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EU TO APPEAL WTO BEEF RULING

The European Union intends to appeal the WTO ruling declaring its ban of hormone-treated beef a violation of international trading rules. An EU source said an appeal has the backing of all member states, and would most likely come immediately prior to the next WTO Dispute Settlement Body's meeting - expected to be held September 25. The WTO found in favor of the U.S. and Canada in separate complaints against the eight year-old EU ban, saying the EU lacked the scientific justification necessary to uphold such a ban. The EU contends that the WTO did not fully consider the scientific evidence it presented when making its decision.

EU farm commissioner Franz Fischler last week criticized the WTO decision, implying that the WTO went with the least common denominator in food safety, overlooking EU consumers' health and ethical concerns on hormone-treated beef. More significant, Mr. Fischler said that the WTO lacked "democratic control" over global trading rules: "In a world which is more globalized, it will be important to have clear democratic control as far as international trade rules are concerned." His comments were taken to mean that Mr. Fischler believed there was room for political control over the global trading system.

Responding to Mr. Fischler's comments, WTO director-general Renato Ruggiero said introducing a "political element" into the WTO's disputes settlement procedures would undermine them. The WTO's procedures, Mr. Ruggiero also pointed out, had been agreed by all WTO members, including the EU.

EU trade commissioner Sir Leon Brittan was deeply displeased by the European farm commissioner's statement and reasserted the EU's support of the WTO's dispute settlement mechanisms.

A spokesman for Mr. Fischler noted that his comments were "misinterpreted;" Mr. Fischler meant only that the WTO should acknowledge the right of countries to set their own levels of non-discriminatory consumer protection standards.

"EU to appeal negative WTO ruling on hormone meat," REUTERS, September 4, 1997; "EU farm chief hits at WTO," FINANCIAL TIMES, September 4, 1997; "EU farm chief rebuked over swipe at WTO," FINANCIAL TIMES, September 5, 1997.

CHILE TO PLAY THE FIELD IN FREE TRADE

Chile's President Eduardo Frei last week said Chile would not choose one regional trading association at the expense of another, but instead will play the field by maintaining membership in multiple trading associations. "A small country like Chile cannot reject and thus must accept all markets," the president said while on an official visit to Japan.

Chile has not yet decided to join NAFTA, and indeed will not join NAFTA to the exclusion of maintaining its associate membership in Mercosur - the regional South American trading group including Argentina, Brazil, Paraguay and Uruguay. Chile has already signed bilateral free trade agreements with NAFTA-members Canada and Mexico. Chile is also a member of the Asia-Pacific Economic Cooperation (APEC).

In other regional news, economists last week said the sluggish launch of the negotiations for the Free Trade Area of the Americas (FTAA) has taken its toll on Latin American trade liberalization. The three-year delay in launching talks has resulted in tariff reductions being halted. Latin American countries are holding on to their most powerful bargaining chip while awaiting the fate of 'fast-track' negotiating authority for the Clinton Administration. Without 'fast-track', FTAA talks will be further delayed.

Economists place Latin American tariffs at an average 15 percent and holding, after a period of significant reductions in trade barriers during the 1980s. Former NAFTA-negotiator Julius Katz said Latin American countries should agree during preparatory FTAA meetings to resume pulling down trade barriers while FTAA is being negotiated. FTAA negotiations are expected to last seven years, with a 10 to 15 year phase-in period.

Latin American countries are reportedly concerned over what kind of strings may be attached to the Clinton Administration's 'fast-track' authority, which the president will ask for this week. It is widely speculated that labor and environmental linkages will be included in any 'fast-track' bill passed by Congress, although the extent and nature of those linkages are uncertain and sure to be sources of great debate during the upcoming weeks. The 14 country Rio Group of Latin American and Southern Cone countries last week agreed at Asuncion that it would not support any labor and environmental linkages within the FTAA agreement.

Adding to the Latin American wariness, hemispheric trading partners were not happy with U.S. Trade Representative Charlene Barshefsky's recent comment that FTAA would be "a tremendous free lunch" for the U.S. The Chilean Ambassador to the U.S. responded to the comment saying "Free trade must be an equalizer, and it must advance Latin America's development. If the U.S. does not conceive the negotiations as a two-way deal, then the only escape Latin America will have from poverty in the 21st century will be through massive migration."

"Chile eyes trade zone for Americas over NAFTA, Mercosur," KYODO NEWS INTERNATIONAL, September 3, 1997; "U.S. dithering seen slowing Latam trade liberalization," REUTERS, September 3, 1997; "Fast track, destination uncertain," FINANCIAL TIMES, September 1, 1997.

MEXICO UPSETS U.S. APPLE CART

The Mexican government last week imposed anti-dumping duties of 101 percent on U.S. 'red' and 'golden delicious' varieties of apple imports. Mexico said the results of an investigation underway since March, undertaken at the request of the Chihuahua State Fruit Growers Association, indicated that the apples have entered the Mexican market "under conditions of dumping." The Mexican trade ministry said the flood of imports "[has] provoked falls in the country's apple production, in Mexican apples' share of the domestic market, in the amount of land cultivated, in jobs, and in the profits of [Mexican] apple producers."

U.S. apple growers were reportedly shocked over the Mexican government's decision to impose anti-dumping duties. An industry official said that the timing of the tariff imposition was intended to support local growers. "It is no small coincidence that this is occurring at the same time Mexico's harvest is getting underway," the official said.

Mexico produces 175,000 tons of apples a year, 63 percent of which are grown in the northern state of Chihuahua. Under the North American Free Trade Agreement, U.S. apple imports were subject to an 18 percent tariff in 1994, to be reduced by two percentage-points each year. Mexican apple producers charge, however, that U.S. apple exporters have been selling their fruits at below costs on the Mexican market since 1992.

The Mexican decision is based on preliminary dumping investigations made by the Mexican Trade Ministry. According to it, U.S. apples are sold in Mexico at about half prices in the United States.

"Mexico slaps dumping duties on some U.S. apples," REUTERS, August 31, 1997; "U.S. apple growers shocked by Mexico dumping duty," REUTERS, September 2, 1997; "U.S. apple exports cause row," FINANCIAL TIMES, September 2, 1997.

APEC CALLS ADDITIONAL FALL MEETING

An emergency preparatory meeting has been called by senior officials of the Asia Pacific Economic Cooperation (APEC), in order to address the overflow of trade liberalization issues to be dealt with at the APEC's November summit in Vancouver. The list of proposed sectors for trade liberalization was too long to be dealt with at a preparatory meeting held two weeks ago in Newfoundland.

"There is a feeling," Len Edwards, Canada's assistant deputy minister of trade said last week, "that the range of interest that has been shown by individual economies in putting forward up to 34 or 35 sectors, that [sic] this is a statement of enthusiasm that shouldn't be lost." The goal of the additional meeting is to narrow the liberalization list down to four to six sectors to be dealt with at the November summit. Mr. Edwards commented that the likely sectors to come forward would be environmental technology, fish, paper, wood and energy. The meeting will be held at the end of October in Singapore.

At the Newfoundland meeting, developed countries within APEC continued pressure on developing nations to put forward the best efforts in their WTO financial services offers before the December deadline in Geneva.

"APEC calls extra meeting on trade liberalization," REUTERS, September 2, 1997.

SOUTH AFRICA PUTS LOME ON HOLD

South Africa last week announced it will delay its hard-fought entry into the Lome Convention until precise "rules of origin cumulation" would be defined. The rules stipulate the quantity of South African product which can be included in the exports of the other Lome countries to the EU. According to the EU-South Africa April agreement, exports from Lome countries containing South African inputs qualify for a zero tariff only on an 'ad hoc,' case by case basis. South Africa would like this vague EU commitment clarified before entering to the Lome convention.

"We cannot ratify something that would be a hindrance to our neighbors," a South African official said. The official was referring to the confusion over cumulation which has threatened the trade relations between South Africa and its African, Caribbean and Pacific partners. "We have made it clear to the EU," the official said last week, "that we do not subscribe to - or even understand - the ad hoc nature of cumulation."

South Africa's membership in Lome Convention would make the country eligible for the European Development Fund, but would exclude it from direct trading and aid privileges. After three years of negotiations concluded this April, an EU official described the EU-South Africa Lome agreement as "one of the most troublesome bilateral deals ever negotiated." South African officials hope to settle the cumulation issue before Lome comes into effect.

Also from South Africa, the nation's agricultural marketing boards for corn, tobacco, cotton, wool, oilseeds, wheat and deciduous fruit are set to be abolished by January 6, 1998. The move was instituted to improve operation's efficiency by exposing country's growers to international competition and allowing supply and demand, not price guarantees, to dictate growers' success. Deregulation is the brainchild of South Africa's Minister of Agriculture, Derek Hanekom, who hopes the move will reduce the domination of white farmers and their lobbies over the commodities sector.

Critics argue that abolishing the marketing boards, particularly for corn, would mean that South Africa will go from being a net exporter to a net importer of corn. One corn industry official called deregulation of the corn market "irresponsible" as corn is a dietary staple of millions of South Africans and livestock. Since April, when the Maize Board began to be dismantled, corn futures trading has more than doubled.

"South Africa delays entry to Lome," FINANCIAL TIMES, September 3, 1997; "South Africa's agricultural sector takes steps toward free market," WALL STREET JOURNAL, September 3, 1997.

ARGENTINA, BRAZIL SOUR OVER SUGAR TARIFF

Argentina's Senate last week passed a law increasing sugar tariffs on Brazilian sugar imports, raising the ire of Brazil as well as the Argentine government. The move increased tariffs on Brazilian sugar imports to the same level as non-Mercosur countries. Argentina's Economy Minister Roque Fernandez this week rejected the bill, saying that it undermined Argentine commitments to its Mercosur trading partners. Argentine government officials will meet with the Supreme Court this week to argue that the move is

unconstitutional. Mr. Fernandez argued as well that the tariff was a breach of the Asuncion Treaty, which established the Mercosur customs union between Argentina, Brazil, Uruguay and Paraguay.

Brazilian officials said they were "gravely worried" by the tariff action. "The Brazilian government hopes the Argentine government will take urgent measures to ensure international agreements undertaken with Brazil prevail, according to Mercosur's spirit of cooperation and understanding," according to an official statement from Brazil's Foreign Ministry. Mr. Fernandez said last week that the Argentine Congress was caving into pressure from the country's sugar lobby, but argued that the lobby's concern over Brazilian sugar imports is unjustified.

"Protesta de Brasil por la ley del azucar," LA NACION, September 5, 1997; "Argentine government slams Congress over sugar tariff," REUTERS, September 4, 1997; "Brazil says Argentine sugar tariffs damage Mercosur," REUTERS, September 4, 1997.

U.S. DROPS TRIPS AGAINST ECUADOR

The U.S. will not impose sanctions against Ecuador for failing to ratify a 1993 intellectual property agreement signed by the two countries. Sanctions loomed as well over multi-million dollar compensation claims against U.S. companies in Ecuadorean court, brought by Ecuadorean representatives of multinationals. The threat of sanctions was dropped last week after the Ecuadorean Congress repealed legislation allowing Ecuadorean representatives of multinationals to sue U.S. companies for terminating agreements. The 1993 bilateral intellectual property agreement may also be reworked to ensure passage by Ecuador's Congress.

The EU warned Argentina that its patent laws were not in line with world trading rules and could jeopardize investment in the country. In a letter sent to the Argentine government this summer, the EU warned that Argentina's patent laws "give the impression of a great lack of legal security," which "could lead to foreign investments being diverted." The EU says that Argentina's intellectual property laws violate its obligations under the Trade Related Intellectual Property Rights Agreement (TRIPS), subscribed by all WTO members. The U.S. has made similar warnings to Argentina on its intellectual property laws.

"U.S. sanctions threat lifted," FINANCIAL TIMES, September 2, 1997; "European Union warns Argentina on drug patents," REUTERS, August 29, 1997.

EVENTS/RESOURCES

European Environment Conference, September 15-16, 1997. Leeds, United Kingdom. For more information contact the Conference Manager, ERP Environment, PO Box 75, Shipley, West Yorkshire, BD17 6EZ, United Kingdom. Ph: +44/1274/530/408; Fax: +44/1274/530/409.

Fifth Annual World Bank Conference on Environmentally and Socially Sustainable Development, Partnerships For Global Ecosystems Management: Science, Economics and Law: October 6-8, Washington, D.C. For more information contact the World Bank, ESSD5, Room S7-040, 1818 "H" Street NW, Washington, D.C. 20433 USA.

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