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APEC MEETING ADVANCES SECTORAL TRADE LIBERALIZATION

Despite deepening economic and financial crisis throughout Asia last week, Pacific Rim leaders at the Asia-Pacific Economic Cooperation (APEC) summit meeting held in Vancouver, Canada, managed to hammer out a proposal to liberalize trade in the region within the first two decades of the next century. By agreeing to a program endorsing early voluntary trade liberalization in 15 sectors, APEC ministers hope to make progress towards achieving free trade among developed member countries by 2010, and among developing members by 2020.

In an annex to their joint statement issued November 22nd, the ministers stated that APEC should "continue to act as a catalyst for promoting trade and investment liberalization globally." The targeted sectors included environmental goods and services, energy, fish and fish products, food, forest products, automotive, chemicals, and a telecommunications mutual recognition agreement.

The failure of U.S. President Clinton to secure fast-track negotiating authority did not prevent APEC from striking deals to lower tariffs and remove other trade barriers in at least nine industrial sectors starting in 1999. Fast-track authority would have given the President power to negotiate deals that could not be altered by Congress. Said U.S. spokesman Jay Ziegler, "The agenda coming out of APEC demonstrates why we need fast-track."

One direct result of the financial market chaos currently surrounding a number of Asian economies is a sense that the 12 December, 1997 deadline for completion of the new WTO financial services agreement will not be met. The US negotiators are insisting that offers must be improved while many Asian countries are reluctant to allow any further de-regulation given the turmoil of the last few months.

"Asian Crisis May Derail Push for Financial Service Pact," BLOOMBERG, November 24, 1997; "Thinking Positive at APEC Summit," IPS, November 24, 1997; "White House hopes APEC to help on trade bill," ECONOMIC TIMES, 27 November, 1997; "Early Voluntary Sectoral Liberalization--Annex to the Minister's Joint Statement," APEC SUMMIT, 22 November, 1997.

HIGH - LEVEL SEMINAR FOCUSES ON WTO ISSUES FOR DEVELOPING COUNTRIES

A two-day seminar held last week in Geneva by the Consumer Unity and Trust Society (CUTS) and ICTSD, and chaired by Professors Jagdish Bhagwati and Yash Tandon, broached issues of concern for developing countries integrating into the international trade system. A number of current topics in the subject-area were discussed, including market access, dispute settlement, agriculture, investment and environment. The seminar was attended by ambassadors from both developing and developed countries, representatives to and from the WTO, and members of non- governmental organizations from all regions.

A recurring theme involved the role of the WTO in enhancing the trade capacities of developing countries. Dr. Gamani Corea, former Secretary-General of the United Nations Conference on Trade and Development (UNCTAD), stated that "The WTO is playing a key role in establishing the rules and principles that make up the world economy. Developing countries must create a link between what they want in the international system and their own domestic policies. They need to elucidate their own concerns and needs and how to translate them to the international arena."

In the area of the WTO dispute settlement process, the concern was raised as to the ability of developing countries to use dispute settlement as an effective means to achieve fair access to developed-country markets. "Many developing countries are short of legal resources for dispute settlement;" explained Professor Ernst-Ulrich Petersmann, "this is a case where WTO and UNCTAD should step in to train developing country lawyers in dispute settlement procedures." This reasoning was reflected in Professor Bhagwati's comments. "Developing countries are part of the international economic system and would rather enter than exit," he said. "However, too much litigation is expensive, and developing countries can't afford the high-cost lawyers that are available to WTO Members such as the U.S. and the EU."

Where the environment was concerned, Professor Bhagwati cautioned against deepening the influence of this and other "extraneous" issues (such as labour) on the international trade regime, arguing that these areas would be better approached through other avenues. Ambassador Juan Carlos Sanchez Arnau, former Chairman of the WTO Committee on Trade and Environment (CTE), acknowledged with regret that "environmental issues are not a priority on the part of developing country governments," and that the ability of many (particularly large) developing countries to hold to existing environmental agreements is being challenged by the unsustainable methods of production and consumption imposed by the process of globalization. Referring to the Trade-Related Intellectual Property Rights (TRIPs) Agreement, Professor Bhagwati emphasized the lack of economic rationale behind the period for obligatory patent protection.

Carlos Fernandez-Ballesteros, Assistant Director-General of the World Intellectual Property Organization (WIPO), announced that his organization was establishing a new unit to deal with global issues affecting developing countries, including biodiversity and folklore.

Summing up, Ambassador Julio A. Lacarte Muro (Chairman of the WTO Appellate Body) urged developing countries to carefully prepare themselves before entering into trade negotiations. "It is essential that developing countries understand each other's problems, and realize that they can benefit through clustering around specific issue-areas in negotiations."

GENETIC FOOD FIGHT CONTINUES

The European Commission has proposed that genetically modified products could be granted a temporary 7-year license as a probation period to monitor potential health and environmental concerns. All products would have to be re-licensed after seven years and be clearly labeled as containing genetically modified materials. The proposed rules also would permit the Commission to consult expert committees on the ethical implications of biotechnological products.

At the same time, food manufacturers and retailers in the United Kingdom announced a voluntary agreement to label foods containing genetically modified protein by January of 1998. A joint statement by the British Retail Consortium and the Institute of Grocery Distribution said that unless there was government policy by January, they would start labeling this year's (1997) US harvest. This move was seen as putting pressure on the Commission to complete their rule-making process to enact European-wide labeling regulations. In a related matter, the EU appears close to adopting legislation on the patenting of biotechnological products. Earlier proposals had been rejected by the European Parliament, which still has many concerns as do the environmental organizations. The new proposal appears to rule out the patenting of the process of cloning of humans but allows the patenting of some living organisms.

"Brussels Proposed 7-Year License for Gene Modified Food," FINANCIAL TIMES, November 27, 1997; "Shops Set to Label Genetically Modified Food," FINANCIAL TIMES, November 20, 1997; EU Nears Adoption of Legislation on Patents for Biotech Inventions," European Wall Street Journal, November 28, 1997.

NEW MOVES ON LEG-HOLD TRAPS

The U.S. government offered to phase out steel-jawed leg-hold traps within eight years in an attempt to avoid a ban on exports of U.S. furs to European markets, scheduled to go into effect Monday, 1 December. Although this offer fell short of the commitments previously made by Canada and Russia, U.S. officials believed that they would meet most EU concerns. The EU, however, rejected the offer as inadequate and said that it could not accept a plan that was less strict than the accords already signed which called for a five-year phase-out period. The U.S. has repeated its threat to take the matter to the WTO if the EU goes ahead with the threatened import ban.

"U.S. Offers to Phase Out Traps," FINANCIAL TIMES, November 27, 1997; "EU Rejects Latest U.S. Offer on Fur-Trapping Standards," BLOOMBERG, November 27, 1997.

INDIA TAKEN TO TASK ON TRADE PRACTICES

In the wake of accusations by a number of countries against its trade practices, India last week agreed to eliminate import quotas for a number of Japanese exports within five years, paving the way for bilateral trade consultations between the two countries.

India's plan involves eliminating quotas for semiconductors, computer hardware and software, electrical appliances, timepieces, and some cosmetics and textile products for March 2000, said Japanese sources

on Wednesday. By March 2002, quotas will be eliminated for autos, some textile products and some cosmetics.

A provision in the General Agreement on Tariffs and Trade (GATT) Article XII that allows countries to restrict imports in order to safeguard their balance of payments has enabled India to maintain import quotas since 1960. However, a report released in January by the International Monetary Fund (IMF) arguing that India's economic situation does not warrant import quotas has led to challenges against the country's trade-related policies by a number of its trading partners, in particular Japan, Canada, the U.S. and the EU.

The EU has targeted India's export schemes such as the Export Promotion Zone, the Duty Entitlement Pass Book, and benefits provided to exporters under sections of India's Income-Tax Act. The European Commission will be holding discussions with the Indian government this week to determine whether India's schemes violate the WTO's anti-subsidy rules. A complaint has already been lodged by the EC in the WTO against India's subsidy practices.

The Indian government is arguing that its export-promotion schemes do not fit into the category of subsidies. As such, India plans to approach the EC's Appellate Authority stating that an EC decision to impose countervailing duties on Indian exports would be unjustified under the WTO.

The U.S. remains unable to reach a bilateral agreement with India and has called for the establishment of a dispute resolution panel at the WTO.

"India pledges to lift import quotas," KYODO NEWS INTERNATIONAL, November 26, 1997; "EC to discuss subsidies issue with Indian government in Dec," November 26, 1997.

EU RECEIVES FAVOURABLE WTO ASSESSMENT

The World Trade Organization's Trade Policy Review Body last week completed a two-day review of the European Union's trade policies and practices. Though for the most part favourable, it pointed out some areas where barriers to liberalized trade remained. The review looked at developments in trade policies in the EU over the past two years, focusing on selected sectoral issues such as the interface between the single market and multilateral liberalization; the EU's enlargement and network of regional and preferential agreements; and systemic trade policy issues.

In the report issued by the WTO Secretariat, members praised the success achieved by the EU's single market in lowering external barriers to trade while increasing internal trade flows. Tariffs are falling, import quotas and voluntary export restraints are being phased out and the use of other trade measures such as anti-dumping has stabilized rather than grown, as members had feared. This has resulted in improved market access for external suppliers and increased exposure of the EU economy to competition. "The EU's trade policies and practices have generally evolved in a favourable direction," the report stated.

WTO members were less impressed with the EU's remaining internal obstacles to competitiveness; namely in the areas of agriculture, automobiles, textiles, consumer electronics and services, where protectionism remains relatively high. "Government assistance to the EU economy remains sizeable by

international standards," the report pointed out. In services, insufficient competition in some sectors such as utilities and transport resulted in high costs for consumers and industrial users.

In the area of preferential agreements, members voiced concern about certain aspects of the EU's Generalized System of Preferences (GSP), in particular eligibility criteria relating benefits to environmental protection, and labour conditions. The new GSP scheme grants supplementary preferential margins to countries meeting the requirements of specified International Labour Organization Conventions and timber extraction standards set by the International Timber Trade Organization. The EU representative replied that "The EU had been careful to ensure the consistency of its agreements with the WTO," emphasizing that there was no contradiction between the WTO objective of progressive multilateral liberalization and preferential agreements.

"Trade Policy Review of the European Union," WORLD TRADE ORGANIZATION, 25-26 November, 1997; "WTO praises Europe's single market," FINANCIAL TIMES, 27 November, 1997; "L'ouverture des marchés européens globalement satisfaisante," LE FIGARO, 27 November, 1997.

COLOMBIA PROPOSES EXPANSION OF G-3

Colombia's Minister of Foreign Trade, C. Ronderos, said that his country wants to extend the G-3 trade pact between Colombia, Mexico and Venezuela to include Bolivia, Ecuador, and Peru as well. While this idea was said to be supported by Mexico and the Andean countries, Venezuelan Trade Minister Gredy Rojas told reporters that his government preferred to consolidate the G-3 before opening to new members. Both ministers were attending the Andean Pact meeting in Bogota, where the agenda included efforts to win lower trade tariffs from the United States under the Andean Trade Preference Act.

"Colombia Wants Andean Nations in G-3 Block," REUTERS, November 28, 1997.

SUSTAINABLE FORESTRY UPDATE

Two dramatic events have taken place recently in the world of certified sustainable forestry. Last month the Forest Stewardship Council (FSC), the global watchdog agency which sets standards for sustainable forestry and oversees the certification process, instructed its certifier "Societe Generale de Surveillance (SGS)" to strip the French logging company, Leroy Gabon, and its parent company Isoroy, owned by the German-based Glunz AG, of their sustainable forestry seal of approval for a planned logging operation near the Lope Forest Reserve in Gabon.

This action came after protests from environmental groups both within Gabon and from around the planet. FSC officials cited regulations that prohibit certification of logging in primary forest and the failure of the certification agency to involve stakeholders in the process as the main reasons for this action. They also announced the temporary suspension of the certification authorization of SGS.

Falling oil prices have been cited as one reason why the government of Gabon has been encouraging a rapid expansion in logging, in hopes of boosting revenues. Leroy Gabon Company has attacked the decision by FSC as unfair and has stated that they plan on going ahead with the logging and with sales of the tropical softwood Okoume into the European plywood market.

Last week it was reported that World Bank President James Wolfensohn invited CEOs of global logging companies to dinner in January, right before a scheduled meeting of Bank officials, logging companies, and a select group of environmentalists. This invitation is being described as an attempt to convince logging companies to adopt sustainable forestry management practices. In an October 6, 1997 memo to Wolfensohn, World Bank officials described their efforts to promote good forest management by stimulating the market for forest products that meet international environmental standards. These officials are hoping that the CEOs present at the dinner will sign onto this effort before the meeting.

Some environmental groups, including Rainforest Action, have expressed concern about this initiative fearing that it could become a "Trojan horse" that would undermine sustainable forestry initiatives. Some of the companies invited, including US-based Georgia Pacific, have turned down the invitation because they objected to the inclusion of environmental groups, saying that it implied World Bank endorsement of the standards set by the Forest Stewardship Council. Although World Bank officials strongly deny a preference for any specific set of certification principles, they state that "independent certification of sustainable forestry is critical" and describe the FSC criteria as "the only ones we feel represent truly sustainable forestry at this point."

"Forest Council Takes Action," IPS, November 18, 1997; "World Bank Woos Timber Companies," TERRAVIVA/IPS, November 24, 1997.

EVENTS/RESOURCES

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>.

NEW TRADE-DEVELOPMENT WEBSITE LAUNCHED. This page is designed as a forum for Canadian International Development Agency (CIDA) trade and development papers, interesting articles and books, trade news, and links to other trade-related sites.

UNCTAD. The second session of the Commission on Enterprise, Business Facilitation and Development will be held from 1 to 5 December 1997. Two substantive items will be addressed: the first deals with issues relating to an enterprise development strategy. The second deals with services infrastructure for development and trade efficiency assessment.

NGO LUNCHEON. Wednesday, December 3, in Geneva. Facilitated by ICTSD, this informal meeting with WTO Director-General Renato Ruggiero will bring together a number of non-governmental organizations and trade representatives for presentations and discussion. For more information, please contact Marta Gonzalez at ICTSD, tel: (41-22) 979 94 92; fax: 979 9093; email: ictsd4@ss20.unep.ch.

"Economiquity" The July-September 1997 issue of this newsletter from the CUTS Centre for International Trade, Economics and Environment covers a wide range of issues including climate change, textiles, NAFTA foreign direct investment, and special coverage of events around Asia. For overseas subscription information contact CUTS, D-218-, Bhaskar Marg, Bani park, Jaipur 302-016, India or by email at cutsjpr@jpl.vsnl.net.in

CORRECTION

To clarify an error from last week's Weekly Trade News Digest in the article concerning Mercosur's tariff hike, please note that only Argentina and Brazil have raised tariffs by the stated three percent. Paraguay and Uruguay, Mercosur's other two members, have not raised tariffs. We apologize for any inconvenience this may have caused.

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