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A HEMISPHERE AND A GLOBE WITHOUT FAST-TRACK

The U.S., once leading the pack toward a hemispheric-wide free trade agreement, may have to merge with traffic down the road as Latin American countries promise to move forward toward freer trade. "The process will go on," said Carlos Murillo, Costa Rica's vice minister of trade, referring to talks for the Free Trade Area of the Americas (FTAA) set to begin in April 1998. Brazil's ambassador to the U.S. a few weeks ago commented that the loss of fast-track "Would not cause any sadness in Brazil." Brazil and its fellow-Mercosur (Southern Cone Common Market) trading partners prefer a slower approach to tariff reductions than the U.S. is advocating for an FTAA agreement. "The folks within Mercosur have probably bought time with [the delay of fast-track] to expand their negotiating power," according to Charles Jainarain, director of the Summit of the Americas Center in Miami.

Fast-track negotiating authority gives the U.S. President power to negotiate free trade agreements subject to a simple yes or no vote in Congress, thereby bypassing the usual amendment process. Without such authority, trading partners will not sit down at the negotiating table knowing any bi- or multilateral agreement is subject to Congressional amendment. In the case of the FTAA, however, lack of fast-track authority may not be a show-stopper.

The U.S. does not hold all the cards in hemispheric free trade talks, though. Latin American countries have been by-passing the U.S. as fast-track remains in the slow-lane, forging free-trade agreements that might not have been pursued as rapidly if the U.S. had been in a position to negotiate more ambitious agreements. Today, more than 29 bi-lateral and plurilateral free trade agreements or customs unions are in effect in the Hemisphere. Many of them have been negotiated and finalized in the past few years.

The U.S. had boldly invited Chile to join the North American Free Trade Agreement at the Summit of the Americas in 1994. President Clinton has been without fast-track since that time and unable to begin negotiations with Chile. Chile, Latin America's most dynamic economy, tired of waiting for fast-track and signed a free-trade agreement with Canada; became an associate member of Mercosur, and is pursuing an agreement with Mexico. Chilean President Eduardo Frei has signalled that the failure of the Clinton administration to pass fast-track will have negative effects for trade in the hemisphere. Mercosur as well has begun free-trade talks with Canada and the European Union.

Other negotiations will also be impacted, primarily the MAI talks in Paris, originally due early next year, as well as certain current WTO debates.

"Fast-track trouble puts hemisphere in turmoil," JOURNAL OF COMMERCE November 12, 1997; "Le Chile reste serein," LE FIGARO, November 12, 1997; "Clinton admite fracaso en la 'Via Rapida'," EL MERCURIO, 11 Nov 97; "Latin Americans divided on upset to trade strategy," FINANCIAL TIMES, November 11, 1997.

INDIA REACHES TARIFF PHASEOUT AGREEMENT WITH EU, AUSTRALIA

India last week signed an agreement with the European Union and Australia, promising to phase out quantitative import restrictions on 2,700 plus products in six years. "We have been able to safeguard the country's interests while at the same time also acceding to some of the requests of the developed world," Indian commerce minister B.B. Ramaiah said last week. According to EU and Australian officials, the three-phased agreement will remove all quantitative restrictions on 177 priority items by 2000, then another 208 items by 2002, with the bulk of remaining restrictions removed by 2003.

India and its major trading partners have been at odds over India's system of quantitative restrictions, which India says are necessary to protect its poor, agrarian economy. Trading partners, meanwhile, cite India's healthy trade balance and currency reserves as evidence of its ability to withstand an influx of cheap foreign imports.

The U.S. said it was not satisfied with the Indian proposal, because it continues to back-load many pertinent items to the end of the phaseout period. The U.S. will make its second request for a dispute settlement panel when the WTO meets this week. India continues to negotiate bilaterally with Canada, New Zealand, Switzerland and Japan.

"Six year QR phaseout pact signed with EU, Australia," ECONOMIC TIMES (India), November 14, 1997; "New Delhi: India to lift ban on imports," FINANCIAL TIMES, November 14, 1997.

MERCOSUR ANNOUNCES TARIFF HIKES

The Southern Cone Common Market of Brazil, Argentina, Uruguay and Paraguay (Mercosur) is expected this week to approve an across-the-board increase for tariffs charged on imports from non-Mercosur countries. The common external tariff (CET) will be increased by three percent, to a maximum 23 percent.

Brazil is the latest casualty of currency crises shaking a number of the world's economies. The Brazilian government earlier this month doubled interest rates to attract foreign investment and introduced budget cuts worth US\$18.2 billion in order to cut its budget deficit. The decision to hike the CET was made by Mercosur trading partners to help reduce Brazil's budget deficit and prevent the devaluation of the Brazilian currency. Argentina is experiencing trouble as well: the Argentinean government this month announced a US\$2.9 billion trade deficit for the first nine months of 1997. Analysts anticipate the trade deficit to end up at US\$4 billion. In Uruguay, economic officials were caught between either dissenting with the majority Mercosur opinion of raising tariffs, thereby running the chance of devastating domestic economic effects, or acceding to the tariff hike and alienating Mercosur's trading partners.

Mexico and trade officials from several other countries expressed concern and disappointment over the tariff increase and say they are studying whether the hike is consistent with global trading rules. Mercosur trade officials say the tariff increases will not go beyond levels Mercosur nations have committed to in the WTO.

"Mercosur to raise external tariffs to combat Brazilian budget gap," INSIDE U.S. TRADE, November 14, 1997; "Mercosur seen announcing import tariff rise soon," REUTERS, November 12, 1997; "Mercosur to raise tariff by 25% after markets turmoil," November 13, 1997; "Mercosur: acuerdo inicial y Uruguay pone condiciones," EL PAIS, 13 Nov 97.

CHILEAN SALMON FARMERS NET VICTORY

A U.S. Commerce Department ruling last week found that Chilean government subsidies for salmon exports are so low as to avoid incurring significant punitive action from the U.S. The Commerce Department's International Trade Administration (ITA) issued the preliminary ruling in response to complaints from Atlantic and Pacific fishermen who charged that Chilean salmon is subsidized and then dumped on the U.S. market.

At issue are boneless salmon fillets, for which Chilean farmers say they have developed harvesting techniques giving them a comparative advantage over U.S. farmers, and allowing Chilean producers to sell a ready-to-eat product to U.S. restaurants rather than a whole fish.

The ITA found that Chilean subsidies for salmon exports are marginal at most and would allow for an insignificant (0.62 percent) compensatory penalty to be levied. International trade rules require a two percent minimum penalty be warranted before application. The ITA will rule on the dumping charges in January 1998.

In related news, the World Trade Organization is expected to rule this month on whether an Australian ban on fresh and frozen salmon violates international trading rules. Australia argues the ban on salmon imports is necessary to protect against bacteria and viruses foreign fish may carry. Canada brought the complaint to the WTO, saying Australia's ban is not scientifically based, and is an attempt to protect Tasmanian salmon farmers.

"Chile Inicio con Exito el Caso Salmones," EL MERCURIO (Santiago) November 13, 1997; "Canadian salmon industry sees WTO opening Australian market," BLOOMBERG, November 7, 1997.

DEADLINE LOOMS FOR FINANCIAL SERVICES

The final phase of talks for a global agreement liberalizing financial services got underway at the World Trade Organization last week. So far 31 countries (including the EU) have tabled offers, with eight other countries promising to table offers very shortly. The deadline for submitting offers is December 12.

Negotiators have an eager eye on key Asian countries riddled of late by currency crises. Thailand, Malaysia, and Indonesia promised to table agreements by the December 12 deadline. Thailand advised WTO members to keep the country's fiscal position in mind when evaluating its yet-to-be-tabled offer.

Indonesia said its offer allows for more banking operations in cities where foreign firms are currently restricted.

According to informed sources, Malaysia may be ready to offer 51 percent foreign ownership of insurance firms. This should come as a welcome breakthrough to U.S. and EU negotiators - the issue could be a deal-breaker should majority ownership not materialize. The issue is believed to be one of the reasons the U.S. walked away from the last round of financial services talks in 1995.

The U.S. remained pessimistic going into last week's high-level talks. "The fact is we still have a lot of work to do in a short period of time. . .Progress has been made in many key countries, but this progress has not yet been translated into concrete offers. We hope to see these offers in writing soon. But for too many key countries, improved commitments are just not there yet. In most of these cases, the problem is not technical, it is a matter of policy," U.S. Deputy Trade Representative Jeffrey Lang said last week.

"Key countries move to improve offers in WTO financial services talks," INSIDE U.S. TRADE, November 14, 1997; "Global talks in crucial last phase," JOURNAL OF COMMERCE, November 12, 1997.

ACP, EU LAY FOUNDATIONS FOR NEW PARTNERSHIP

High-level delegates from the 71 African, Caribbean and Pacific (ACP) countries agreed last Friday in Libreville, Gabon, on a declaration outlining their common goals in upcoming negotiations with the European Union (EU) due to start in the fall of 1998. The talks will focus on a replacement to the Lome IV preferential trade pact which the ACP currently holds with the EU.

The declaration states that ACP trade ministers must meet no later than the first half of 1998 "to examine measures and frameworks to optimize commercial cooperation among ACP nations, including tight cooperation and coordination between these nations within the WTO." It also urges ministers to consider the notion of ACP free-trade zones as well as ways of "protecting, preserving and promoting" ACP interests in trade in goods and services, particularly in the areas of supply, competitiveness and market access. Spurred by fears that the EU would attempt a 'divide and conquer' strategy to deal with each ACP block separately at the upcoming Lome talks, delegates called for solidarity in communicating their interests.

Europe is anticipating next year's negotiations. Following a televised debate on Monday regarding the future of ACP-EU relations, diplomatic representatives from the 15-member EU have stated their support for a new partnership with the ACP states. In an attempt to move away from the traditional "logic of donor-recipient aid" in favour of a more "economic and commercial" relationship, European officials will commit to helping the ACP countries integrate into the global economy by taking account of the different levels of development that exist within the group.

British Secretary of State Claire Short indicated that the partnership will maintain "the eradication of poverty" as a priority. Nonetheless, delegates to the European Commission indicated that in the long run, the new relationship--to be finalized after Lome IV expires in 2000--should concentrate on the creation of free trade zones after a three-year transitory period in conformity with both WTO rules and the EU's common agricultural policy (CAP).

Though the question was raised about debt reduction for many ACP countries--a central demand emanating from the ACP Libreville declaration--no consensus was reached on this point.

"Les quinze en faveur d'un nouveau partenariat avec les pays ACP," AFP, November 10, 1997; "ACP leaders lay foundations of joint strategy," REUTERS, November 7, 1997.

HONDURAS TO LOSE TRADE BENEFITS IN U.S. MARKET

U.S. Trade Representative Charlene Barshefsky on November 4 recommended stripping Honduras of its preferential trade benefits under the Generalized System of Preferences (GSP) and the Caribbean Basin Initiative (CBI), for failure to implement adequate intellectual property rights protection. The USTR decision was taken in response to what Trade Representative Barshefsky called an "unacceptable" lack of action by the Honduran government to prevent the broadcasting of pirated U.S. videos and the re-broadcasting of U.S. satellite programming.

The Motion Picture Association first requested in 1992 that GSP benefits be withdrawn from Honduras for its failure to provide adequate copyright protection: the USTR has been in consultations with the Honduran government since then, but says no progress has been made. The USTR recommended that GSP and CBI benefits be removed from a number of items including high-quality beef cuts, certain fruits, vegetables and juices and some furniture items. The value of the benefits to be withdrawn is estimated at US\$5 million. The USTR is accepting public comment on the loss of benefits until December 4.

"Honduras to lose some GSP, CBI benefits; USTR seeks comments on items proposed," INTERNATIONAL TRADE REPORTER, November 12, 1997.

EVENTS/RESOURCES

ICTSD ROUNDTABLE. The International Trade System: Issues for Developing Countries. 27-28 November, at Palais des Nations in Geneva, room XXI. Times: 27th: 14:00-18:00; 28th: 09:00-12:30; 14:00-18:00. Participants need register with ICTSD if not in possession of a UN access pass. For more information, please contact Marta Gonzalez at ICTSD. Tel: 979 94 97; fax: 979 90 93; e-mail: ictsd4@ss20.unep.ch

APEC MEETING. The APEC Economic Leaders Meeting will be held on 21-25 November in Vancouver, British Columbia. For information contact the APEC Secretariat. tel: 65-276-1880; fax: 65-276-1775; e-mail: info@apex.stems.com. Also try <http://www.apecsec.org.sg>.

TOWARDS A SUSTAINABLE ASIA PACIFIC - SUSTAINABILITY ISSUES FORUM. This one-day forum will be held 20 November 1997 at People's Summit on APEC in Vancouver, British Columbia. The Forum is sponsored by the BC Council for International Cooperation (BCCIC), Canadian Council For International Cooperation (CCIC) and the International Institute for Sustainable Development (IISD). For information, contact BCCIC. tel: 1- (250) 360-1405; fax: 1- (250) 360-2295; e-mail: bccic@web.net.

WORLD TRADE ORGANIZATION. The next meeting of the Committee on Trade and Environment (CTE) will be held from 24-26 November 1997. For more information, contact the WTO Secretariat; tel: (41-22) 739 51 11

OECD ONLINE PUBLICATIONS. "Processes and Production Methods (PPMs): Conceptual Framework and Considerations on Use of PPM-Based Trade Measures, 1997" (in English and French). Document number OCDE/GD(97)137. Available at <http://www.oecd.org/ech/tradedoc.htm#environment>. "Market Access for the Least Developed Countries: Where Are the Obstacles?" Document number OCDE/GD(97)17. Available at <http://www.oecd.org/ech/tradedoc.htm#transition>.

UNCTAD PAPERS. "Production, utilization and trade of environmentally preferable products in the Philippines, 1997" Document number UNCTAD/ITCD/TAB/MISC. Available from United Nations Publications, Sales and Marketing Section, Room C 115 Palais des Nations, 1211 Geneva 10, Switzerland. Tel: (41-22) 917 26 13 or 917 26 14; fax: (41-22) 917 00 27; e-mail reference.service@unctad.org.

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