

## Table of Contents

- ASIAN NATIONS CAUTIOUS TOWARD FINANCIAL SERVICES PACT
- TROUBLED TIMES FOR BANGLADESH-EU TEXTILE TRADE
- FAST-TRACK PUSHES LABOR, ENVIRONMENT LINKAGE INTO WTO HANDS
- CHINA MAKES SLOW PROGRESS ON WTO BID
- UNCTAD: POOR GETTING POORER
- U.S. WANTS COMPLIANCE FOR BANANAS, OFFERS AID PACKAGE
- EVENTS/RESOURCES

### **ASIAN NATIONS CAUTIOUS TOWARD FINANCIAL SERVICES PACT**

Trade negotiators emerged guardedly optimistic from WTO financial services talks in Geneva last week, hopeful that the December deadline for a trade deal can be met. The key stumbling block for the talks right now remains the financial crisis in the Southeast Asian nations of Thailand, Malaysia and Indonesia. Negotiators for the three countries say they are cautious about tabling any liberalization offers at this time, while trying to sort out their domestic situations. One Asian negotiator said the U.S. and EU, the pact's driving forces, must lower their expectations on offer content if they hope to meet the December deadline.

The last round of financial services talks ended in 1995 when the U.S. walked away from the talks saying that liberalization offers from Latin American and Asian developing countries were not satisfactory. Sources noted a softening of U.S. and EU rhetoric toward Asian and developing nations, reminding them that safeguard measures and phase-in periods for financial services liberalization are acceptable provisions. The two trading powers also reassured Asian and other developing nations that they were not looking to worsen countries' economic conditions through a financial services pact, but rather that liberalization would be good for the financial systems of emerging economies. Renato Ruggiero, WTO director-general, noted that "There is no contradiction at all between the financial services liberalization that we are now trying to promote and a good prudential and regulatory policy."

Singapore and Korea did table encouraging offers at last week's talks, and Hong Kong offered some revisions to its July offer. The Czech Republic, Macau, New Zealand and Ecuador submitted offers said to be improved over already liberal commitments made as part of the General Agreement on Trade in Services. Financial services liberalization is expected to be an important item of discussion at this week's International Monetary Fund/World Bank annual meeting in Hong Kong.

"Volatile Asian markets slow trade liberalization progress," JOURNAL OF COMMERCE, September 17, 1997; "Key developing countries fail to table WTO financial services offers," INSIDE U.S. TRADE, September 19, 1997; "Hope voiced on WTO financial services pact," REUTERS, September 18, 1997.

## **TROUBLED TIMES FOR BANGLADESH-EU TEXTILE TRADE**

More trouble looms for EU textile importers and Bangladeshi exporters as nearly 8,000 additional country-of-origin certificates were found to be fraudulent, and EU importers face an additional US\$60 million in back taxes. This comes two weeks after Bangladesh withdrew almost 7,000 country-of-origin certificates for T-shirts and sweaters, for which the EU is hoping to collect US\$30 million in back import taxes. The textiles had been exempt from the EU's 12.5 percent import tax under its Generalized System of Preferences, which waives the tax for products manufactured with all local inputs from yarn to fabric to finished goods.

The second batch of certificates has not yet been ruled invalid by the EU, and Bangladeshi officials say they will ask the European Commission for leniency. Textile exports account for 67.9 percent of Bangladeshi export revenue. Last year knitwear exports to the EU totalled US\$690 million. The industry employs nearly 1.3 million workers, predominantly women, and has a poor reputation for workers' conditions. Critics argue that little of the revenue generated by textile exports is used to improve worker safety. The Bangladeshi government has warned that up to 1 million jobs are in jeopardy because of the crisis.

EU officials say a waiver is unlikely, as European importers are liable to pay the back-taxes. Many importers fear financial ruin should they have to pay up. However, European Commission officials have little sympathy, notes one official "[The importers] knew all about the rules of origin. Yet they went ahead and ordered, in many cases, garments to be made with specific imported yarns."

Bangladeshi exporters fear that they may have to shoulder part of the tax burden incurred by EU importers, and possibly lose the EU market base for their products. Meanwhile, the Commission is considering easing the country-of-origin requirements for Bangladeshi textiles so that imported yarns would be acceptable in the production process. In return for a Bangladeshi decision to cancel some 13,500 improperly issued GSP certificates, EC Vice President Manuel Morin and Commissioner Mario Monti have promised to urge EU governments to back the Bangladeshi request for a derogation from the rules of origin for raw materials used in the Bangladeshi garment industry. The Commission has allowed this revision for imports from Nepal, Laos and Cambodia, and will consider extending the privilege to Bangladesh when the Origin Committee meets in October. European importers are urging the revised country-of-origin standards to be applied retroactively to cover the imports in question.

"Another big tax bill looms for imports of Bangladesh T-shirts," FINANCIAL TIMES, September 18, 1997; "Bangladesh warns on textile jobs," FINANCIAL TIMES, September 12, 1997; "EU Deadline to Dhaka: Verify 2253 more 'Suspect' GSP Certificates by October 2," THE DAILY STAR (Bangladesh), September 21, 1997.

## **FAST -TRACK PUSHES LABOR, ENVIRONMENT LINKAGE INTO WTO HANDS**

The Clinton Administration submitted its proposal for fast-track negotiating authority September 16, including provisions that only labor and environment measures "directly related to trade" be included in future trade agreements. The Administration had previously made promises to pursue a broader labor and environment linkage within fast-track. To do so in the current proposal would have meant certain death within Congress, where the Republican majority strongly opposes such a linkage.

The Clinton Administration did not entirely abandon labor and environment issues, however. The fast-track proposal would make it a "principal negotiating objective" to utilize the WTO to "promote respect for internationally recognized workers' rights, including with regard to child labor." The Administration will also urge the WTO to reconsider the relationship between labor rights and WTO rules, and push for the WTO to adopt the principle that denial of workers' rights should not be a means of competitive advantage for a country. This move is certain to be controversial with developing countries, which lobbied forcefully for the WTO to keep its distance from labor issues.

The Administration's proposal also calls for the U.S. to push for an enhanced role for the WTO's Committee on Trade and the Environment as a means for linking trade and the environment. In addition, the Administration's bill would require that trade officials consider "domestic objectives including, but not limited to, the protection of health or safety, essential security, environmental, consumer or employment opportunity interests," when negotiating trade agreements.

The bill also calls for negotiations for a free trade agreement with Chile to be included under fast-track, as it seeks to expand the North American Free Trade Agreement. Fast-track authority will allow the Administration to present trade agreements to Congress for a vote without amendment. The U.S. has been stalled in its efforts to negotiate an agreement with Chile while the Clinton Administration has been without fast-track: Chile will not negotiate without it, and has meanwhile pursued bilateral agreements with Mexico, Canada and the EU.

"Clinton submits scaled-back trade bill," JOURNAL OF COMMERCE, September 17, 1997; "Clinton Fast-Track bill limits scope of labor, environment rules," INSIDE U.S. TRADE, September 19, 1997; "Consideracion especial a Chile en 'Fast Track,'" EL MERCURIO (Chile).

## **CHINA MAKES SLOW PROGRESS ON WTO BID**

Japan has signaled that it is ready to agree to China's WTO accession without China significantly reducing many of its import barriers. The move upset EU officials, who accused Japan of looking for a free-ride from western trading powers who are now left to go after China for trade concessions which will benefit many of Japan's main exports. The U.S. and EU want China to lower car tariffs to below 10 percent, and to eliminate tariffs on information technology products after a phase-in period. The Japan-China bilateral understanding is seen as a setback for the U.S. and EU in their efforts to pressure China towards these concessions.

In other developments, trade observers are skeptical that any major trade deal will emerge from the U.S.-China summit planned for mid-October. Despite lowering tariffs on over 4800 products last week from 23 percent to 17 percent, China has been reluctant to make any major trade concessions sought by western trading powers: Administration officials have reportedly decided that going after China on these concessions at the summit is not worth the trouble. Sources say China's President Jiang Zemin took WTO negotiations off the table as a possible summit item.

"Prospects fade for big trade deal," INTERNATIONAL HERALD TRIBUNE, September 11, 1997; "Japan eases terms on Chinese WTO entry," FINANCIAL TIMES, September 15, 1997.

## **UNCTAD: POOR GETTING POORER**

The United Nations Conference on Trade and Development (UNCTAD) last week released its annual "Trade and Development Report. " According to the report, "Growth in the world economy this year will again continue to be too slow to make a significant dent in poverty in the South and in unemployment in the North."

The report says that so far globalization has had the strongest impacts on the industrialized western countries, but warns of political backlash as increased job and income insecurity loom and 36 million people remain jobless in industrialized countries. UNCTAD secretary-general Rubens Ricupero noted that any backlash would "[M]ost likely come [first] from industrial countries [rather] than from developing countries," citing the recent United Parcel Service strike as evidence of growing anger towards the shift to part-time employment, as well as recent political changes in western Europe.

Mr. Ricupero noted that the slowdown of world trade in 1996 - from eight percent in 1995 to four percent in 1996 - spoke of a trend that would "continue in coming years as the initial effects of widespread trade liberalization, especially in developing countries, taper off."

Ricupero reiterated warnings he made earlier in the year that unfettered globalization would widen the income disparity between rich and poor. "Income gaps between North and South have continued to widen. In 1965, the average per capita income of the G7 countries [the U.S., Britain, Canada, France, Germany, Italy and Japan] was 20 times that of the world's poorest seven countries. By 1995, it was 39 times as much." The UNCTAD report brought attention to the fact that profits generated in the richer countries failed to spark higher investment and faster growth. In developing countries, the richest 20 percent earn over half the national income, but fail to re-invest their money into the economy to benefit the bulk of the population.

The report recommends more cautious liberalization considering countries' abilities to manage disruptive effects; incentives for re-investment of profits back into productive, job-creating ventures; more egalitarian and employment policies, and an increased emphasis in trade liberalization on areas of interest to developing countries.

"Poor suffer because rich fail to invest," FINANCIAL TIMES, September 16, 1997; "U.N. sees slow world growth, poor getting poorer," REUTERS, September 15, 1997; "UNCTAD warns west that globalization is beginning to prompt major backlash," WALL STREET JOURNAL, September 16, 1997.

## **U.S. WANTS COMPLIANCE FOR BANANAS, OFFERS AID PACKAGE**

The Clinton Administration last week announced a Caribbean Economic Diversification program to help the Windward Islands ease their reliance on banana exports. The program is designed to help cushion the blow received by these least-competitive banana producers in the wake of a WTO ruling which found the EU banana import regime - which favours certain Caribbean islands - in violation of world trade rules. The package is also geared to prepare all Caribbean Community (Caricom) countries for entry into the upcoming Free Trade Area of the Americas. Caricom members say that the U.S. aid package is too small to compensate for the economic damage that will surely come should the countries lose their preferential access to the EU market. One Caricom official noted that there was skepticism about the U.S. plan because the funding would probably end up back in the hands of U.S. consulting firms hired to provide advice on how to diversify the Caribbean economies.

The United States said last week that it will not accept compensation for lost banana trade with the EU. U.S. officials are insisting that the EU comply with the WTO ruling. The EU has until October 25 to say how it will respond to the WTO ruling: member states are reported to be split on whether to dismantle the regime or leave it intact.

The regime grants preferential market access to EU markets for banana imports from African, Caribbean and Pacific countries as well as to imports from four main Latin American suppliers: Colombia, Costa Rica, Venezuela and Nicaragua. Any EU proposal must meet the approval of the U.S., Ecuador, Mexico, Honduras and Guatemala, which brought the complaint to the WTO. U.S. estimates put lost trade revenue from the regime at US\$2 billion.

The U.S. and Caricom will meet September 22 at a joint Trade and Investment Council Meeting in Miami. Caricom officials are expected to urge the U.S. at that time not to ask for a full dismantling of the EU regime.

"Dans la guerre des bananes, l'OMC penche pour les Américains," LE NOUVEAU QUOTIDIEN, September 16, 1997; "Clinton Administration provides aid to Caribbean banana producers," INSIDE U.S. TRADE, September 19, 1997; "Firm U.S. line on banana trade," FINANCIAL TIMES, September 12, 1997.

## **EVENTS/RESOURCES**

WTO Committee on Trade and Environment Meeting. September 22-24, 1997, in Geneva. For more information, contact Sabrina Shaw, tel: 41/22/739/ 5842

WTO/UNCTAD NGO Symposium on Trade-Related Issues Affecting Least Developed Countries. September 25-26, 1997, in Geneva. Contact Peter Pedersen, WTO, tel: 41/22/739/5848, fax: 41/22/739/5777, e-mail: [peder.pedersen@wto.org](mailto:peder.pedersen@wto.org) or Andrew Whitley, UNCTAD, tel: 41/22/917/5809, fax: 41/22/907/0057

WTO/UNCTAD NGO Symposium on Trade-Related Issues Affecting LDCs-- Briefing Session. 16:00-20:00 September 24, 1997, at Geneva Executive Centre, 13 Ch. des Anémones, 1219 Chatelaine, Geneva. Contact Ana Maria Kleymeyer, ICTSD, tel: 41/22/979/9492, fax: 41/22/979/9093, e-mail: [ictsd@iprolink.ch](mailto:ictsd@iprolink.ch)

WTO Committee on Trade and Development Meeting. September 26, 1997. Contact Annet Blank, WTO, tel: 41/22/739/5349, fax: 41/22/739/5774

1997 Trade and Development Report (see above): Released last week by the United Nations, U.N. Publication No. E.97.II.D.8. Available from U.N. Publications Sales Office, Palais des Nations, CH-1211 Geneva 10. Fax + 41/22/917/0027; E-mail: [unpubli@un.org](mailto:unpubli@un.org), or UN publications, Two UN Plaza, Room DC2- 853, Dept. PRES, New York 10017. Fax 01/212/963/3489; E-mail: [publications@un.org](mailto:publications@un.org)

"Open Markets in Financial Services and the Role of the GATS." This study, first in a series of studies on topical issues, is available in English, French and Spanish and may be purchased for CHF 30.- from the WTO's Publications Division.

Oxfam International Report on Poverty Reduction: Released September 15 by Oxfam International.  
Report summary available at: [http:// www.oxfam.org.uk/whatnew/features/equity.htm](http://www.oxfam.org.uk/whatnew/features/equity.htm) - European site;  
[http:// www.caa.org.au/pr/1997equitysum.html](http://www.caa.org.au/pr/1997equitysum.html) - Asia-Pacific site Full report available at:  
<http://www.oxfm.org.uk/policy/papers/equity/index.htm> -  
European site; <http://www.caa.org.au/oxfam/advocacy/equity/> - Asia- Pacific site.

---

BRIDGES Weekly Trade News Digest is published by the International Centre for Trade and Sustainable Development and edited by the Institute for Agriculture and Trade Policy. We encourage the reproduction of BRIDGES. Comments and suggestions are welcome and should be directed to: Ricardo Melendez-Ortiz, Executive Director, ICTSD, Geneva Executive Center, 13 chemin des Anemones, 1219 Chatelaine, Geneva, Switzerland; email: [ictsd@iprolink.ch](mailto:ictsd@iprolink.ch); voice: (41-22) 979-9492; fax: (41-22) 979-9093.

BRIDGES Weekly Trade News Digest can be found at the ICTSD web page: <http://www.ictsd.org>