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FACING DEFEAT, CLINTON DELAYS FAST-TRACK UNTIL NEXT YEAR

President Clinton Monday announced his administration was pulling the so-called Fast-Track legislation from consideration by Congress in the 1997 session. As the legislation made its way to the House floor, the President could not sway his fellow Democrats to support his proposal for negotiating free trade agreements. The Administration was in overdrive this past weekend trying to convince more Democratic congressmen to vote yes for Fast-Track, finally announcing Monday that it simply could not secure the votes needed for passage. Under Fast-Track, Congress would forfeit its right to amend trade agreements, granting the Clinton Administration the authority to negotiate free trade agreements subject only to a yes or no vote in Congress.

Democratic congressmen were opposed to the President's Fast-Track proposal because it lacked strong labor and environmental provisions they said were necessary to protect U.S. jobs. Without strong labor and environmental trade linkages, opponents warned that trading partners could exploit competitive advantages achieved via cheap labor and weak environmental standards. Organized labor and environmental groups offered strong opposition to the President's proposal, which had called for foisting responsibility for labor and environmental linkage to the World Trade Organization and the International Labor Organization: moves strongly opposed by the developing world.

The Administration said it will reintroduce Fast-Track next year, hinting that some enhancements to labor and environmental provisions might be forthcoming to sway Democratic votes. Senate Majority Leader Trent Lott (R-Mississippi) said it is unlikely that Fast-Track would pass in 1998 since it is a Congressional election year. "So it would appear to me that it's dead," Senator Lott said.

Without the broad authority granted by Fast Track, U.S. trade negotiators face a credibility problem with potential trade partners. With talks set to begin this April for the Free Trade Area of the Americas (FTAA), Latin American countries will most likely not sit down for serious discussion with U.S. negotiators if an agreement is subject to Congressional amendment. Further, Mercosur and Andean Pact countries have made it clear they will not accept labor and environmental provisions within FTAA.

Congress last week also defeated a NAFTA-parity bill for Caribbean countries. The bill would have granted Caribbean basin countries preferential trade treatment comparable to that extended to Mexico under NAFTA. Analysts said that its failure was due in part to its being brought for a vote the same week

as Fast-Track, and because the bill required a two-thirds majority for passage, instead of a simple majority.

"Clinton to press Fast Track next year but Lott sees slim chances," INSIDE U.S. TRADE November 11, 1997; "Clinton goes to the wire to save fast-track," FINANCIAL TIMES, November 7, 1997; "House decisively defeats NAFTA-parity program for Caribbean countries," INSIDE U.S. TRADE, November 7, 1997.

TRADE AND ENVIRONMENT: WORKING TOGETHER

The Commission for Environmental Cooperation (CEC) last month agreed to begin meeting with trade ministers to enhance environmental protection in North America. The CEC was born out of a side agreement under NAFTA: Canada, the U.S. and Mexico approved the North American Agreement for Environmental Cooperation providing for environmental reviews of NAFTA. "I think the idea of some of the ministers is to have a ministerial meeting of trade and environment ministers," CEC's executive director said. "There was no clear date, but there is certainly the intention." Some observers say the CEC lacks real political support from the Mexican, U.S. and Canadian governments, as the three countries face domestic apprehension towards the environmental component of NAFTA.

Writing in the JOURNAL OF COMMERCE, Yale Law School Professor and former NAFTA environment negotiator Daniel Esty defended trade and labor linkages such as the North American Agreement for Environmental Cooperation. Collaboration with trading partners on environmental matters, according to Esty, ensures better pollution control and effective management of shared resources. Further, said Esty, to ignore economic externalities of environmental despoliation undermines the benefits freer trade is meant to bring - witness Eastern Europe with its air and water pollution problems. Esty said that to try and separate trade and environmental policies is to ignore economic and ecological reality.

"Environment ministers expand CEC role to meetings with NAFTA trade ministers," INTERNATIONAL TRADE REPORTER, November 5, 1997; "Trade and environment mix," JOURNAL OF COMMERCE, November 7, 1997.

CENTRAL AMERICA, MERCOSUR MOVING TOWARD TRADE DEALS

Central American countries and the Dominican Republic last week held a three day summit focusing on forging a free trade agreement. Leaders from Costa Rica, Guatemala, El Salvador, Honduras, Nicaragua, Panama, Belize and the Dominican Republic met to discuss cooperation in tourism efforts, fighting drug trafficking, and protecting the environment. The Dominican Republic wants to join the Central American Bank and become incorporated in the regions' economic development efforts. The Dominican Republic is also negotiating a free trade agreement with the Caribbean Community.

Mercosur, South America's Southern Cone Common Market, announced last week that it will sign a trade and investment agreement with Canada in January. The agreement is the first step toward a free-trade pact between the regional trade block and Canada. Mercosur officials also reported progress in reaching a preferential tariff arrangement with Mexico. Mercosur has been less fortunate in its talks with the neighboring Andean Pact: officials had hoped to reach a free trade agreement before the

proposed FTAA comes into effect in 2005 but say it now seems unlikely an agreement will be concluded in that time frame.

"Central America seeks trade deal," FINANCIAL TIMES, November 6, 1997; "Mercosur moves towards free trade pact with Canada," REUTERS, November 5, 1997.

ACP LEADERS: NEGOTIATE WITH ONE VOICE

Last week in Libreville, Gabon, leaders from the 71 African, Caribbean, and Pacific (ACP) developing countries met for their first ever summit. With talks for the Lome V EU-ACP trade convention set to begin in September 1998, some ACP leaders last week worried that the EU might take a divide-and-conquer approach to the talks; that is, try to negotiate preferential trade agreements separately with each of the three ACP regions. Barbados Prime Minister Arthur Owen voiced these concerns, saying "We know that separate agreements for Africa and the Caribbean and the Pacific mean separate negotiations and will deprive each group of the strength which regional solidarity brings."

"Sommet ACP de Libreville: une synthese des reflexions des 71 pays membres," AGENCE FRANCE PRESS, November 2, 1997; "Focus-ACP leaders seek common stand in EU talks," REUTERS, November 6, 1997.

EU APPEALS WTO BEEF RULING

The European Union last week presented its appeal case to the WTO Appellate Body, looking to reverse the WTO's August ruling against the EU ban on hormone-treated beef imports from the U.S. and Canada. The WTO found the eight-year EU ban to be in violation of international trading rules.

The EU argued last week that the WTO ruling threatens the basic right of governments to dictate the level of protection necessary to protect consumer health, specifically provided for under the Uruguay Round Agreement on Sanitary and Phyto-Sanitary measures. The EU maintains as well that the WTO panel which ruled on the ban ignored some scientific evidence supporting the ban by accepting only a majority view of the five scientific experts consulted as part of the WTO investigation. Critics say, however, that the EU is using the phyto-sanitary provision as a protectionist mask and that the EU has not provided sufficient scientific evidence to support the ban.

The U.S., in conjunction with Canada, brought the complaint to the WTO, estimating that the ban resulted in US\$250 million in lost trade revenue annually. The Appellate Body has until December to issue its decision.

"Europe's beef with the WTO," WALL STREET JOURNAL, November 6, 1997; "Nous ne voulons pas de veaux aux hormones," LIBERATION, November 4, 1997; "EU defends ban on hormone treated beef," FINANCIAL TIMES, November 4, 1997.

G-15 MEET: FOCUS ON CURRENCIES, FAIRNESS

Leaders from the so-called Group of 15 (G-15) developing countries last week met at a summit in Kuala Lumpur, Malaysia, where curbing the current currency crises was the main focus of discussion. Leaders

from the G-15's Latin American, African, Asian and Caribbean nations called on the International Monetary Fund (IMF) and World Bank to undertake a study of currency markets with a view to regulating them.

A communique emanating from the first day of the meeting reflected the diversity that exists among the developing countries, particularly in the area of financial market reform. Divergent views between Mexico and Malaysia, for instance, resulted in the carefully worded declaration that the object of any new regulation should be to "make [markets] more open and transparent." Mexico, which benefited from an IMF-implemented reform package in 1995, is holding out against new rules to curb free market mechanisms, while Malaysian Prime Minister Mahathir Mohamad is pushing for greater regulation on international currency trading.

Indonesian President Suharto, treading a thin line between both camps, said "We should cooperate effectively in stabilizing our money markets. . . [Market turmoil] has crushed the economic and social achievements of developing countries." G-15 leaders agreed to meet again next month in Kuala Lumpur to draft rules to regulate currency trading. Prime Minister Mohamad said "A world trading system cannot rely entirely on market forces. It is time that we draw up fair rules for the marketplace."

The G-15 feel that developed countries have a "special responsibility" toward poorer countries: according to the summit communique, "the continued participation of developing countries, including the least developed, in the global economy, must be reciprocated by a supportive, fair and non-discriminatory international environment."

WTO director-general Renato Ruggiero was on hand at the summit promoting liberalization of financial services. G-15 members let Mr. Ruggiero know that the South is opposed to the conditions and restrictions the North is looking to impose as part of trade liberalization and globalization. A senior African official said last week that conditions such as social clauses are geared toward slowing the rapid development of G-15 countries. Other G-15 members said investment rules being pushed by the North are an attempt to gain unlimited market access to developing nations at the expense of their sovereignty, or what Malaysian Prime Minister Mohamad called the "new imperialism."

The Group of 15 was established in 1989 as a counterbalance to the Group of 7 industrialized nations. The G-15 actually includes 16 members with the recent addition of Kenya. The other members are Malaysia, Egypt, India, Indonesia, Algeria, Argentina, Brazil, Chile, Jamaica, Mexico, Nigeria, Peru, Senegal, Venezuela and Zimbabwe.

"Les pays en voie de developpment pris dans les filets de la mondialisation," ASEG, November 4, 1997; "Group of 15 seeks to tame market forces," IPS, November 7, 1997; "WTO chief to be told of South stand," NEW STRAITS TIMES, October 31, 1997; "G-15 calls for study of currency markets," FINANCIAL TIMES, November 4, 1997.

EVENTS/RESOURCES

UNCTAD TRADE AND DEVELOPMENT BOARD COMMISSION ON TRADE IN GOODS AND SERVICES, AND COMMODITIES, Second Session. Geneva, 17 - 21 November 1997. The session will open at the Palais des Nations, Geneva, at 10 a.m. on Monday, 17 November 1997. As mandated by UNCTAD IX, the Commission will deal with areas identified in paragraph 91 (i)-(ii) and (v) of "A Partnership for Growth

and Development" (TD/377), namely: (a) Diversification in commodity-dependent countries; and (b) Ways and means for improving the opportunities for the expansion of exports of goods and services from developing countries. For more information, contact the Office of the Secretary of the Board, tel: (41-22) 917 48 15; fax: 907 00 56; e-mail: awni.behnam@unctad.org.

MONTREAL PROTOCOL. The Scientific Assessment Panel Meeting will be held from 12-15 November 1997 in Washington DC, US. For more information contact Convention Secretariat in Nairobi, Kenya: +254-2-62-1234/62-3851; fax +254-2-52-1930; e-mail: ozoneinfo@unep.org; Internet: <http://www.unep.org/unep/secretar/ozone/htm>.

"OECD: Agriculture, Trade and the Environment: Anticipating the Policy Challenges." by the Committee for Agriculture and Environment Policy Committee. Available via OECD mail order: 2, rue André-Pascal, 75775, Paris Cedex 16. tel: (33-1) 45 24 82 00; fax: (33-1) 49 10 42 76; telex: 640048 OCDE; Internet: Compte.PUBSINQ@oecd.org.

"OECD Environmental Data - Compendium 1997." 288 pages, bilingual, OECD, Paris 1997. FF260; US\$50; DM76. ISBN 92-64-05539-8 (97 97 19 3). Available from above address via mail order.

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