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WTO HEARS EU BANANA APPEAL

The EU appeal of the WTO ruling against its 'banana regime' last week was given two days of hearings by the WTO Appellate Body which will take its decision next September. Most trade experts believe the EU will lose its appeal, and be forced to either revise its preferential import regime for bananas from African, Pacific and Caribbean (ACP) producers, or else be forced to compensate the U.S. and its co-complainants Honduras, Guatemala, Mexico and Ecuador for lost trade. Colombia's Foreign Trade Minister Carlos Ronderos Torres commented last week that the EU seems headed to choose the latter: "No matter what the outcome [of the appeal] we get the sense that there is a political will to keep the status quo. The choice is to comply or compensate ... we see more will to compensate".

Meanwhile, banana farmers in ACP countries face an uncertain future as their small operations may be forced to compete with the larger plantations in Latin America, who are lower cost producers. Commented one farmer in the Windward Islands - where bananas account for about half the islands export revenue -, "We have always grown bananas. It is the only thing which we know how to grow, and there is nothing else which can provide us with a livelihood." To that point, the governments of the banana producing islands have been told repeatedly to encourage farmers to diversify their agricultural base. In this sense, the EU has allocated \$165 million to help build a core regional group of efficient banana producers who will be able to compete with the likes of Chiquita, while offering economic alternatives to cushion social hardships for those who will leave the sector. One farmer expressed skepticism that diversification is possible. "When a hurricane blows the bananas down, they are up and producing in nine months. What other crop can do that? We do not know the technology of these other plants." And even "if we were to produce tomatoes and potatoes, who would buy them, and would be able to sell enough to make the kind of living we do from bananas?"

"L'EU justifie son recours aupres de l'OMC dans le conflit sur la banane," LA TRIBUNE, July 23, 1997; "Colombia sees 'banana regime' status quo remaining," REUTERS, July 23, 1997; "Banana growers fear bleak future," FINANCIAL TIMES, July 22, 1997.

SPECIES PROTECTION AND HUMAN TREATMENT OF ANIMALS WITH TRADE LAW

The U.S. Senate this week is set to debate whether tuna imports may bear 'dolphin-safe' labels if international observers certify that dolphins have been freed from circle nets before tuna is hauled on board fishing boats. Currently, there is an embargo against tuna caught with circle nets. Environmental groups including Greenpeace and World Wildlife Fund endorse the Clinton Administration initiative, saying that without access to the U.S. market, tuna fishers will have no incentive to utilize 'dolphin-safe' methods in tuna harvesting.

Also in the news, EU foreign ministers approved an agreement with Canada and Russia limiting the controversial use of jaw-type leghold traps for trapping animals. The traps will be immediately prohibited for use in Canada on seven of twelve species for which they are used, and limited in Russia for use by certain indigenous peoples. Britain, Austria and Belgium voted in opposition to approving the agreement, saying that its provisions are inadequate and need to be extended to the U.S., which thus far has refused to sign on. Russia, Canada and the U.S. have maintained that fur trapping is a legitimate way of life for indigenous peoples and the EU fur ban is extra-territorial trade legislation.

"WTO to rule if shrimp ban by U.S. violates trade law," THE ASIAN WALL STREET JOURNAL, July 15, 1997; "Protecting dolphins," INTERNATIONAL HERALD TRIBUNE, July 23, 1997; "FOCUS-EU to allow fur imports," REUTERS, July 22, 1997.

U.S.-EU REACH AGREEMENT ON RULES OF ORIGIN

The EU and U.S., engaged in WTO consultations over US rules of origin, reached a tentative deal wherein the U.S. agrees to change 1994 rule of origin legislation to agree with pending WTO talks on harmonizing rules of origin. EU manufacturers of textiles can continue to label their products made with Asian raw materials as products of the EU, as long as some work was done to them in Europe. The United States stressed that should the WTO not reach a rules-of-origin accord by July 1998, the U.S. will look to reinstate the 1994 rule.

"US, EU resolve tiff over how to label origin of textiles," JOURNAL OF COMMERCE, July 18, 1997.

GENE TRADING

WWF calls for provisions that will guarantee the indigenous communities fair access to biotechnology developed and compensation for their resources and traditional knowledge of flora and fauna. According to the WWF, the existing intellectual property laws would address the rights of indigenous communities which are in a vulnerable position. The WWF demands that the Swiss government renounces the patent law until the WTO modifies international intellectual property law in 1999.

Also last week, the European Commission announced that newly-approved guidelines for labeling genetically modified organisms (GMOs) should help squash trade problems with the U.S. The guidelines do not require segregation of genetically modified farm products like corn and soybeans. The U.S. strongly opposed labeling of farm products as too costly and having no scientific basis. Seeds, feeds and foods containing GMOs must be labeled with the percentage of GMO content. If a food product "may contain" a GMO, it must be so labeled. Labeling of GMO-free food is optional. European consumer groups welcomed the Commission's proposed guidelines, but cautioned that the "may contain" category could become a catch-all for label-wary producers.

"Le WWF denonce une iniquite sur le marche de la genetique," TRIBUNE DE GENEVE, July 24, 1997; "Call for labelling of gene-modified food," FINANCIAL TIMES, July 25, 1997.

LAOS, MYANMAR OFFICIALLY JOIN ASEAN, CAMBODIA ON HOLD

The Association of Southeast Asian Nations (ASEAN) held its 30th annual ministerial meeting last week in Kuala Lumpur, highlighted by the formal admission of Laos and Myanmar into the regional economic and political bloc. Cambodia's entry, approved earlier this year by ASEAN, has been postponed pending resolution of the country's political situation. ASEAN heralded the admission of the two countries as serving "the long-term interest of regional peace, stability and prosperity." The two new members bring ASEAN within close reach of its "One Southeast Asia" goal. The admission of Myanmar to ASEAN is a cause of concern for the U.S., Japan and the EU, due to the Myanmar's discouraging human rights record. ASEAN maintains that inclusion in the organization will open up opportunities for communication with Myanmar's military leaders.

"Laos, Myanmar to be officially admitted to ASEAN," KYODO NEWS, July 22, 1997.

MEXICO, EU MOVE CLOSER TO FREE-TRADE ZONE

The European Union and Mexico last week initialed an interim agreement to begin negotiations for a bilateral free-trade zone that would operate in harmony with WTO rules. "We have agreed to a framework agreement that covers political, social, and other issues," said Joseph Coll i Carbo, a European Commission spokesman on July 22. "But that could take several years. In order to speed up matters in the trade sector we have agreed to the fast-track interim agreement that is designed to establish a free-trade zone." No definitive answer was given for how long it would take to reach a free-trade agreement. Manuel Armandariz, Mexican ambassador to the EU commented that interim treaty makes firm both sides commitment "to resolving outstanding questions and reaching an ambitious agreement."

In other regional news, the WTO reported that Paraguay's trade regime has been strengthened by political and economic reforms and its adherence to the MERCOSUR pact. "Future growth and economic development will depend on how issues such as public finance, infrastructure, and social welfare are to be addressed," the WTO report said. The WTO regularly performs reviews of countries' foreign trade policy, to which the country under examination may respond, and then WTO members debate the findings. This was the first time Paraguay's foreign trade regime had been reviewed. Meanwhile, Paraguay and its MERCOSUR trading partners - Argentina, Brazil and Uruguay, are reportedly considering a regional common currency. Observers say implementation of such an idea is a long way off at best, as MERCOSUR lacks a common central bank or membership criteria to make the idea viable.

"EU, Mexico initial pact to form free-trade zone;" "WTO report assesses trade regime of Paraguay," INTERNATIONAL TRADE REPORTER, July 23, 1997; "Mercosur is studying currency union," THE WALL STREET JOURNAL, July 21, 1997.

EVENTS/RESOURCES

Trading Out of Poverty: The Future Role of EU Trade Preferences in Promoting Development -- A Briefing Paper from the Catholic Institute for International Relations. Copies are available for £1.50 per copy plus postage. Contact CIIR, Unit 3, Canonbury Yard, 190a New North Road, Islington, London N1 7BJ. Ph: +0171/354/0883; Fax: +0171/359/0017; E- mail: <ciirlon@gn.apc.org>.

Le marche mondial de la propriete intellectuelle -- a study of the WWF, Chemin de Poussy 14, CH-1214 Vernier. Contact Michel Imbert: Ph. +4122/ 9393990; Fax +4122/3412784.

Report on United States Barriers to Trade and Investment: Unit for Relations with the US, DGI. DirB1, European Commission, Rue de la Loi 200, B-1049 Brussels. <http://europa.eu.int>.

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