europeans are concerned that the initiative is "purely capitalist" and a way for the U.S. to further reduce its development assistance, already at a low level by EU standards. In this context, France and Japan, principal suppliers of development funds are working on a common strategy not centered on trade.

Interest in Africa was spurred by reports of robust economic growth in some countries: for example, Cote d'Ivoire's and Uganda's economies grew at 8% and 10% per year respectively. The U.S. Commerce Department reports that the average rate of return for U.S. firms investing in Africa is 33%, compared to 14% in Asia and 12% in Latin America. Skeptics argue that much of the money being made from investment in Africa is from mining and oil digging- high risk ventures both. Building trade with Africa may be more than just good business. Some U.S. and EU officials say that bringing Africa into the fold may draw support for their broader trade agenda if trade initiatives can be portrayed as benefiting more than just large corporations.

While industrialized nations wax optimistic about Africa, African leaders at last week's U.N. Earth Summit + 5 brought them to task for promises left unfulfilled five years after Rio. Less than half of the \$125 million dollars in aid promised to developing countries for sustainability activities has been delivered. The aid is crucial to sustainable development, President Robert Mugabe of Zimbabwe said. With such aid, "Africa would refrain from killing wild animals for food, cutting down trees for energy, and polluting water resources for lack of appropriate technology."

Other African leaders spoke of risks associated with foreign investment, saying that investors' focus is on funding projects that earn quick returns but are often incompatible with sustainable development. African leaders want a renewal of developed countries' Rio pledge, via Agenda 21, to protect the environment while promoting development. South African Deputy President Thabo Mbeki called for a stronger commitment to eradicate poverty. "South Africa believes that in the face of persistent poverty, occurring in the context of increasing globalization, it is essential for a more resilient global partnership to be forged if we are serious in our quest for sustainable development."

"Africa suddenly takes center stage," JOURNAL OF COMMERCE, June 23, 1997; "Mobilisation pour l'Afrique", LE FIGARO, June 23, 1997; "A new Africa is generating success and hope", INTERNATIONAL HERALD TRIBUNE, June 21-22, 1997; "Africa's turn at top table", THE GUARDIAN, June 20, 1997; "Africans struggle to attain sustainable development", USIS GENEVA DAILY BULLETIN, June 25, 1997; "Paris et Tokyo vont creer un partenariat d'aide a l'Afrique", LA TRIBUNE, June 25, 1997; "La situation de l'Afrique noire s'ameliore depuis deux ans", LE MONDE, June 21, 1997; "Africa: Ready for Business?", NEWSWEEK, June 23, 1997.

WWF AND WORLD BANK TEAM UP

The World Bank and WWF-Worldwide Fund for Nature on June 25 announced they had formed a global alliance for forest conservation and sustainable use. The two organizations will work jointly to bring better focus to international efforts to deal with the ecological, economic and social consequences of deforestation and forest degradation. The four key areas of the partnership are 1) establishing a network of protected areas, 2) forest certification, 3) creating a coalition of interest groups involved in

forest use and management, and 4) developing and encouraging new methods of forest management and conservation.

The WWF is a leading conservation organization, working in more than 100 countries. The World Bank is the largest lender to developing countries for forest conservation and management.

"World Bank and WWF join forces to conserve Earth's forests", WWF NEWS RELEASE, June 25, 1997.

TREATY OF AMSTERDAM RUFFLES BUSINESS' FEATHERS

Negotiators for the new Treaty of Amsterdam succeeded in more than just concluding a treaty over a common currency and enlargement, they also raised the ire of much of the EU business community by covering other sensitive business issues. EU ministers included a clause in the treaty allowing EU countries to restrict trade of certain goods from other EU countries if the products are shown through scientific evidence to threaten the environment. The European Commission will be the arbiter of any restrictions, making sure they are not, according to the treaty, "a disguised restriction on trade between member states." Businesses argue that member states can use the provision to establish environmental standards that are different from those already agreed upon by EU member states. They also see it as a vehicle for states to protect their domestic industries. Businesses also lack confidence in the Commission's ability to enforce the clause, as their track record is not promising.

Trade ministers also discussed expanding the trade-related Article 113 of the treaty to allow the Commission to negotiate services and intellectual property issues on behalf of member states. EU business were unhappy with this decision, saying Article 113 expansion would make it easier to conclude international agreements that open up markets for EU goods and services. At the end, ministers agree that Article 113 could be expanded at a later date without calling another summit, if this decision can be taken unanimously.

New paragraph D included in article 7 of the Treaty also worried business as it guarantees that member states can run public services such as utilities or post offices "on the basis of principles and conditions which enable them to fulfil their mission".

"Business isn't thrilled with treaty language," WALL STREET JOURNAL EUROPE, June 23, 1997.

EVENTS/RESOURCES

The Organization for Economic Cooperation and Development (OECD) released a series of publications related to sustainable development: "Sustainable Development: OECD Policy Approaches for the 21st Century," "Sustainable Production and Consumption," and "Economic Globalization and the Environment." For more information contact OECD Publications and Communication Center, 2001 L Street NW, Suite 650, Washington D.C., 20036-4922 USA. Ph: +01/202/785/6323; Fax: +01/202/785/0350.

Health and Environment in Sustainable Development Five Years After the Earth Summit: A report by from the World Health Organization (WHO). Available at no charge. For more information contact the Office of Global and Integrated Environmental Health, WHO, 1211 Geneva 27, Switzerland.

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