



INTERNATIONAL CENTRE FOR
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CLINTON PUSHES FOR FAST TRACK, RIO GROUP AGAINST LABOR AND ENVIRONMENTAL LINKAGES WITHIN FTAA

U.S. President Bill Clinton last week urged Congress to support an upcoming Administration's proposal for fast track negotiating authority. If passed, the proposal, which will be forthcoming within the next two weeks, would allow the president to negotiate free trade agreements with other governments without being subject to congressional amendment before going to a vote. Fast track authority is essential to negotiating free trade agreements - without it, U.S. negotiators have no credibility and concluding agreements will be impossible.

President Clinton warned that U.S. businesses will be the big losers pointing to recent trade agreements concluded by Japan and the EU with Latin American and Asian countries. "If we don't seize these new opportunities, our competitors surely will," Mr. Clinton said.

Although details of the Administration's proposal are not available, labor and environmental linkages within trade agreements are expected to be highly topical issues. Congressional Republicans are opposed to any such linkage - while a block of Democrats is committed to including strong environment and labor provisions in any fast track agreement. It is expected that the Clinton Administration will be quite moderate on labor and environment in its proposal. President Clinton did say, however, that "To make sure all our people share the fruits of increased prosperity and commerce, I also will continue to promote worker rights and responsible environmental policies with our trading partners."

Meanwhile, the so-called "Rio Group" of 12 Latin American countries have called for labor and environmental linkages to be excluded from any Free Trade Area of the Americas (FTAA) agreement, for which negotiations are due to start next spring. The Rio Group, which includes MERCOSUR



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countries, Andean Pact countries, Mexico, Chile and Panama, met last week in Asuncion, Paraguay, where they agreed on a "common regional strategy" with which to approach FTAA negotiations.

The Rio Group adopted the so-called "Asuncion Declaration," outlining a clear position on trade and labor linkages. The group calls for labor and environmental linkages to be handled by the International Labor Organization and the Environment and Trade Committee at the WTO - restating the consensus reached at the Singapore Ministerial last December.

A senior Mexican trade official said the Asuncion Declaration makes it clear to the U.S. and Canada that the Rio Group countries are very serious about negotiating the hemisphere-wide agreement "as long as [the U.S. and Canada] don't insist on having these [labor and environmental] issues that we have been discussing in other fora." Guyana and Honduras also signed the declaration on behalf of the Caribbean Community and Central America, respectively.

"Clinton seeks the power for swift trade deals," WALL STREET JOURNAL, August 25, 1997; "Clinton aims for broader backing on trade bill," LOS ANGELES TIMES, August 24, 1997; "Los andinos sin planes claros," EL COMERCIO, August 27, 1997; "Latin leaders signal desire to build FTAA without labor, green issues," INSIDE U.S. TRADE, August 29, 1997.

WORLD BANK REPORT CASTS WARY EYE ON ASIAN DEVELOPMENT

The gap between rich and poor in East Asia is growing according to a World Bank report, despite unprecedented prosperity. "Everyone's Miracle? Revisiting Poverty and Inequality in East Asia," takes a fresh look at the effects of the East Asian 'economic miracle.'

East Asia had been held out as an example by the World Bank of how growth can be obtained with equality. The report represents an important acknowledgement by the World Bank that economic growth is not the only indicator of progress, addressing the fact that poverty reduction and income equality are equally important measures of economic progress.

"Inequality is back on the agenda," the report's author, economist Michael Walton, said at a press conference last week. Walton remarked that for the entire East Asian region there is "concern that certain groups are being left out" of economic growth, most prominently in Thailand and China.

"Access to education is a critical factor - explaining who in Asia is poor and who is not," according to Gautam Kaji, the World Bank's managing director of operations. Investment in primary education in low-income countries such as Vietnam and Laos is critical. In middle-income countries including Thailand and Indonesia, governments need to increase spending on secondary education. Mr. Kaji emphasized that this kind of investment in human capital is as important as sound monetary policy and industrial development. Other exacerbating factors contributing to the growing disparity between rich and poor, include economic policies that discriminate against ethnic groups, as seen in Vietnam; as well as development concentrated in urban regions, leaving rural areas such as inland China, northeastern Thailand and the eastern islands of Indonesia behind.

Mr. Walton emphasized that regional economic growth has indeed led to a "decline in poverty that is probably completely unprecedented in human history." According to the report, between 1975 and 1995 the number of people living below the poverty line (defined as living on one dollar per day per capita)

fell by more than 50 percent, from 716.8 million to 345.7 million. China alone saw a reduction of nearly 300 million, although 269 million Chinese still live in poverty.

Mongolia has the highest poverty rate, with 81.4 percent of the population living in poverty. Vietnam and Laos follow, with slightly over 40 percent of their populations living on less than one dollar per day. Malaysia and Thailand have the lowest rates of poverty - less than one percent in each country, although 'financial market turbulence' could cause poverty to rise in those countries. India struggles with 35 percent of its population below the poverty line, according to a parallel World Bank report, "India, Achievements and Challenges in Reducing Poverty," also released last week. The report says that India could dramatically reduce the poverty rate to 6.3 percent by 2005, by maintaining an economic growth rate between six and seven percent. The report urged a lessening of dependence on subsidies as a tool for economic growth in India, noting subsidies are often appropriated by the more affluent.

According to the report, "An increase in inequality is not likely to slow down the rate of poverty reduction, but it is also damaging in its own right, given the value that East Asian societies place on social cohesion, relative income equality and parity of opportunities."

"The other side of the Asian miracle," IPS, August 27, 1997;

"The forgotten billion in Asia," THE GUARDIAN, August 28, 1997;

"Bank assails waste and inequality in East Asia," FINANCIAL TIMES, August 27, 1997;

"Asie: l'étendue de la pauvreté menace la croissance," LIBERATION, August 27, 1997.

BANGLADESH LOOKING FOR SETTLEMENT IN SHRIMP, TEXTILE DISPUTES

Bangladeshi officials last week said that its Industry and Commerce Minister will travel to Brussels later this month to meet with EU officials, in an effort to settle trade disputes over Bangladeshi textile and shrimp exports. At stake is over US\$800 million in exports.

Regarding textiles, the EU has asked Bangladesh to cancel nearly 7,000 allegedly fraudulent rules-of-origin documents which the EU says cost their governments US\$30 million in duty rebates. Bangladesh faces cancellation of its knitware tariff benefits under the EU Generalized System of Preferences (GSP) by October unless an agreement can be reached. Knitware exports are worth more than US\$600 million dollars a year to Bangladesh.

Bangladeshi officials fear agreeing to cancellation of the documents will mean permanent injury to its relationships with EU textile importers from whom European governments will seek reimbursement for the US\$30 million in duty rebates. "Cancellation means the importers will be legally bound to pay back the duty to their governments, which they were relieved of earlier. They would certainly blame their Bangladeshi suppliers," a Bangladeshi commerce ministry official said.

Tofael Ahmed, Bangladeshi Industry and Commerce Minister, will also be looking to settle a dispute over shrimp exports from which Bangladesh earns about US\$200 million annually. The EU imposed a temporary ban on shrimp imports from Bangladesh over concerns about the country's shrimp processing facilities. The EU said it will consider lifting the ban only after reviewing improved

conditions in the plants, scheduled for the end of November. Mr. Ahmed said he would ask the EU for technical assistance with upgrading the processing facilities.

"Bangladesh moves to settle trade disputes with EU," REUTERS, August 25, 1997.

JAPAN AND CHINA TALK OVER WTO BID

Japanese and Chinese trade officials met last week for three days of bilateral negotiations on China's bid for accession into the World Trade Organization. The Chinese delegation made some improved offers on tariffs and the services sector. Japan is pushing for more frequent talks with China in order to speed up the pace of the bilateral negotiations, as China has yet to sign any bilateral agreements with its major trading partners in its quest for WTO membership.

China has hesitated throughout accession talks with WTO members to make satisfactory market opening offers - although it did commit to liberalizing foreign trade within three years of membership. China has promised an offer to open its services sector during talks this month, having considered the full weight of importance a good offer will carry with western trading partners.

Meanwhile, China's rivals Taiwan and Russia are hastening towards accession, taking steps to open their markets and making needed domestic adjustments. Taiwan has concluded bilateral agreements with 20 trading partners, including Japan. Russia received the backing for membership from the Group of Seven industrialized nations in June at the Denver Summit. At the same time, Japan's request for China to be admitted before Russia was not supported.

Japan is taking the lead in the Chinese accession while the U.S. remains necessarily quiet on the issue. Japanese Prime Minister Ryutaro Hashimoto is scheduled to travel to Beijing this week for more discussions.

"Japan leads in backing WTO bid," NIKKEI WEEKLY, August 25, 1997;

"Japan, China begin bilateral talks on WTO accession," KYODO NEWS INTERNATIONAL, August 27, 1997.

U.S. NATURAL GAS PRODUCERS PUSH FOR MEXICAN TARIFF REDUCTION

U.S. natural gas producers are looking to Mexico to lower its import tariff on natural gas, as U.S., Canadian and Mexican officials prepare to meet this fall about NAFTA issues. Under the North American Free Trade Agreement (NAFTA), Mexican import tariffs on natural gas are due to be phased out completely by 2002: Currently they stand at six percent, having been at 10 percent at the start of NAFTA.

U.S. producers would like to accelerate the date for tariff elimination, calling it a non-reciprocal "artificial tax." The U.S. does not have tariffs in place for imports of Mexican natural gas, which reached 14 billion cubic feet (bcf) last year - double the 1995 volume and believed to be on the increase in the coming years. The U.S. exports to Mexico average 56 bcf per year, although high prices last year curtailed Mexican imports of U.S. gas at 34 bcf.

As Mexico works to shift away from other forms of fuel in order to improve its air quality, U.S. producers anticipate selling greater volumes of natural gas. An industry spokesperson said last week that "Nobody's living or dying over the tariff. But we believe we have a very good case for them to remove it."

The United States Trade Representative made the request for tariff reductions on behalf of U.S. natural gas producers as part of a number of free-trade issues to review with NAFTA trading partners scheduled this fall.

"U.S. presses Mexico to lift natural gas tariff," REUTERS, August 22, 1997;

"EPA Issues Rule To Comply With WTO Panel Ruling On Gasoline," USIS GENEVA DAILY BULLETIN, August 20, 1997.

SANITARY AND PHYTOSANITARY ISSUES: MAKE OR BREAK TRADE ON AGRICULTURE

Argentina last week sent its first shipment of fresh beef to the U.S. after a 70-year ban. Argentina had only been allowed to ship cooked beef to the U.S. since 1927. However, a sanitary agreement negotiated as part of the General Agreement on Tariffs and Trade moved U.S. sanitary policy on Argentine beef from "zero risk" to "minimal risk" of disease infecting beef during shipment. The ease of the fresh beef ban comes when U.S. sentiment towards fresh beef is cautious after 25 million pounds of beef was recalled when E.coli bacteria was found in a domestic producer's product. The agricultural attache for Argentina remained optimistic about Argentine fresh beef prospects in the U.S., but noted that "If I had to choose a moment [to ship beef] this would not be one." The WTO last week rejected an EU ban on Canadian beef. The EU imposed a ban on beef produced with certain growth-promoting hormones, although evidence exists showing that the hormones do not pose a risk to beef consumers. The EU disagrees with these findings, and has said the WTO did not fully consider its scientific evidence substantiating health concerns. The WTO has previously supported a similar complaint from the United States. The EU is likely to appeal in both cases.

Egypt last week dropped its month-old ban on imports of genetically modified grain, facing a dramatic disruption to grain imports. Egypt is one of the world's largest importers of wheat, supplied primarily by the U.S., Australia, France and Argentina. The ban was implemented as a food safety measure, calling for certificates from countries of origin proving their grain exports had not been genetically modified. The U.S. and Australia, accounting for the largest volume of imports, insist that their producers neither grow or export genetically modified wheat.

"Argentine beef beats 70-year ban," FINANCIAL TIMES, August 27, 1997;

"EE.UU autoriza la importacion de carne fresca argentina," EL PAIS, August 28, 1997;

"Carne argentina vuela a los EE.UU," LA NACION, August 26, 1997;

"WTO rejects European ban on Canadian beef," REUTERS, August 25, 1997;

"Genetic wheat ban eased by Egypt," FINANCIAL TIMES, August 28, 1997.

RESOURCES/EVENTS

"Everyone's Miracle? Revisiting Poverty and Inequality in East Asia," and "India, Achievements and Challenges in Reducing Poverty," (see above): Available from the World Bank Bookstore. Ph: +01/202/473/4266; Fax: +01/202/477/0604; E-mail: <>.

"Open-Economy Politics: The Political Economy of the World Coffee Trade." By Robert H. Bates. 1997, Princeton University Press.

"International Trade, Factor Movements and the Environment." By Michael Rauscher, Michael Raucher. 1997, Oxford University Press.

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