

Table of Contents

- EYE ON LDCs AT HIGH-LEVEL WTO MEETING
- U.S. WINS OVER ARGENTINA IN INTERIM WTO RULING ON TEXTILES
- COMMONWEALTH MEETING: FOCUS ON TRADE
- INDIA: REFORM IN STORE TO BOOST ECONOMY
- MORE PAIN AHEAD FOR ASIAN MARKETS
- MERCOSUR CLOSE TO DEAL WITH ANDEAN COMMUNITY ON TARIFFS
- EVENTS/RESOURCES

EYE ON LDCs AT HIGH-LEVEL WTO MEETING

The WTO plays host to nearly 40 trade ministers starting today, meeting to discuss ways to enhance trade and development prospects for the world's least developed countries (LDCs). The two-day meeting is expected to yield new market-access commitments for LDCs from the world's major trading powers and newly industrialized nations, and integrated and coordinated technical assistance plans from the six participating agencies.

Concurrently, ICTSD has released a report emanating from a joint WTO/UNCTAD Symposium held last month among a number of Non-Governmental Organizations (NGOs) representing civil societies within LDCs. The report, which will be available to members at the High-Level WTO Meeting, aims to communicate concerns and recommendations put forward by LDC civil society groups to the WTO, its members, and LDC governments. The recommendations cover areas such as LDC capacity to trade, market access, trade rules, investment, role of NGOs, and follow-up processes.

Mirroring concerns held by LDC governments, the report recommends the involvement of the WTO, in conjunction with other development organizations, in building methods that enhance LDCs' abilities to contribute to WTO processes such as dispute settlement and policy-setting. The report urges WTO member governments to secure help to "establish programmes to build and support in-country capacity to forecast, evaluate and monitor the effect of trade policy and agreements on social welfare and development which is fundamental to assessing the impacts of trade at the national and sub-national levels."

Where NGOs themselves are concerned, the report urges the WTO to "make better use of NGOs' special competence" in representing civil society, and calls on national governments to "include and consult with NGOs as part of their periodic WTO Trade Policy Reviews."

The U.S. is expected to discuss its African trade bill and NAFTA-parity initiative for Caribbean countries, both of which have been moving through Congress. The EU is likely to announce it will extend the preferential duty-free access it grants to African, Caribbean and Pacific (ACP) countries to an additional eight countries. WTO sources anticipate newly industrialized nations such as Korea, Malaysia, Thailand and India will offer packages to the LDCs.

Per capita income in LDCs is less than US\$500 per year. Combined, LDCs share of the world's exports is a mere 0.46 percent, or just US\$23 billion. LDC exports are mainly volatile primary commodities like mineral and tropical products. About a third of exports are in the textile and apparel manufacturing sectors.

Bangladesh Commerce and Industry Minister Tofael Ahmed, who is leading the group of 48 LDCs, said last week that the group will push for zero-tariff access to developed countries' markets. Mr. Ahmed said that since the 1994 Uruguay Round in Marrakesh, which established the WTO, much of the compensation promised to LDCs for opening their markets to developed nations has never materialized. "We have opened our market, but got virtually nothing in return. They [developed nations] are cashing in on our liberalization [but] we are gradually being marginalized," Mr. Ahmed said.

Rubens Ricupero, secretary-general of the U.N. Conference on Trade and Development (UNCTAD), said at the opening ceremony that in the agricultural, food, food processing, textiles, clothing and footwear and leather goods sectors, LDCs are subject to high tariff barriers from industrialized and developing nations. These higher tariffs on processed goods act as a major market barrier for LDCs. UNCTAD will be a participant at the meeting.

"WTO forum's agenda: trade prospects in poorest nations," JOURNAL OF COMMERCE, October 24, 1997; "Poor nations to push for trade rights at WTO meeting," REUTERS, October 23, 1997; "Report and Recommendations from the joint WTO/UNCTAD NGO Symposium on trade-related issues affecting Least-Developed Countries," WTO, 24 October 1997

U.S. WINS OVER ARGENTINA IN INTERIM WTO RULING ON TEXTILES

A confidential WTO interim ruling has concluded that two taxes Argentina imposes on textile and apparel imports violate its international trade obligations. Argentina's imposition of both a three percent tax on imports on top of an import tariff, as well as an additional flat-rate duty on textile and apparel imports was found to violate international trade rules.

The finding states that Argentina's imposition of a "statistical tax" and "specific duties," on textiles and apparel imports are in opposition to Articles VIII and II of the General Agreement on Tariffs and Trade. The WTO decision, according to an informed source, says that WTO members cannot hinder the effect of tariff concessions via the imposition of additional charges on imports, such as the charges Argentina was imposing.

While the U.S. brought the complaint against Argentina, the dispute panel would not extend its ruling to encompass charges Argentina had previously imposed on imports of athletic footwear, although those charges had been the original basis for a complaint by the U.S. Argentina dropped the additional import charges on Nike and Reebok athletic shoes imported mainly from Asia in February. However, Argentina then imposed a safeguard action on the imports, which was outside the scope of the original U.S. complaint, and would require a separate complaint to the WTO by the U.S. should it want to challenge the safeguard measure.

After comment by both Argentina and the U.S., the ruling is due to be released November 25. Argentina is reportedly examining the possibilities for an appeal. Barring a successful appeal, Argentina will have 15 months to bring its tariff practices into compliance with WTO rules.

In other news on textiles, developing countries last week attacked the U.S., Canada, and Norway for alleged non-compliance with WTO textile agreements. The developing nations accused the major importers of not complying with their Uruguay Round commitments to phase out by 2005 the Multi-Fiber Arrangement (MFA). The attacks came at the meeting of the Council for Trade in Goods, which is examining the WTO Agreement on Textiles and Clothing (ATC).

Norway, Canada, and the U.S. responded to the accusations by insisting that they are acting in full compliance with the WTO agreement. However, Colombia, representing developing countries interests, said the importers were showing "no commitment at all" to the agreement. Colombia complained that the countries have left high-value goods such as expensive suits, to the very end of the phase-out period, and have so far only opened up their markets to low-value goods. Colombia also accused the U.S. of using objections to developing nations' export practices, known as "calls," as a way of avoiding its ATC commitments.

"Developing nations renew accusations against U.S., others on textile pact vows," INTERNATIONAL TRADE REPORTER, October 22, 1997; "Interim WTO ruling gives U.S. win over Argentina on textiles and apparel," INSIDE U.S. TRADE, October 24, 1997.

COMMONWEALTH MEETING: FOCUS ON TRADE

Leaders from the 54 Commonwealth nations were to meet this past weekend in Edinburgh, Scotland for its biennial summit. The meeting was set to focus on economic development and boosting trade among member countries. The Commonwealth is comprised mainly of Britain and former colonies. Trade among Commonwealth members accounts for an estimated 20 percent of world totals.

The leaders were expected to sign the so-called Edinburgh Declaration geared toward breaking down trade barriers. "The main theme for this summit is how the Commonwealth can boost trade among its 1 billion people, which represents one fifth of the world's population," one Asian delegate said. The meeting is the first Commonwealth summit to focus on economic and trade issues.

Prior to the summit, U.K. Trade and Industry Secretary Margaret Beckett said that Britain is committed to help the least developed countries within the Commonwealth prepare for WTO membership. "To command full respect, the multilateral system must be, and be seen to be, an inclusive system in which all countries stand to benefit," Ms. Beckett said last week.

"Commonwealth shifts to trade after Nigeria," REUTERS, October 24, 1997; "Trade atop its agenda, Commonwealth to meet," INTERNATIONAL HERALD TRIBUNE, October 24, 1997; "U.K.'s Beckett pledges WTO help for Commonwealth members," BLOOMBERG NEWS, October 23, 1997.

INDIA: REFORM IN STORE TO BOOST ECONOMY

The Indian government hopes to nearly double the amount of foreign direct investment (FDI) in India over the next two years, according to a high-level Finance Ministry official. The goal, while ambitious, is possible, according to finance secretary Montek Singh Ahluwalia: India's economic reform program has

resulted in an increase in annual FDI from US\$150 million in 1990 to US\$5 billion currently. The Indian government hopes to reach the US\$10 billion level within the next two years.

More economic reforms are needed, observers say, before India can reach that target. At a global seminar on taxes in New Delhi last week, Mr. Ahluwalia conceded that "More investment in infrastructure is needed to raise the rate of growth and also to raise the exposure of our country to the world economy." Without increased infrastructure development, India's economy will not be able to maintain its average growth rates of seven percent, making FDI harder to attract.

Increasing infrastructure spending is not an easy task in an economy plagued of late by a slowdown in industrial production just as foreign investors pumped in money to increase capacity. Sluggish consumer demand resulting from disappointing agricultural growth rates in 1996 and 1997 contributed to this trend. Further, there seems to be no political consensus to restructure government expenditures so as to increase the amount allocated to infrastructure spending.

Mr. Ahluwalia said last week that India's fiscal policies "are always that of welcoming foreign investment." He also said that "We stand by all the obligations of the WTO." India last week reported to the WTO General Council that it was close to an agreement with its major trading partners on lifting quantitative restrictions on more than 2,700 consumer goods. India has been at odds with the U.S., Canada, Japan, Australia, Switzerland and New Zealand over the time frame in which it will remove import restrictions on these goods, constraining market access to the nearly 1 billion person strong Indian market.

"Government goes into overdrive to galvanize torpid economy," ECONOMIC TIMES, October 27, 1997; "New moves to spur Indian growth," FINANCIAL TIMES, October 20, 1997; "India pledges revised offer at WTO on import curbs," REUTERS, October 22, 1997; "India needs more reforms to attract foreign funds," REUTERS, October 19, 1997.

MORE PAIN AHEAD FOR ASIAN MARKETS

The worst is ahead for Southeast Asian economies, but recovery will follow soon after, according to the Asian Development Bank (AsDB). "These crises are still unfolding," the author of AsDB's 'Asian Economic Outlook' said last week. "A good deal of the impact of the current crises will be felt in the immediate future. It should influence the economic performance in 1998 and even in 1999," the economist said. AsDB estimates growth rates of 4.9 to 5.7 percent for the region this year, down from the 7.3 percent previously projected: For 1998 and 1999, the bank projects growth rates between 4 and 6 percent. AsDB economists pointed out that even at the slower rates of growth for Southeast Asia, its growth is still among the fastest in the world.

Thailand has been hit the hardest- its GDP is expected to grow by only 1.6 to 1.9 percent this year, compared to the 6.1 percent originally projected. The AsDB report warns that future development in Thailand is dependent on the country investing more in new technologies rather than relying so heavily on cheap labor.

Meanwhile, effects of the regional crises are rippling towards Australia. Australian economists say that as a result of the crises, Australia's growth rate this year could be slowed by a quarter of a percentage

point, to less than three per cent. "Asia-Pacific trade accounts for a large percentage of Australia's trade and that's going to be affected," noted one bank economist.

Worries that the region's financial crises may jeopardize a WTO financial services agreement were abetted somewhat by the announcement last week that Malaysia, Indonesia, and Thailand intend to table offers before the December 12 deadline. Malaysian Ministry of Finance secretary-general Clifford Herbert said last week that " We [Malaysia] told the WTO that 'look, we will continue to liberalize, but I think we'll have to bend this more carefully, to make really sure that there are safeguard mechanisms in place."

"Asia's economic crisis may get worse," IPS, October 23, 1997; "Pain down under," FAR EASTERN ECONOMIC REVIEW, October 30, 1997; "Malaysia will make WTO financial services bid, official says," BLOOMBERG NEWS, October 17, 1997.

MERCOSUR CLOSE TO DEAL WITH ANDEAN COMMUNITY ON TARIFFS

Brazil's foreign minister last week said that Mercosur hopes to conclude an agreement by mid-December with the Andean Community trading group which would cut tariffs and move forward the cause of commercial integration in Latin America. The two groups are to meet at a summit in Venezuela, where they will attempt to work out remaining obstacles to an agreement. Namely, the Andean Community countries want strong provisions for their leather and textile goods, while Mercosur remains committed to a 60 per cent local content rule. Mercosur fears that without local content provisions there will be a proliferation of maquiladora assembly plants in neighboring countries that will take advantage of tariff-free access to the region.

Mercosur includes Brazil, Argentina, Paraguay and Uruguay; the Andean Community is comprised of Colombia, Venezuela, Peru, Ecuador and Bolivia.

"Mercosur, Andean pact in tariff deal," FINANCIAL TIMES, October 14, 1997.

EVENTS/RESOURCES

UNCTAD. The Intergovernmental Group of Experts within the Framework of the Commission on Trade in Goods and Services, and Commodities: Expert Meeting on Trade and Investment Impacts of Environmental Management Standards, Particularly the ISO 14000 Series, on Developing Countries. Geneva, 29-31 October, 1997; Expert Meeting on Positive Measures to Promote Sustainable Development, Particularly in Meeting the Objectives of Multilateral Environmental Agreements. Geneva, 3-5 November 1997; An international conference on attracting small and mid-sized enterprises (SMEs) and promoting development in developing Asia will be held in Kunming (China) from 29-31 October 1997. For information contact: UNCTAD, Palais des Nations, 1211 Geneva 10; tel: (41-22) 907 5707/6217; fax: 907 0194; e-mail: kunming.conf@unctad.org.

FOURTH EUROPEAN ROUNDTABLE ON CLEANER PRODUCTION. The Fourth European Roundtable on Cleaner Production (ERCP 97) will take place in Oslo, Norway from 1-3 November 1997. This meeting intends to contribute to the critical evaluation and dissemination of cleaner production options and programmes and to highlight the mechanisms aimed at accomplishing the shift from supply driven to

demand driven cleaner production. For information contact: Jostein Myrberg, National Institute of TechnologyAkersveien; 24 CP.O. Box 2608, St. Hanshaugen, N-0131 Oslo; tel: (47-22) 86 51 07; fax: 11 12 03; e-mail: myrj@teknologisk.no. Also try the Conference web site at <http://www.teknologisk.no/ercp97>.

PRODUCTION, UTILIZATION AND TRADE OF ENVIRONMENTALLY PREFERABLE PRODUCTS IN THE PHILIPPINES. [Document No.: UNCTAD/ITCD/TAB/MISC.2] To obtain a copy, e-mail: reference.service@unctad.org.

GUIDE TO THE WTO AGREEMENTS. A companion volume to Reshaping the World Trading System, this new book takes the non-specialist reader through the legal texts that were the result of the Uruguay Round. It includes an economic analysis of the impact of the agreements and a number of other features such as "how to read GATTs schedule" (the documents describing individual countries' commitments on services). In English only, ISBN 92-870-1166-4. Price to be announced. Can be ordered from the World Trade Organization, Publications Services, Centre William Rappard, Rue de Lausanne 154, CH-1211 Geneva, Switzerland, tel: (41-22) 739 5208/ 5308; fax: 739 5792; e-mail: publications@wto.org.

REPORT AND RECOMMENDATIONS FROM THE JOINT WTO/UNCTAD NGO SYMPOSIUM ON TRADE-RELATED ISSUES AFFECTING LEAST-DEVELOPED COUNTRIES. Presented at the WTO High-Level Meeting on Integrated Initiatives for Least- Developed Countries' Trade Development. Available from ICTSD or Peter Pederson at WTO: tel: (41-22) 739 5848; fax: 739 5777.

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