

Weekly Trade News Digest

International Centre for Trade and Sustainable Development

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EU COTTON DUTIES

The European Commission (EC) announced last week it will conduct an investigation on dumping of unbleached cotton by China, India, Turkey, Pakistan, Indonesia and Egypt. Based on a complaint to the EC by the European cotton-producers' lobby, EuroCoton, the EC found preliminary evidence of dumping by the six Asian countries, and were obliged to open an investigation. Such an investigation could lead to the imposition of anti-dumping duties on unbleached cotton imports from those countries -- only a few months after EU ministers voted to discontinue duties previously imposed as a result of a EuroCoton complaint. EuroCoton argues that the six countries are dumping cotton at below-cost prices into the EU, damaging EU producers' ability to compete. Meanwhile, European cotton processors and garment makers maintain that imposing duties will increase their raw materials costs and result in a net loss of jobs.

In other textile news, the EC rejected criticism of its plan to allow a waiver from textile rules of origin for Laos, Cambodia and Nepal. The plan would allow textiles from these three Asian countries duty-free access to the EU market after only one processing step rather than the two processing steps usually required. The plan was introduced to promote textile sectors in the developing nations which may be too poor to perform more than one processing step.

For EuroCommerce, a European trading lobby and the chief critic of the plan, the plan only applies to a limited quantity of imports from those countries. The EC holds, however, that these countries could never reach the quota limit. The waiver includes a list of countries from which Laos, Cambodia and Nepal may source their raw materials. EuroCommerce criticized such sourcing as "inconsistent with existing trading patterns," since the three countries often source materials outside the allowed countries. The EC justified their guidelines, saying "We want to be flexible, but we also want to send a signal that these developing countries need to improve their own regional cooperation."

"EU cotton dumping row flares," FINANCIAL TIMES, July 14, 1997;

"Rules of Origin: Commission rebuts criticism of textiles

GENE PATENT LAW

The European Parliament was to vote last week on whether to allow the patenting of genes -- a similar initiative was dismissed two years ago. The vote is critical for Europe's pharmaceutical and agricultural industries which are increasingly looking to biotechnology in product development.

For its proponents, gene patenting is essential to the growth of the biotechnology industry in Europe. Drug companies, in particular, spend millions of dollars developing a new drug and need to recoup some of its costs through patent royalties. Patenting also generates increased employment. For opponents of the law, allowing gene patenting is equivalent to the "patenting of life", and for that reason paying royalties for the use of genetic material from plants and creatures is inappropriate. They further argue that the jobs created in the biotech industry won't compensate for jobs lost among small-time breeders.

How will developing countries benefit and protect their intellectual property contribution to the commercialization of biotechnology? Opponents to gene patenting are concerned that poor farmers in developing nations, whose crops and genes contribute to new technology, could have to pay fees to plant the same crops they have historically planted after a company patents a new gene, for example, to make the crop resistant to certain pests.

"Debate on right to sell life's secrets," FINANCIAL TIMES, July 15, 1997.

INDIA'S TRADING PARTNERS LOOK TO WTO ON IMPORT RESTRICTIONS

Last week, the United States, Australia, New Zealand, Canada and European Union asked the World Trade Organization (WTO) for consultations with India over its quantitative import restrictions. India and its major trading partners are in strong disagreement over how rapidly India can and should phase out its remaining import restrictions on consumer goods and agricultural products. India says it needs six years, while its trading partners say India's balance-of payments condition is healthy and justifies a shorter phase-out period.

India's Commerce Minister B.B. Ramiah said he was not "unduly alarmed" by the joint complaint to the WTO and was confident an amicable settlement can be reached during the mandatory 60-day consultation period. Many countries, particularly in the EU, are sympathetic to India's position, and although changes do not include a shorter time-frame for ending import restrictions, India has already made modifications to its phase-out proposal. He is also confident Japan will not join the complaint.

"Australia, big powers take India to WTO," REUTERS, July 16, 1997;

"Trade powers take India to WTO over import bars," REUTERS, July 17, 1997;

"QR issue will be resolved amicably, says Ramiah," THE ECONOMIC TIMES, July 17, 1997.

NAFTA BRINGS MODEST GAINS TO U.S. ECONOMY

The Clinton Administration last week issued its mandatory status report on the economic effects of the North American Free Trade Agreement (NAFTA). The findings were anticlimactic given the

expectations for disastrous job losses or tremendous economic gains. Modest gains were reported, citing the creation of 90,000 to 160,000 U.S. jobs in the three years since NAFTA went into effect. Critics argue that this figure is not very inspiring considering the U.S. economy currently creates about 200,000 jobs a month. The U.S. has increased its exports to Mexico by 27 per cent in three years -- although the U.S. now has more than \$16 billion trade deficit with Mexico, due, the report says, to the strong U.S. economy and the fallout from Mexico's 1994 peso crisis.

The report also says that, as a result of NAFTA, U.S. companies have been able "to realize synergies in the North American market, boosting global competitiveness." The Clinton Administration is keen to point out the positive effects of trade with Mexico as it gears up for its "fast-track" bid this fall. "A healthy, growing economy in Mexico is not only in the interests of Mexico, but it is also very much in the national economic and security interests of the U.S.," U.S. Treasury Secretary Robert Rubin said. Those who oppose granting the Administration power to negotiate more free trade agreements are likely to point out that NAFTA has held the U.S. hostage to immigration and drug trafficking problems with Mexico.

"Modest U.S. gains seen from NAFTA," FINANCIAL TIMES, July 12-13, 1997;

"Die NAFTA-Kritiker formieren sich," HANDELSBLATT, July 14, 1997;

"Clinton co-opts free trade lines," GUARDIAN, July 14, 1997.

MARGINAL COUNTRIES MAKE WAY TO BIG TRADE STRUCTURES

The U.S. is on its way to granting Mongolia permanent most-favored-nation (MFN) status. The proposal passed through the House Ways and Means Committee last week and will now be considered by the full U.S. Congress. A committee member cited democratic reform as a chief factor in the Committee's decision. Mongolia, a recent member of the WTO, has moved toward a parliamentary democracy after 70 years of communism.

Mongolia has indeed embraced free-trade, seeing it as the only way to advance as a country landlocked between the former Soviet Union and China. One Mongolian official commented that "The only way we can foster international competition is by opening up and adopting international prices." Mongolia removed all tariffs in April. The country hopes to attract technology and skills from the west, and western oil companies are already drilling -- with a probable market for oil waiting in China.

In other news, the Vatican was granted observer status at the WTO. The Holy See has said its presence on the global trading body is essential to the interests of poorer states and that the "insignificant size of [the Vatican's] international trade does not warrant any special economic or trade policy." As an observer, the Vatican will be allowed to sit in on most meetings, have access to documents and may attend WTO ministerial conferences. The Vatican also maintains full member status in UNCTAD and the World Intellectual Property Organization.

The WTO also announced last week that a working party will be formed to draft membership terms for the former Soviet Republic of Azerbaijan which just obtained observer status. U.S. officials also confirmed that they will grant MFN status to Laos once a bilateral trade agreement which currently being negotiated is concluded.

"U.S. house panel approves MFN for Mongolia, Laos," REUTERS, July 15, 1997;

"A landlocked Asian nation struggles to be free," THE ASIAN WALL STREET JOURNAL, July 8, 1997;

"Vatican admitted to world trade body as observer," REUTERS, July 16, 1997;

"Il Vaticano entra nel tempio dei commerci mondiali," CORRIERE DELLA SERA, July 17, 1997;

"L'Azerbaïdjan obtient le statut d'observateur à l'OMC," LE FIGARO, July 17, 1997.

FINANCIAL SERVICES OFFERS COME IN

Twenty-six countries, including the European Union, have tabled offers in WTO talks aimed at liberalizing financial services. The Quad Trading Partners: U.S., EU, Canada and Japan achieved a self-imposed challenge to meet a July 15 deadline for offers, having set the target date as a show of commitment and leadership in the financial services talks. Switzerland, Norway, Hong Kong, Bahrain, Hungary, Turkey, Australia and the Slovak Republic all also filed offers lastweek, in time for a July 17 meeting of negotiators in Geneva. Egypt, Israel, Czech Republic, Macau, New Zealand, Peru, Poland and Korea all promised offers by the negotiators' September 18 meeting. Nevertheless, many countries from Latin America, Africa and Asia haven't yet given their offers. Thailand spoke for the Association of Southeast Asian Nations (ASEAN), saying "some, if not all" ASEAN members would submit proposals after the WTO's summer break. Korea and Thailand both promised improved offers over 1995 proposals, with Thailand assuring negotiators that its banking crisis would not hamper its ability to participate in the agreement.

The last attempt to liberalize financial services was aborted in 1995 after the U.S. walked away from the negotiation table dissatisfied with offers from countries in Latin America and Asia. The EU and U.S. are warning that concluding an agreement by the December 12, 1997 deadline is dependent upon solid offers from Asian and Latin American nations. In fact, the U.S. offer guaranteeing access to its markets is conditional on a financial services agreement being concluded by the December deadline. The EU last week pointed a finger at Malaysia, saying recent moves toward

forcing foreign firms in its financial services market to disinvest are "exactly the opposite of what we are trying to do ... This could be a serious problem if other countries follow suit, and there are signs that Malaysia is unfortunately not alone ... that Indonesia, and perhaps others, may also be going in that direction."

"Financial services talks kick off with promising offers in WTO," INSIDE U.S. TRADE, July 18, 1997;

"FOCUS-EU says Asia could sink WTO financial pact," REUTERS, July 17, 1997; "Services financiers: Bruxelles et Washington ouvrent la voie," LA TRIBUNE, July 17, 1997.

EVENTS/RESOURCES

Developing Sustainability: New Dialogue, New Approaches --The Sixth International Conference of The Greening of Industry Network: Santa Barbara, California. November 16-19, 1997. For more information contact Monica Dunne, Conference Manager, Greening of Industry Network Conference, School of Environmental Science and Management, University of California, Santa Barbara, CA 93106, USA. Ph: +01/805/893/7979; +01/ 805/893/7612; E-mail: .

Indigenous Peoples Production and Trade: Published by the Nordic Council of Ministers, refer to publication TemaNord 1996:553. For copies contact the Nordic Council of Ministers, Store Strandstraede 18, DK-1255 Copenhagen K. Ph: +45/33/96/0200.

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