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FAST-TRACK FALLOUT RIPPLES THROUGH THE AMERICAS

Mexican President Ernesto Zedillo last week expressed disappointment over the inability of U.S. President Bill Clinton to secure so-called fast-track negotiating authority. "We really wish the political difficulties that have been in the way of fast-track get solved so that pretty soon we can sit down and negotiate free trade in the Americas," Mr. Zedillo told U.S. businessmen. Fast-track allows the U.S. President to negotiate free-trade deals that are put to simple yes-or-no vote in Congress, bypassing the amendment process.

Without fast-track, the Clinton Administration will not be able to begin negotiations for the Free Trade Area of the Americas, talks for which are to start in April 1998. Mr. Zedillo credits freer trade borne out of the North American Free Trade Agreement with creating jobs and attracting investment to Mexico, and in part helping Mexico recover from its 1995 peso crises.

Brazil echoed President Zedillo's concerns over the failure of fast-track. Brazilian Foreign Minister Luiz Felipe Lampriella said without fast-track, the U.S. may be crippled in WTO negotiations such as services and agriculture. "[Brazil's] reaction is one of certain concern with what seems to be a victory for. . . a posture of inertia on behalf of the United States in the area of foreign trade," Mr. Lampriella said.

Other observers fear that U.S. hesitance towards freer trade may be contagious: especially in the EU, where the political support for freer trade has been put to the test in light of the recent WTO ruling against the EU banana import regime and its ban on hormone-treated beef.

President Clinton said last week that "I would urge our friends throughout Latin America not to overreact to this." The Clinton Administration is as yet unsure when it will reintroduce fast-track.

"Mexico's Zedillo laments U.S. fast-track setback," THE CONDE REPORT, November 17, 1997; "Un coup de frein americain au libre-echange?" LE MONDE, November 18, 1997; "Brazil says fast-track may hurt world trade," REUTERS, November 18, 1997; "Fast-track fall-out," FINANCIAL TIMES, November 17, 1997.

INDIA AGREES PHASE-OUT OF IMPORT RESTRICTIONS WITH EU-AUSTRALIA BUT FACES DISPUTE WITH US

India reached bilateral agreements with Australia and EU earlier this month, committing to a six year phase-out plan which the EU says "front-loads" items of highest interest to the 15 EU member-states.

The U.S. last week made its second request for a WTO dispute settlement panel to arbitrate the dispute between the U.S. and India over India's plan for removing quantitative restrictions on about 2,700 products. Under WTO rules, a panel is automatically established to handle the case after a second request is made. The U.S. and India will continue to negotiate bilaterally in an effort to reach an agreement, which observers say is likely. Should the U.S. not reach a bilateral agreement with India, the WTO panel will have six months to deliver its findings. The U.S. takes issue with the timing with which India has proposed phasing out import restrictions on a number of goods, mostly agricultural, of special interest to the U.S. The U.S. says India's proposed phase-out plan "back-loads" the most pertinent items to the last years of the phase-out period.

"WTO sets up panel to resolve India-U.S. QRs dispute," THE ECONOMIC TIMES (India); "U.S. targets India on import restrictions," REUTERS, November 18, 1997.

EU COMPLIANCE WITH WTO BANANA RULING GOES TO ARBITRATION

In a letter to the EU last week, the United States, Mexico, Ecuador, Honduras and Guatemala requested that an arbitrator be appointed to determine when the EU would implement the rules and recommendations prescribed by the WTO dispute panel decision against the EU banana import regime. The WTO panel issued its final ruling on September 9 saying that the EU system of preferential market access for banana imports from former Caribbean colonies and Colombia, Venezuela, Costa Rica and Nicaragua, violates international trading rules.

Informed sources say that the U.S. is less concerned about the date on which the EU will implement the WTO decision than it is with how the EU will implement the ruling. The European Commission has stated that the EU will "honor its international obligations" by January 1, 1999, but has not provided information as to how it will do so. The EU can either adjust its regime to comply with WTO rules, or compensate the U.S., Mexico, Ecuador, Honduras and Guatemala for lost trade.

The U.S. and Ecuador are adamant that compensation is not an option: sources say that since the U.S. is not an exporter of bananas, assessing compensation would be quite difficult. Following pressure from U.S.-based multinational firms such as Chiquita Brands International, the U.S. brought the complaint to the WTO. The U.S. was later joined by the four Latin American co-complainants.

The EU said last week in response to the letter that it did not understand the purpose of the letter, since it has already been agreed that the deadline for implementation is January 1, 1999. The European Commission is reportedly eager for the banana dispute to be settled once Britain takes over the EU presidency, set to begin in January 1998.

On parallel news, Panama explained at the 18 November meeting of the WTO's Dispute Settlement Body that it has requested consultations with the EU, again concerning the Common Market's regime

for importation, sale and distribution of bananas", not interested in re-opening the case but in order to safeguard its own commercial interests, as banana exporter, once the EU defines modifications to the regime.

"U.S., EU clash in WTO over implementation of banana panel decisions," INSIDE U.S. TRADE, November 21, 1997; "Brussel hofft im Bananenkonflikt auf die britische Präsidentschaft," HANDELSBLATT, November 21, 1997; and ICTSD internal files.

APEC TALKS FOCUS ON STABILITY AND FINANCIAL SERVICES

When leaders from the Asia Pacific Economic Cooperation (APEC) forum meet in Vancouver Monday and Tuesday, stabilizing the current economic crises gripping Asian economies will be the main focus for discussion. The leaders will be looking for a panacea to cure what ails member economies, including Thailand, Indonesia and the latest economy to fall victim, South Korea.

Members are likely to reconsider the so-called Asia Fund: a Japan-sponsored idea for a US\$200 billion regional bail-out fund. The idea was shot down at the G-7 Summit in Hong Kong two months ago, but a revised plan has emerged which would also institute a "surveillance" mechanism whereby Asian countries could put pressure on peer countries to fix bad policies before crises develop.

Liberalization of financial services will also be a topic of much discussion as the December 12 deadline for a WTO agreement draws near. APEC members led by the U.S. will probably press the key APEC countries of Malaysia, Thailand and Indonesia to table viable offers so that the WTO agreement can be concluded. Observers warn that the U.S. must not exert too much pressure on the developing countries lest it try to exact concessions the struggling economies cannot or will not agree to and thereby dismantle financial services talks altogether. As one leading Asian businessman put it, there is a "liberalization fatigue" emerging in Asian nations in the wake of the financial crises.

In a special high-level pre-summit meeting last week, APEC officials reached a broad agreement on accelerating the liberalization process in 15 industrial sectors. The list of 15 will most likely include environmental technology, medical products, and fertilizers and other chemical products. U.S. Trade Representative Charlene Barshefsky said last week that "These are massive sectors in terms of global dollar value."

In a parallel "People's Summit," held last week in Vancouver, delegates from non-governmental organizations (NGOs) addressed the issues of human rights, worker's rights, sustainable development, poverty and the role of transnational corporations within APEC countries. According to an organizer of the alternative summit, a key message to be communicated to APEC leaders is that liberalization of trade and investment is not a panacea for what ails APEC economies.

"Crises crowd APEC's agenda for Vancouver," WALL STREET JOURNAL, November 19, 1997; "Vancouver summit to test APEC's liberalization initiative," REUTER, November 15, 1997; "Alternate voices reject APEC trade liberalization," IPS, November 19, 1997; "APEC grapples with market turmoil," FINANCIAL TIMES, November 21, 1997; "Barshefsky downplays extent of tariff initiatives at APEC meeting," INSIDE U.S. Trade, November 21, 1997.

EU GMO RULES POSTPONED

The European Commission (EC) last week announced it would delay rules for approving the marketing of genetically modified organisms (GMOs) by at least another week. The EC is working to revise its current set of GMO rules, which regulate the use of GMOs such as corn and soybean in the human and animal food chain. Debate continues between European Environment Commissioner Ritt Bjerregaard and other members of the EC: Ms. Bjerregaard favors a lengthy approval process for GMOs and then issuing approval on a temporary basis subject to review. Trade Commissioner Sir Leon Brittan favors careful risk assessment of all GMOs but supports an expedited process for products already used without problems in other countries.

"We must strike a compromise between the safety aspect and the biotechnology industry, which is a very promising one," Brittan said. A spokesperson for Ms. Bjerregaard said the environmental commissioner was protecting consumers concerned about the safety of GMOs.

The issue of GMO approval and subsequent labeling of products that contain GMOs is a source of much tension between the EU and the US, a major exporter of genetically-modified food and feedstuff including corn, wheat and soybeans. The U.S. maintains that EU GMO regulations are fear-based, with no basis in science.

The EU this month also delayed by two months a decision on whether or not to compel Luxembourg and Austria to end their ban on genetically-modified corn.

"EU delays review of rules on gene-altered products," REUTERS, November 18, 1997.

ECUADOR DEALS WITH FALL-OUT OVER DELAYED TELECOM PRIVATIZATION

Privatization plans for Ecuador's state-owned telecommunications company Emetel were delayed last week, striking a devastating blow to the country's modernization plans. "The damage to the country is irreparable," said Rodrigo Paz, president of Conam, the state modernization council. The bidding process for Emetel was expected to include both the Spanish group Telefonica and Italy's Stet: Telefonica decided last week not to participate in the bidding process leaving only Stet and no competition.

The move to delay the sale of Emetel is expected to affect foreign investment in Ecuador. According to one analyst, "The sale of Emetel was seen as very positive for Ecuador earlier this year. This will affect foreign investors' estimate of Ecuador. It has been a country which lagged on economic reform and again it has got nothing done." The sale of Emetel is now uncertain as presidential elections loom next year and Ecuador's supreme court considers the constitutionality of the privatization.

"Ecuador 'damaged' by delays in telecom sell-off," FINANCIAL TIMES, November 21, 1997.

FRANCE SPEAKS OUT FOR PROTECTION OF EUROPEAN FARMERS

French Agriculture Minister Louis Le Pensec last week told fellow EU agricultural ministers that any changes to the farm subsidy program under Europe's Common Agricultural Policy (CAP) should still protect European farmer's from foreign competition.

"I think the planned price cuts for cereals will allow us to find new markets and free us from the need to take land out of production, as long as they do not disturb the market and weaken our community preferences." The EU is working to reform the CAP under the threat of mountains of excess grain and beef unless changes are put in place. The European Commission wants to replace guaranteed farm prices --historically well above the world market price, with direct subsidy payments.

The need to protect European grain producers, particularly those in more remote areas, will become a central topic of discussion when WTO talks to liberalize agriculture begin in 1999. Mr. Le Pensec warned last week that the EU must be aggressive within the WTO to ensure that trading partners, notably the U.S., understand the constraints with which European farmers operate. The U.S. will probably push for large cuts in subsidies when the WTO talks get underway: Mr. Le Pensec said EU farmers cannot be left unprotected from the uncertainty of commodity markets. "[Europe] has always shown a willingness not to let the fate of our farms depend simply on the development of prices for primary agricultural raw materials, over which farmers have no control," he said.

"UE: vives critiques de la France contre le projet de reforme de la PAC," AGENCE FRANCE PRESS (AFP), November 17, 1997; "France calls for protection of EU farmers from imports," BLOOMBERG, November 17, 1997.

GLOBAL TRADING SYSTEM SHUTS OUT POOREST COUNTRIES

Bangladesh Minister of Commerce Tofail Ahmed last week told the JOURNAL OF COMMERCE that despite many promises, the world's least developed countries have been afforded few meaningful trade opportunities within the global trading system. "We continue to be marginalized and kept on the fringe of the global trading system," Mr. Ahmed said. According to Mr. Ahmed, the U.S. and other developed countries are not living up to promises of "deferential treatment" made at Marrakesh, Morocco in 1993, when the WTO was established. Bangladesh represents the interests of the world's 48 Least Developed Countries (LDCs): as a group, LDCs account for 10 per cent of the world's population but only 0.4 per cent of world trade.

"Poorest countries shut out of trade, minister asserts," JOURNAL OF COMMERCE, November 19, 1997.

EVENTS/RESOURCES

ICTSD/CITEE 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: (41-22) 979 94 97; fax: 979 90 93; e-mail: ictsd4@ss20.unep.ch

FCCC SUBSIDIARY BODIES. The third Conference of the Parties (COP-3) is scheduled for 1-10 December 1997 in Kyoto, Japan. For all meetings related to the FCCC, contact the Secretariat in Bonn, Germany; tel: +49- 228-815-1000; fax: +49-228-815-1999; e-mail: secretariat@unfccc.de. Also try the FCCC home page at <http://www.unfccc.de> and UNEP's Information Unit for Conventions at <http://www.unep.ch/iuc.html>.

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 5111; fax: 739-5458; e-mail: webmaster@wto.org. Also try <http://www.wto.org>.

WORLD TRADE ORGANIZATION. Trade Policy Review of the European Union. 25-26 November 1997. For more information, contact Lucie Giraud, (41-22) 739 5075; e-mail: Lucie.Giraud@wto.org.

UNCTAD. GLOBALIZATION AND LIBERALIZATION: Development in the face of two powerful currents, Report of the Secretary-General of UNCTAD to the ninth session of the Conference. United Nations Publications, Sales and Marketing Section, Room C 115, Palais des Nations, 1211 Geneva 10, Switzerland. Tel: (41-22) 917 26 13 or 26 14; fax: 917 00 27.

ITC. Environmental Engineering and Support Services: A Handbook for Exporters from Developing Countries, 1997. Cost: US\$40.00. For more information, contact International Trade Centre, Palais des Nations, 54- 56 rue de Montbrillant, 1211 Geneva 10, Switzerland. Tel: (41-22) 730 01 11; fax: 733 44 39; e-mail : ITCREG@INTRACEN.ORG

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