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WTO BEEF HORMONES: U.S. AND EU BOTH CLAIM VICTORY

The WTO Appellate Body last week released its ruling on the EU ban on beef treated with growth hormones. The ruling upheld the key findings of an earlier WTO dispute panel, which stated that the EU ban is not based on adequate scientific evidence and so violates international trading rules. But the Appellate Body ruling did uphold the EU right to establish a scientifically-based level of consumer protection it considers appropriate and which may indeed be higher than existing international standards under Codex Alimentarius. This aspect of the finding has broader implications for sanitary and phyto-sanitary and other cases involving standards: it could make it more difficult for countries to challenge another countries' standard that may be higher than international standards.

Both the U.S. and EU claimed victory after the WTO finding was released. U.S. farmers estimate the beef ban costs them US\$250 million in lost exports annually: they welcomed the ruling as a hopeful sign the EU will open its market to hormone-treated beef. Lest U.S. farmers become too optimistic, the ruling is not a mandate for lifting the ban. The ruling found that the EU failed to provide an adequate risk analysis on how hormone-treated beef affects human health. Commenting on the ruling, one EU official said "The judgement has not fined us, not asked us to lift the ban, just asked us to provide a risk assessment, which we will do." Another EU source said the ban will stay in place while another risk assessment is performed.

The EU has until mid-March to decide how it will implement the ruling. If it chooses to forego a new risk-assessment yet maintain the ban, it could offer the U.S. compensation for lost export revenue. The U.S. is adamant that compensation is not a possibility.

"Appellate Body Report: Findings and Conclusions," WTO, January 16, 1998; "EU and US claim beef 'victory,'" FINANCIAL TIMES, January 16, 1998; "WTO ruling on EU hormone ban is a victory for European consumers," MIDDAY EXPRESS, January 16, 1998; "EU officials see win in WTO beef ruling;" "U.S. call WTO beef hormone ruling a clear win," REUTERS, January 15, 1998.

EU BANANA PROPOSAL STRIKES MORE CONTROVERSY

The European Commission last week approved a proposal for changing its banana import regime to comply with a September 1997 WTO ruling which found the European Union's current system in violation of international trading rules. The proposal calls for various changes in the current banana regime, including the addition of a further 353 000 tons of Latin American bananas at a duty of ECU 300/ton (over and above the present quota of 2.2 million tons at ECU 75/ton) to account for European enlargement; abolishing the present import licensing arrangements and replacing them with WTO-compatible policies; scrapping present allocation practices based on individual African, Caribbean and Pacific (ACP) countries and replacing them with tariff quota shares to all suppliers with a "substantial interest"; and adopting a proposal to provide technical and financial assistance of ECU 450 million over ten years to ACP countries adversely affected by the new regime.

The proposal has met with resistance on a number of fronts, primarily from the affected ACP countries and the U.S. Some EU states, namely Germany, might also oppose the projected changes. Stated Edwin Laurent, Ambassador of the Eastern Caribbean States to the European Union, "I don't know whether we will be able to stay in business, particularly if the money is linked to capital expenditure by governments rather than compensation to the individual grower." The Windward Islands in the Caribbean is particularly vulnerable to changes in the EU import regime, as its economy derives a majority of its revenue from banana production and the sector employs 40 percent of the working population.

The U.S. immediately criticized the proposal as unacceptable. U.S. trade negotiator Peter Scher said the proposal "continues to discriminate" against certain Latin American producers, and vowed that the U.S. will lobby EU member states to reject the Commission's proposal when the European Council meets later this month. Taking the case of Ecuador, Guatemala, Mexico and Honduras, the U.S. argued that the proposed tariff quota for Latin American countries "greatly restricts" access for those producers.

Importers in Germany are worried that the higher duties for Latin bananas will lead to price hikes and hurt competitiveness. This could lead to conflict at the EU Council meeting on January 20, since countries such as France, Spain and Portugal are wary of supporting a more liberal regime that could damage the economies of their old colonies. The issue of revising the current import licensing arrangement--whereby 30 percent of EU licenses to import cheaper Latin American bananas at discounted tariffs have been reserved for importers who also trade in ACP bananas--will likely prove the most challenging issue for EU members.

Not all parties are unhappy with the proposal, however. The world's largest banana producer, Ecuador, said that it could work with the EU proposal. "We're convinced that the EU wants to expedite the WTO decision," said Alfredo Pinoagarte, Ecuador's ambassador to the EU .

The WTO last year found the EU system of preferential licensing and quotas for ACP and banana imports from four Latin American countries discriminatory, in violation of global trading rules. The U.S., Ecuador, Honduras, Guatemala and Mexico brought the case to the WTO. The EU has until January 1, 1999 to comply with the ruling.

"L'Europe met son regime bananes en conformite avec L'OMC," JOURNAL DE GENEVE, January 16, 1998; "U.S. rejects new EU plan for banana regime as violating WTO rules," INSIDE U.S. TRADE, January 16, 1998; "Caribbean banana-producing nations focus on European Marketing," BLOOMBERG NEWS, January 12, 1998.

CAIRNS GROUP URGES WTO AGRICULTURAL TRADE TALKS

The Cairns Group of major agricultural exporting countries is gearing up for WTO talks on agricultural trade, set to begin next year. Ministers from the 16-country group will meet in April to formulate a strategy for the May WTO ministerial meeting in Geneva, where agricultural reform is expected to be a major topic for discussion. The Group hopes to extract from WTO members definite deadlines for phasing out export subsidies and domestic support programs. They will also seek to improve global market access via tariff reductions. The Cairns Group is comprised of Australia, Argentina, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, New Zealand, the Philippines, Thailand and Uruguay. According to a U.S. Agriculture Department Report, a number of WTO members--including the U.S.--are likely to call on the EU to eliminate some domestic farm support programs when WTO agriculture talks get underway. The report "Europe: International Agriculture and Trade," said that current EU proposals for reforming their Common Agricultural Policy (CAP) do not go far enough to reduce domestic government price support. "If these proposals reflect the EU's limits on reducing support," the report said, "there will likely be many WTO members who feel that these changes do not go far enough in terms of achieving greater liberalization."

Speaking at an annual farming conference, UK Agricultural Minister Jack Cunningham said that more aggressive reform to the CAP than has been proposed is necessary if Europe is to compete globally. Failure to adequately reform the CAP, Mr. Cunningham said, "Will not only put the EU in a defensive position in the WTO negotiations...it will also leave the EU facing a second, and possibly much more painful round of reform."

"Cairns Group steps up drive to liberalize food trade," BANGKOK POST, January 12, 1998; "United States may press EU to eliminate domestic farm support programs in WTO," INTERNATIONAL TRADE REPORTER, January 14, 1998; "Minister urges tougher farms reform for EU," FINANCIAL TIMES, January 7, 1998.

PACE OF U.S.TEXTILES QUOTA PHASE OUT UNDER FIRE

U.S. textile importers late last month expressed their displeasure with the pace of U.S. phase-outs on textile import quotas committed to under the Uruguay Round Agreement on Textiles and Clothing (ATC). "[The U.S. phase-out program] is not working. There's no liberalization," said Laura Jones, executive director of the U.S. Association of Importers of Textiles and Apparels. Ms. Jones pointed to the slow phase-out plan as the reason why import quotas on more than 15 textile categories were filled by mid-December 1997.

Leading importers from developing countries including China, Indonesia and Bangladesh are also unhappy with the U.S. phaseout plan, saying the U.S. left many marketable garments such as jeans and t-shirts until the very end of the 10-year phaseout period (2005). Officials at the U.S. Committee for the Implementation of Textile Agreements say they are fulfilling their ATC commitments, which include an annual increase in quotas. Ms. Jones says however that the increases in quotas agreed to under the ATC cannot keep pace with consumer demand for low-cost textile goods.

As of January 1, the U.S. eliminated quotas on baby apparel, handkerchiefs, down apparel, footwear, silk apparel, carpets and special purpose fabrics. U.S. importers say that baby apparel is the only category with significant market demand.

India announced at the beginning of the month the elimination of import restrictions on wool, denim, polyester fabrics, bed linen and other fabrics as part of its ATC commitment. Industry analysts say that

the decision could help spur growth in India's garment industry by making raw materials more widely available. Textiles account for about 30 percent of India's export earnings.

"Importers out of patience with US quota phaseout plan," JOURNAL OF COMMERCE, December 30, 1997;
"Textile import curbs lifted," FINANCIAL TIMES, January 3, 1998.

MAI FACES MORE GREEN CHALLENGES

Negotiators for the Multilateral Agreement on Investment (MAI) met last week in Paris hoping to assuage environmentalists' fears that the agreement intended to foster foreign investment could threaten the environment. The MAI, an accord sponsored by the Organization for Economic Cooperation and Development (OECD) is intended to remove obstacles to foreign investment for investors from the 29 OECD member countries.

Environmental groups as well as officials in several environmental ministries fear that the agreement will open the door for companies to sue governments over environmental legislation that hinders foreign investment. Further, environmentalists contend that existing voluntary OECD guidelines for good environmental behavior by multinationals are non-binding and will do little to protect the environment.

After months of pressure from environmental groups such as the World Wide Fund for Nature (WWF), MAI negotiators were to consider last week stronger environmental provisions to be included in the agreement. One proposal outlined a provision in which governments could impose any measures necessary to protect the environment as long as they did not discriminate against foreign investors. Negotiators may also address the thorny issue of investor compensation, or restriction thereof, in the event of expropriation of investments by governments on environmental grounds.

MAI negotiations are scheduled to conclude in April 1998.

"OECD bid to allay fears on environment;" "Green focus on multinationals," FINANCIAL TIMES, January 12, 1998.

'TEAM CANADA' AND BRAZIL ADVANCE TOWARDS MERCOSUR-CANADA DEAL

Brazilian President Fernando Henrique Cardoso and Canadian Prime Minister Jean Chretien reached an agreement Friday on how to resolve a dispute involving Brazilian allegations of Canadian aircraft subsidies. The accusations were a significant thorn in the side of the current 380- member Canadian trade mission to Latin America, and were the reason why South America's four-nation Mercosur customs union halted negotiations on a trade deal with the Canadian team.

Brazil is Canada's largest trading partner in Latin America, currently importing US\$1.5 billion in Canadian goods and services, and exporting US\$486 million to Canada.

The high-level conflict resolution--which involves both parties appointing a person to resolve the differences within 30 days--averts the possibility that Brazil will file a complaint against Canada at the WTO. The dispute surfaced in December, when Canada backed out of a US\$90 million order for 24 Super-Tucano planes manufactured by Brazil's formerly state-run aircraft company, Embraer, to be used to train NATO fighter pilots. Brazilian Foreign Relations Minister Luiz Felipe Lampreia claimed that the

cancellation was in reprisal to Embraer's recent sales successes, where it beat out Canadian competitor Bombardier for contracts from American and British airlines.

The agreement comes at a propitious time: Canada is midway through its four-country Latin American tour, having already visited Mexico and Argentina, and is gearing up for a four-day mission in Chile beginning Tuesday. Prime Minister Chretien emphasized that stronger ties with Brazil and other Mercosur members (Argentina, Paraguay and Uruguay) were essential to creation of a Free Trade Area of the Americas, for which a major boost to negotiations is planned as the main feature of the Americas Summit in Santiago in April.

"Canada wants aircraft row untied from Brazil trade talks," DOW JONES, January 15, 1998; "Canadian trade mission and Brazil reach trade accord," CONDE REPORT ON U.S.-MEXICO RELATIONS, January 19, 1998.

EGYPT APPEALS TO INDIA IN OPPOSITION TO LABOUR IN WTO

Egypt's minister of trade and supply, Mr. Ahmed Goweili, asked India last Wednesday to join with Egypt in opposing the introduction of labour standards in the WTO. In an address to the Federation of Indian Chambers of Commerce and Industry, Mr. Goweili said that labour standards might deter the development of the G-15 group of developing countries. "I fear that the issue of labour standards would be brought before the members of the WTO in a different form," said Goweili. "We are against standards set by the WTO. G-15 countries have to be careful in future and jointly fight such instances which also include rules like imposition of anti-dumping duties." According to sources at the WTO, the Egyptian minister was likely referring to anti-dumping duties based on lower labour costs which other WTO members might impose on developing countries.

However, despite the desire for commitment to core labour standards by the EU and the U.S., no such provisions exist or are presently being considered at the WTO. Members agreed at the 1996 Ministerial Conference in Singapore to exclude labour standards from the regulatory trade body, leaving it up to the International Labour Organization to set and deal with these standards. The declaration, signed by all WTO member countries, states that "We reject the use of labour standards for protectionist purposes, and agree that the comparative advantage of countries, particularly low-wage developing countries, must in no way be put into question."

Earlier in the day, Mr. Goweili signed a trade agreement with the Indian minister of Commerce, B. B. Ramaiah, to enhance trade between the two countries. Current Egypt-Indian trade volumes stand at US\$280 million.

"Egypt seeks India's help in fighting hostile norms," THE ECONOMIC TIMES (Mumbai), January 8, 1998; Singapore Ministerial Declaration, WTO, December 13, 1996.

APEC AGREEMENT MAY FURTHER THREATEN INDONESIAN FORESTS

Amidst continuing forest fires in the region, Indonesian logging companies are poised to step up forest extraction practices as a result of a November, 1997 APEC agreement to liberalize regional trade in forestry-related products. Though analysts say the export outlook is tempered somewhat by Asia's financial crisis, industry experts predict that the APEC decision--although still in its preliminary stages--will likely expand market access for Indonesian lumber exports. This would increase pressure on

Indonesia's 64 million hectares of natural forest and jungle. Yohanes Hardian, director of the Indonesian lumber firm Barito Pacific, foresees a switch by the forestry industry from reliance on natural forest to maximum use of monocultural plantation forests. "Gone are the days of receiving a natural gift," he said. "Now we should invest before gaining something."

After textiles and petroleum, forestry products rank third among Indonesia's foreign exchange earners. Up until now, the country's timber exports have been subject to high import taxes and tariffs at their destinations.

"Environment-Indonesia: Freer trade may quicken pace of logging," IPS, January 5, 1998.

EVENTS/RESOURCES

WTO Symposium of Non-Governmental Organizations (NGOs) on Trade, Environment and Sustainable Development, to be held at the WTO in Geneva, Switzerland, on Tuesday-Wednesday, 17-18 March 1998. Representatives from the private sector, research and academic institutes, environmental and development NGOs, as well as WTO Member governments, are being invited. For information contact: Division of Trade and Environment, tel: (41-22) 739 53 83; fax: (41-22) 739 56 20.

State of the World 1998: A Worldwatch Institute Report on Progress Toward a Sustainable Society. 15th annual report from the Worldwatch Institute. US\$13.95. To order contact Worldwatch Institute, 1776 Massachusetts Ave. NW, Washington, DC 20036 USA. Tel: 1 (202) 452-1999; fax: (202) 296-7365; email: wwpub@worldwatch.org

There is a new website hosted by the United Nations which will focus on UN activities on sustainable development relating to Agenda 21. It can be found at the following address:
<http://www.unsystem.org/agenda21>

WTO: January 19-21: Meeting of the Textiles Monitoring Body. For more information contact Mr. Jean-Pierre Lapalme, tel: (41-22) 739 21 20.; fax: 57 80. January 28: WTO Council for Trade in Services. Contact: A.- Hamid Mamdouh, tel: 54 35, fax: 57 71.

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