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CHINA WTO ACCESSION TALKS

Conflicting opinions emerged last week as to when China's accession to the WTO will actually happen. After last week's working party on China's accession in Geneva, European Union Commissioner Leon Britton predicted that "If all sides muster sufficient political will, the terms of China's accession could be agreed by the end of the year." Meanwhile, Jim Sasser, the U.S. Ambassador to China, said last week that he would "not bet the ranch that a WTO agreement will be concluded this year." Most officials agree that last week's working party made significant progress on the language of the draft protocol for the rules of China's accession, but there was little movement around detailed market access concessions. Many of the key issues regarding how China will implement the commitments it makes in the protocol remain unresolved.

China presented a 117-page document to the WTO last week, outlining its WTO entry proposal. Included in the proposal is China's plan to remove all of its remaining import quotas within 12 years of its entry in to the WTO: Japan and other industrialized nations argue that period is too long. Quotas on textiles and sugar would be removed immediately upon entry. However, there was no sign of change in areas like trading rights for foreign companies and access to Chinese markets for foreign services such as banks and insurance companies.

China is looking to membership in the WTO to ensure access to markets for industries including electronics, telecommunications and aircraft, where it has made little secret of its ambitions of being the world's leading competitor. According to an U.S. official, China knows "that to play in the global economy, the world demands that they open up their own. But they also know how quickly the market eats into their control." China has agreed, in writing, to implement the Trade Related Intellectual Property Rights agreement immediately upon accession, which has trade officials encouraged. China has also indicated it is willing to eliminate export performance requirements by 1999.

The next working party meeting is scheduled for May 21 and 24 in Geneva. Balance of payments, safeguards, transitional review mechanisms and price comparability are the issues to be taken up at that time.

"China WTO Group Develops New Protocol But Moves Little on Market Access;" "Sasser Says China WTO Accession Unlikely This Year, Possible in 1998," INSIDE U.S. TRADE, March 6, 1997; "China Eyes Lifting All Import Quotas in 12 Years," KYODO NEWS INTERNATIONAL, March 5, 1997; "Big Push Set for China Entry to World Trade Body," REUTER, March 3, 1997; "On First Test After Deng, China Faces Lions of Trade," INTERNATIONAL HERALD TRIBUNE, March 3, 1997.

WORLD BANK CONSIDERS ITS FUTURE

World Bank president James Wolfensohn has proposed a "comprehensive program of renewal" for the institution, as the World Bank tries to assert itself as the "premier global development institution." Cutting administration costs and moving more authority out of its Washington, D.C. offices into countries where the bank makes its loans, the World Bank is looking to forge ahead into the next century as a source of development and social expertise in addition to being a money lender. The Bank's proposed reforms have raised larger questions about what development economics, and development mechanisms like the World Bank, should be working to achieve.

The 1980s saw the boom of market-based development, when the World Bank worked to develop economies through freer markets, offering loans to countries in return for market-oriented reforms. One result of this approach has been the rise in private investment in emerging markets, now far outpacing aid amounts by over \$150 billion a year. However, some countries, most notably in Africa, continue to fail to attract any registerable levels of private investment. The difference between countries which attract healthy levels of private investment and those stalled in slow-growth, or no growth, economies, are the levels of institutional development in place to support private investment. Recent economic research shows a correlation between slow economic growth and countries with weakly enforced property rights, corrupt governments, and an unreliable rule of law.

Critics charge that for all its bold language about reform, the World Bank has not made institution building the top priority in its proposed make-over, jeopardizing any long-term effectiveness of the organization. Development institutions, they charge, must make their first priority building up property rights and strong legal systems that are now weak or non-existent in many countries. Further, independent central banks need to be developed to handle monetary policy, rather than by politicians looking to reelection. Only when stable legal and financial institutions are in place will poor countries attract the private investment essential to economic growth and development. Towards this end, the World Bank should be more strict about not lending to countries which lack adequate legal and financial institutions, and should be ready to lend their expertise to building stronger ones where needed.

The World Bank has had success in its cooperative efforts with the European Commission in Ethiopia, Mozambique, and the Ivory Coast, where their coordinated efforts focusing on alleviating poverty and developing private investment have shown encouraging results. The two organizations are planning further cooperation in sub-Saharan Africa, where their organizations account for 70% of all aid in the region. Through coordinated operations, the World Bank and the European Commission are developing a strategy focusing on debt reduction and economic reform, as well as working to build the stable social institutions necessary to long-term development.

"Time to Role Out a New Model," THE ECONOMIST, March 1, 1997; "UE/Afrique: La Commission Europeenne et la Banque Mondiale Ont Choise Trois Pays Pilotes (Ethiopie, Mozambique, Cote D'Ivoire) Pour Leur Cooperation au Developement- Orientations et Methods," AGENCE EUROPE, February 27, 1997.

COLOMBIA FACES ENVIRONMENTAL CHALLENGES FROM OIL, AGRICULTURE

Uncontrolled agricultural colonization, illegal drug cultivation and oil exploitation in the Amazon region have led to deforestation, depletion of natural resources and contamination of soils, air and water, a February Environment Ministry report says. The Colombian agency reports that 50,000 hectares (123,500 acres) are lost every year to the cultivation of cocoa for cocaine. An additional 70,000 hectares (app. 175,000 acres) of forest a year are lost to agricultural colonization through the irreversible expansion of the agricultural frontier, utilizing non-sustainable agricultural and cattle rearing practices. The report estimates that 93 per cent of the deforested area is dedicated to non-sustainable cattle-rearing activities, which is affecting the jungle ecosystems. Petroleum prospecting and exploitation has led to the opening of access routes, the use of explosives, land clearing and the use of pesticides in the region. "Likewise," the report says, "the permanent burning of gas in the exploitations releases high concentrations of sulfuric anhydrides, carbon monoxide, and carbonic anhydrides, which severely contaminate the air and lead to migrations of insects, birds, and other animals." The report recommends a number of reclamation projects for the region, including grants to communities for sustainable agriculture, reclamation plans for river basins, and the substitution of narcotics with legal cultivations through government subsidies to small farmers.

"Amazon Environment Analysis Cites Problems From Oil Exploitation, Agricultural Practices,"
INTERNATIONAL ENVIRONMENT REPORTER (BNA), March 5, 1997.

UNCTAD SPEAKS OUT ON NEXT ROUND OF TRADE TALKS

The United Nations Conference on Trade and Development (UNCTAD) hopes to be a catalyst in the next round of trade negotiations. UNCTAD Secretary-General Rubens Ricupero said last week that UNCTAD looks to develop a positive agenda with regional and subregional organizations and institutions of the South. The agenda, Ricupero says, must take into account the increasing degree of divergence among developing countries, and also consider unfinished business left over from the Tokyo and Uruguay Rounds, e.g. tariff escalation. Ricupero noted that the newly successful sector-specific approach to multilateral agreements necessitates that developing countries be better prepared to negotiate in their interests. The Information Technology Pact, he said, was driven by an understanding by the four quad members (Canada, EU, Japan, and the U.S.). Except for a handful of Asian developing countries, the rest of the developing world with no export capabilities will see no benefit gained from export trade. Ricupero says that developing countries lacking national or international institutions need help to better prepare for future sector-specific talks. UNCTAD will work with developing countries to develop an agenda which seeks to make a contribution to the liberalization of trade, but from a development point of view.

"South Needs Positive Trade Liberalization Agenda," SUNS, March 4, 1997.

U.S. MANUFACTURERS HIT TRADE SANCTIONS

The National Association of Manufacturers (NAM) last week issued a call to the Clinton Administration to curb the tide of unilateral trade sanctions being used for foreign policy purposes. Saying that such sanctions have an "enormous" negative impact on trade and jobs, NAM President Jerry Jasinowski announced the release of a report detailing the use of unilateral trade sanctions over the past four years. Jasinowski added that while trade sanctions, like Helms-Burton or Massachusetts' "Burma Law," "make people feel good," they don't work. "Unilateral sanctions are little more than postage stamps we [the

U.S.] send to other countries at the cost of thousands of American jobs," charged Jasinowski. The NAM report states that the U.S. has introduced 61 laws or executive orders over the last four years against 35 different countries, including Canada and Mexico. NAM estimates that the sanctions targeted 2.3 billion people, or 42% of the world's population.

The NAM report outlines a four-step process to better address the behavior of trading partners. First, the U.S. government should pursue "diplomatic isolation" wherein the U.S. would "publicly warn about the nature of the offensive behavior and that the U.S. is considering retaliatory action." Next, the U.S. would bring the issue to "like minded allies" in bilateral, regional or multilateral forums. Third, NAM suggests that the U.S. could take "limited counter measures" like travel restrictions for officials from offending governments, or the scaling back of scientific, educational and cultural exchanges. As a final resort, the U.S. should consider sanctions only if a written proposal clearly shows that the sanction is likely to achieve its objective, that other means will not meet the goal, that the goods and services involved are not likely to be provided by other countries, and that the sanctions can be effectively enforced.

The report, "A Catalog of New U.S. Sanctions for Foreign Policy Purposes 1993-96," may be ordered from the NAM Publications Center, 1331 Pennsylvania Avenue NW, Washington, D.C. 20004-1790 USA, for \$50(U.S.). "Unilateral Sanctions Target \$790 Billion Potential Export Market A Year, Study Finds," INTERNATIONAL TRADE REPORTER (BNA), March 5, 1997; "NAM Calls for Stringent Conditions on Use of Unilateral Sanctions," INSIDE U.S. TRADE, March 6, 1997.

EU BIOTECHNOLOGY LEGISLATION TAKES ON NEW URGENCY

In the wake of "Dolly," the sheep successfully cloned in Scotland, EU ministers are taking a second shot at a law on patent protection for biotechnological inventions involving life forms. The EU Parliament rejected an earlier version in 1995, for fear that it could open the way for the patenting of human genes. The current proposed legislation bars patent protection for body parts and "germ-line gene therapy." In addition, the law will require that suffering or physical handicaps inflicted on animals must be taken into consideration, and must be "in proportion" to the benefits derived from the invention.

"As Science Races Forward, Lawmakers Try to Catch Up," WALL STREET JOURNAL EUROPE, March 4, 1997.

EVENTS/RESOURCES

A Bridge to The Global Economy: What Are the Rules and Who Writes Them?—A conference sponsored by the Economic Strategy Institute, April 16-17, 1997, in Washington, D.C. For information contact Ms. Tracey James, Economic Strategy Institute, 1401 "H" Street NW, Suite 750, Washington, DC, 20005 USA. Ph: 01/202/289/1288; Fax: 01/202/289/1319; Homepage: <http://www.econstrat.com/econstrat>.

Globalization of the Food Industry: Policy Implications—A seminar sponsored by the European Association of Agricultural Economists, September 18-19, 1997, at the University of Reading, UK. For more information contact Dr. Rupert Loader, Center for Food Economics Research, Department of Agricultural and Food Economics, PO Box 237, Reading RG6 6AR, UK. Phone: 44/0/118/931/8966; fax: 44/0/118/975/6467; email: rupert.loader@rdg.ac.uk.

Applying Trade Rules to Timber Ecolabeling: A Review of Timber Ecolabeling and the WTO Agreement on Technical Barriers to Trade—A discussion paper from the Center for International Environmental Law. To acquire a copy contact the Center for International Environmental Law, 1621 Connecticut Avenue NW, Suite 200, Washington, D.C. 20009-1052 USA. Ph: +01//202/332/4840; Fax: 01/202/332/4865; email: <<ddownes@igc.apc.org>>.

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