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### **BUSY SEASON AHEAD FOR WTO DISPUTE RESOLUTION BODY**

The WTO announced the formation of five new dispute resolution panels last week, bringing the number of active panels to 13, with more than 30 others in the works. The panels will take up the U.S. ban on shrimp imports, brought by Malaysia, Thailand and Pakistan, addressing whether the U.S. is imposing domestic environmental legislation on other countries. The resolution body will also consider a case brought by the U.S. over the EU's reclassification of Local Area Network (LAN) equipment as telecommunication equipment rather than computer equipment, resulting in an increased tariff from 3.5% to 7.5%. Hungarian export subsidies will be the subject of another case brought to the body by Australia, New Zealand and the U.S. Additionally, the body will rule on Turkey's 25% box office tax on foreign films shown there which the U.S. says breaks WTO non-discrimination rules. Finally, a WTO dispute panel will also be considering whether Argentina has imposed excessive duties on textiles, clothing, and footwear as the U.S. contends.

The WTO Dispute Resolution Body has been the organization's greatest asset in its efforts at proving itself to member countries. Over 75 cases have been brought to the WTO since its inception, proving, WTO officials believe, the organization's merit. It is indeed one of the better mechanisms offered by the WTO to give developing countries greater voice. These countries may feel like David to the industrialized Goliaths like the U.S., Japan, EU, and Canada during trade negotiations, yet they receive due recourse on trade conflicts within the dispute settlement body. Witness Costa Rica's dispute with the United States over import restrictions on underwear, in which it received a favorable ruling. WTO observers warn, however, that the WTO could become too bogged down in its mounting dispute caseload to remain effective.

"Ein Bundel neuer WTO-Handelszwiste," NZZ, February 26, 1997; "WTO: Sets Up Panel to Probe U.S. Shrimp Row," FINANCIAL TIMES, February 26, 1997; "A Geneve, les Pays du Tiers Monde Partent a L'assault du Commerce International," Journal de Geneve, February 26, 1997.

### **EU DEMANDS NEW TALKS ON TRAPPING**

The European Union Council agreed last week to demand fresh talks with Canada and Russia on the banning of leghold traps used in the trapping of animals for fur. This decision demands "improvements" be made to European Commission-negotiated agreements with Canada and Russia by no later than June and delays for a fourth time an EU conditional ban threatened on all imports of fur from any animals caught with leghold traps unless "humane" trapping practices are introduced. The European Union foreign ministers called on the European Commission to add teeth to the agreements, including shortening the phase-out period for use of the traps and instituting an arbitration system to address situations when countries fail to impose the ban on leghold traps.

Last week's developments raise the prospect of a trade war between the EU on one side and Canada and the U.S. on the other; U.S. negotiations with the EU are at a stalemate over the U.S. demand to use steel-jawed traps until an alternative can be found. Both Canada and the U.S. have promised that they will challenge an EU fur-import ban within the WTO. A European Commission spokesman said that the EU ministers were "extremely anxious" to avoid a conflict in the WTO, and thus have suspended imposition of the trade ban until as late as June. One EU official commented that the "Ministers supported the issue of animal rights. But equally many stressed the need for the EU to think about its trade obligations, particularly at this sensitive time with Helms-Burton."

One environmental source criticized the European Union Council's move, saying, "Who's going to take the EU seriously now that they've delayed the ban four times....There's no pressure on the U.S. to negotiate now." The current standards for the European Commission agreements between the EU and Canada, Russia and the U.S. include a ban on non-padded restraining leghold traps within four years; the testing of padded and aquatic traps to be tested for five years; and the ban of killing traps that require over five minutes to kill their intended prey. Kenneth Collins, Chairman of the Parliament's Environment, Public Health and Consumer Protection Committee, criticized the Commission saying that "This is not just about trade. The Commission cannot allow principle to be subsumed in a desire to placate trading partners...Our Commission must stop being the representative of the WTO in Europe and must start being the mouthpiece of the EU in the WTO."

"EU Parliament Condemns Trapping Talks, Demands Implementation of Fur Import Ban," INTERNATIONAL TRADE REPORTER, February 26, 1997; "EU States Delay Fur Ban for Fourth Time," INSIDE U.S. TRADE, February 28, 1997; "EU Ministers Demand Fresh Talks on Traps," FINANCIAL TIMES, February 25, 1997.

### **"ASIAN G-6" TO BE LAUNCHED**

Australia, China, Hong Kong, Japan, Singapore and the U.S. are set to meet March 4 to launch the Six Markets Group. Otherwise known as the "Asian G-6," the group is intended to be a counterpart to the G-7 bloc of industrialized powers, which includes Canada, Britain, France Germany, Italy, Japan and the United States. Towards that end, the Asian G-6 will include members' central banks and focus on macroeconomic policies and supervision of exchange rates and financial markets. As major financial centers, the Asian G-6 has access to significant capital, which positions the group as an appropriate body to respond in financial crises like the 1994 Mexican peso collapse.

Widening the membership of the G-7 to include Asian powerhouses had been proposed within the G-7 organization, but faced opposition and did not move forward. The U.S. has aligned itself with the Six Markets Group in an effort to strengthen ties with the economic powers of the region. The U.S. wants to keep the region closely aligned with U.S. economic interests and provide access to quick capital lest the

nations look to Europe for money and the U.S. lose out on preferred access to lucrative markets. Of significant interest to the U.S. is Hong Kong, where the U.S. estimates its direct investment to be \$13.8 billion. U.S. membership in the Asian G-6 is also an effort to ensure that Hong Kong's central bank equivalent (Hong Kong Monetary Authority), with reserves estimated at \$70 billion, remains independent of Beijing after the territory reverts back to China in July. China is hoping the Asian G-6 will fulfill its image of itself as the "central country" in the region and beyond. Critics argue that China and the United States are underestimating the power of Japan, which envisioned an Asian G-6-like economic community years ago. The result of that vision has seen an elaborate Japanese corporate network of suppliers and production sites throughout the region. One regional observer notes that "A de facto greater Japan already exists consisting of Southeast Asia, Taiwan, Korea, South Asia, and, pointedly, China and the Americas, including the United States. Australia is looking to Asian G-6 membership to improve relations with its neighbors, and to assert its identity as an Asian country. It will be looking to develop its export markets and seeking to fill specialized labor needs in some of its sectors.

"Zusammenschluss Asiatisch-Pazifischer Lander," FRANKFURTER ALLGEMEINE ZEITUNG, February 25, 1997; "Asians, U.S. To Try Their Own G-7," INTER PRESS SERVICE (TERRAVIVA), February 26, 1997.

#### **WORLD BANK THREATENS CHILEAN UTILITY LOAN OVER DAM PROJECT**

The World Bank's International Finance Corporation (IFC) may pull the plug on a \$150 million loan to Chile's largest private utility enterprise for its failure to meet the environmental conditions of the lending contract. The loan, given to the Chilean blue-chip company Endesa, is for its Pangué 450MW hydro-electric plant being built on the Bio-Bio river in southern Chile. The project has faced strong opposition from local and U.S. environmental groups because at least 50 small communities of Pehuenche Indians could be displaced by the flooding of the area. The IFC responded to these concerns by imposing conditions on the loan contract which required Endesa to set up a trust fund to help Indian families who would have to be resettled, and set terms to evaluate and minimize environmental impact.

In a letter from World Bank president James Wolfensohn to Chilean finance minister Eduardo Aninat, Mr. Wolfensohn says that Endesa has not complied with the loan conditions. The letter says the World Bank has spent several months trying to make progress on the "outstanding environmental and social issues concerning Pangué, but with little, if any, result...If Endesa continues on the course it seems to have chosen we are heading towards a conflict and we will have no choice but to declare Endesa in default." Mr. Wolfensohn also threatened to make public two presumably disparaging reports on the Pangué projects prepared at the urging of environmental lobbies. The World Bank addressed the February 6 letter to Mr. Aninat in an indirect effort to have the Chilean government put pressure on the company. The IFC reported that some progress is being made with the company since that time and more meetings are expected.

"Chile: Utility Risks Loan Default in Environment Row," FINANCIAL TIMES, February 21, 1997.

#### **NEW WTO STAFF ASSIGNMENTS**

The World Trade Organization Secretariat has confirmed a number of important new staff appointments, including a new director for the Committee on Trade and Environment, Technical Barriers to Trade and Labour issues, Gary SAMPSON; a new director for the Committee on Trade and Development; Richard EGLIN; and a new director for the Technical Cooperation Unit, Jan-Eirik SORENSEN. All new posts are effective as of Monday, March 3, 1997.

## HOSTAGES FREED IN ECUADOR

After reaching a settlement in a development dispute with an Argentinean oil company, Indians of the Ashuar tribe released hostages last weekend. The Ashuar had taken two General de Combustibles scientists hostage, demanding that the company halt production plans in their region. An agreement was reached after the company agreed to discontinue production.

"2 To Be Freed In Ecuador," NEW YORK TIMES, February 22, 1997.

## EVENTS/RESOURCES

A conference on "The Impact of the WTO on International Trade" will be held April 25, 1997 at the Parliament Chamber, Inner Temple, London. Sponsored by the Institute for Advanced Legal Studies, the conference will include sessions on environmental trade barriers, intellectual property, and the WTO dispute settlement mechanism. For info contact Cameron May, Ltd., 69-71 Bondway, London SW8 1SQ, UK. +44/171/582/7567; Fax: +44/171/793/8353; email: 100615.1547@compuserve.com.

Online Seminar with Prof. Herman Daly: March 17, 1997, to discuss his book BEYOND GROWTH: The Economics of Sustainable Development (Beacon Press, 1996). To participate send an e-mail message before March 17 to LISTPROC@csf.colorado.edu and in the body of the message say "sub isee-daly yourfirstname yourlastname." For more information, contact Douglas Hinrichs, Executive Director, International Society for Ecological Economics, email hinrichs@cbl.cees.edu.

A conference on "The Future of the Environment at the World Trade Organization" will be held in Washington DC on March 7, 1997. This event is sponsored by the National Wildlife Federation, the Berkeley Roundtable on International Economy, and the Nautilus Institute for Security and Sustainable Development. For more info contact Atziri Ibanez at ibanez@nwf.org or call 202-797-6669.

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