

# *B R I D G E S*

## *Weekly News Digest*

International Centre for Trade and Sustainable Development

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### **Telecoms Pact Far Reaching**

The World Trade Organization seems to be one of the big winners with the recent conclusion of the telecoms pact. The WTO has won some much needed credibility as the leading trade institution. Many analysts believe that the agreement will result in cheaper long distance rates, and that, as a consequence of competition, access to better technology will lead to lower prices and higher volumes of calls. As to what the real benefit will be to consumers, some critics say that at least 40 per cent of the estimated savings will be made in enhanced telephone services such as call-waiting and caller identification. Thus most of the savings will go to business users, not households, because they are able to negotiate volume discounts. The seven African nations that signed the pact — Cote d'Ivoire, Ghana, Mauritius, Morocco, Senegal, South Africa and Tunisia, are likely to benefit from increased foreign investment and improved telecommunications services. Ghana is said to have made the most radical offer of the seven African signers, allowing 100% foreign ownership of telecommunications services and provisions for national treatment for foreign competitors.

In other telecoms news last week, the U.S. announced it is delaying granting licenses to two Japanese telecoms firms. The FCC told Japan's largest telecoms carrier, NTT, and largest international operator, KDD, that their U.S. business plans will not be granted fast-track approval (which would mean that licenses would be granted within 35 days) due to opposition from three U.S. executive branches, namely, the Commerce and State Departments and the U.S. Trade Representative. Instead, the telecoms giants' plans will be subject to comments from interested parties, extending the process for possible granting of licenses to as long as six months. The three executive branch agencies are unhappy with Japan's plan for telecoms

deregulation, splitting NTT into three companies, and dissatisfied with NTT and KDD procurement practices. U.S. Trade Representative Charlene Barshefsky said last week that "We're concerned again that there is not sufficient access with respect to NTT procurement, and those procurements are not sufficiently transparent." An FCC source dismissed speculation that the delay is actually a sanction against Japan for rejecting a U.S. proposal during telecoms negotiations to remove Japanese rules limiting foreign equity ownership of NTT and KDD to less than 20 per cent.

"WTO Telecom Accord To Benefit Participating African Nations," USIS GENEVA DAILY BULLETIN, March 6, 1997; "U.S. Targets NTT Purchases By Delaying Licenses," KYODO NEWS INTERNATIONAL, March 12, 1997; "U.S. Rebuffs Japanese on Telecoms," FINANCIAL TIMES, March 13, 1997; "Who Stands To Win Deregulation Payoff," INTERNATIONAL HERALD TRIBUNE, March 13, 1997.

### **NAFTA Expansion in Trouble**

Expanding NAFTA to include Chile faces a tough time in the U.S. Congress this spring. A bipartisan group of legislators have introduced the NAFTA Accountability Act, which sets strict standards on labor and the environment, and requires the U.S. to renegotiate or withdraw from NAFTA if those standards are not met. "Before we expand the NAFTA, we have to fix it," said one of the bill's sponsors. They claim that NAFTA has failed to live up to its expectations for generating U.S. jobs, arguing that NAFTA has developed a Mexican low-wage export platform rather than a consumer market, which has cost 400,000 U.S. manufacturing jobs. Anti-NAFTA groups also complain that Mexico's refusal to enforce labor and environmental laws gives U.S. and

Asian companies incentives to relocate there. Recent drug corruption scandals in Mexico also have some U.S. lawmakers questioning NAFTA. "We ignore drug trafficking by Mexican government officials...as long as we can sell more McDonald's hamburgers," said a California congressman. Meanwhile, U.S. House Agriculture Committee Chair Bob Smith will be raising trade issues with Mexican leaders on an upcoming trip in an effort to build support for NAFTA. The congressman hopes the facts of NAFTA's performance will speak for themselves. "Every commodity which is in the dumps because of price [problems] is blaming NAFTA," he said, "In the long term, trade with Mexico...in many, many sectors is a benefit already."

"Congress Set To Slug It Out Over Plan To Expand NAFTA," JOURNAL OF COMMERCE, March 7, 1997; "House Agriculture Chair To Raise Trade Problems With Mexico, Canada," INSIDE U.S. TRADE, March 14, 1997; "Mexico's Drug Problems Are Also NAFTA's," BUSINESS WEEK, March 10, 1997.

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### **Venezuelan States Ban Imported Corn**

Three of Venezuela's key agricultural states have banned imported corn in support of local farmers who are unable to sell their higher priced corn crops on the domestic market. The cost of domestically produced sorghum is about US\$276 per ton, versus the mostly U.S. imported corn price of US\$200. Farmers have been ransacking trucks carrying imported corn into their region. The governor of Portuguesa said last week that "We want our domestic agricultural production to be used by the national processing industries, and we won't lift this ban until negotiations resume between the government, and producers and processors of grain." WTO experts have recommended raising the import tariffs on corn to resolve the situation.

Meanwhile, in the Philippines, the Manila government announced that "it is prepared to bring in imported corn at zero tariff," as it gears up to expand the hog and poultry export sectors. Philippines Agriculture Secretary Salvador Escudero III said the tariff,

currently at 35 -100 percent, could reach zero "if possible within this month." The Philippines is reducing the tariffs to bring production costs in the poultry and livestock sector down so the country can become a bigger player in the extremely price-sensitive global market.

"Venezuela Anger on Corn Imports," FINANCIAL TIMES, March 13, 1997; "Expertos de la OMC Recomendian Aumento de Aranceles Para Sorgo," EL NACIONAL, March 11, 1997; "Manila To Cut Corn Import Duty," JOURNAL OF COMMERCE, March 10, 1997.

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### **EU Chip Import Move Criticized**

The European Commission's decision to impose minimum prices on imports of dynamic random access memory (D-RAM) chips has satisfied no one in the industry. European manufacturers say the move does not go far enough to protect their vulnerable market for D-RAM chips. Computer makers are upset that they can no longer buy the cheapest available chips. Consumers will end up paying for the Commission's decision via higher prices for the mobile phones and computers in which the chips are used. European producers of D-RAM chips had asked the Commission to re-introduce anti-dumping duties on Japan and South Korean manufacturers of the chips, complaining that they were selling the chips in Europe at below European manufacturing costs in order to protect market share. The EU market for D-RAM chips is close to US\$6 billion, of which Japan and South Korea share 60 per cent.

"EU Move On Chip Imports Satisfies No One," REUTERS, March 10, 1997.

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### **ILO Set to Reinforce Labor Standards**

The Director-General of the International Labour Organization (ILO), Michel Hansenne, is hoping to have a new game plan in place by June which would give the ILO the authority necessary to ensure that the increased wealth generated by a surge in exports from emerging economies brings benefits to workers. At this time there is no direct link between ILO standards

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and trade sanctions. The ILO can presently respond to complaints of abuse of labor standards only when the country in question has signed the ILO convention on core labor standards. Hansenne wants an agreement allowing the ILO to investigate allegations whether the country has ratified the convention or not. While Chile, Jamaica, Jordan, South Korea, Poland, Switzerland and the United States have volunteered for a review of their performance in the core areas, some other countries in Asia and Africa are reluctant to go under the ILO microscope for fear that ILO criticism will make their economies vulnerable to boycotts and trade sanctions like those on the increase from cities and states in the U.S. The WTO agreed at Singapore not to address the controversial issue of trade and labor linkages, but, instead agreed to observe "internationally recognized core labor standards," recognizing that the ILO was the "competent body to deal with" such issues. "The ball is in our court," an ILO official said last week, "It would be a pity if we couldn't do something with it."

"ILO Plans New Bid To Boost Labour Standards,"  
REUTER, March 11, 1997.

### **U.S. Plans Free Trade Agreements with African Partners**

The Clinton Administration released "A Comprehensive Trade and Development Policy for the Countries of Africa" last month, which outlines the Administration's hopes to promote trade, investment, and increased development in Africa. The Clinton Administration's plan aims at "encouraging U.S. firms to play a more active role in the region." The report also expresses support for "Africa Growth and Opportunity: The End of Dependency Act," which is expected to be reintroduced in the House of Representatives next month. The bill calls for the negotiation of free trade agreements with African countries that take steps to reform their economies. The Administration hopes that the legislation will place "due priority on building and enhancing the partnership between U.S. and sub-Saharan African private sectors to spur economic growth and development in Africa and to expand U.S. trade with and investment in Africa." The Administration sees

price and investment liberalization as critical to sub-Saharan African development.

"White House Outlines Africa Trade and Development Stance," USIS GENEVA DAILY BULLETIN, March 10, 1997.

### **EU and U.S. Vie for Latin American Attention**

French President Jacques Chirac proposed a heads of state summit for 1998 in order to launch a new and ambitious alliance between the European Union and Latin America. The idea for this initiative was first put forward by Spanish President Jose Maria Aznar at the last Ibero-American Summit. President Chirac called for this summit as part of a speech in Brazil where he spoke about growing U.S. hegemony in Latin America and the need for new alliance to counter the United States. At the same time, U.S. President Clinton announced that the focus of his 1997 trade policy will be on countering Japanese and European penetration of Latin American markets. When releasing this annual report to Congress, entitled the "President's Trade Policy Agenda," U.S. Trade Representative Charlene Barshefsky said, "If we do not move aggressively to expand our strategic base, we can expect our competitors to move aggressively to undermine U.S. market share in critical Latin American and Asian markets." She went on to state that "Japan, China, Malaysia, Korea, and the European Union are all fighting to establish unique trade relationships in South America that could undermine U.S. export opportunities."

"U.S. Wary of Japan, EU in Latin American Market," Kyodo News International, March 6, 1997, "Chirac Propone en Brasilia una Cumbre de la UE y Latinamerica en 1998," El Pais, March 13, 1997.

### **Events/Resources**

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Rio +5 Forum March 13-19, 1997, being held in Rio de Janeiro, Brazil. Centered around release of the latest Earth Council report on sustainable development "From Agenda to Action." More information can be had at Earth Council, Consejo de la Tierra/Conseil de la Terre, Apartado 2323-1002,

San José, Costa Rica. Tel: +506-256-1611; fax: +506-255-2197. Email: earthnet@terra.ecouncil.ac.cr. There is also a website at [www.ecouncil.ac.cr](http://www.ecouncil.ac.cr) for more information on Earth Council and a live site for the Rio +5 Forum at [www.rio5.org.br](http://www.rio5.org.br)

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