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INTEGRATING THE GLOBAL TRADE AND ENVIRONMENT AGENDAS

A major revitalization of work on trade and sustainable development was demanded by a broad range of participants taking part in three international meetings held in Geneva during the past two weeks. The meetings focused on closely-related agendas: the impact of trade liberalization on the environment, the governance of the global environmental and trade regimes, and the role and effect of the WTO in addressing transboundary environmental concerns.

In light of the continuing lack of a commensurate environmental forum to discuss the effects of trade on the environment, a policy dialogue co-hosted by three non-governmental organizations convened officials from the WTO, UNEP, UNCTAD, governments and civil society organizations to discuss opportunities for the establishment or use of mechanisms that could bring better management of this complex inter-action. The use of regional integration approaches as well as the creation of a Standing Committee on Trade and Environment as a forum where complex issues of global governance, trade and sustainable development could be discussed were supported by most participants. The Standing Conference would consist of stakeholders from civil society, inter-governmental organizations, governments and business. It will serve as a "switchboard mechanism" to identify appropriate homes for outstanding issues and would complement the work of the WTO on trade and environment.

The WTO's annual NGO Symposium also convened last week, recognized the need to ensure coherence between the trade and environmental agendas. WTO Director-General Renato Ruggiero said that globalization required the construction of a new international architecture to manage the linkages not only between trade and the environment but among all policies that spill over national borders. Despite an obviously growing awareness of the limits of the world trading system to address environmental and social concerns, the meeting made it clear that some issues will continue to be on the forefront of the debate. Specifically, participants felt that ways must be found to address: the need to safeguard the global commons, the environmental benefits and social consequences of subsidy removal, and issue of non-product-related processing and production methods. Insistent calls were made for increased transparency of the WTO and its dispute settlement mechanism.

Speaking at the Policing the Global Economy Conference organized by the Bellerive Foundation and GLOBE International, Sir Leon Brittan called for a high-level trade and environment meeting to "break the logjam which has prevented significant progress being made in this area up to now." The EU's trade commissioner also expressed his support for removing trade obstacles to environmental goods, services and technologies. Other participants highlighted the marginalization and social consequences engendered by globalization. The Chairmen's Statement released at the end of the three-day meeting urged WTO members at the May Ministerial Meeting to adopt a binding declaration "with the aim of urgently re-invigorating the political momentum so that progress can be made on the unresolved issues within the Committee on Trade and Environment." The speeches, as well as the debates and interventions from the floor, will be published as a contribution to the WTO Ministerial.

"A Standing Conference on Trade and Environment - a discussion paper by IUCN and IISD," 16 March 1998; "Report of the World Trade Organisation symposium of non-governmental organisations on trade, environment and sustainable development", SUSTAINABLE DEVELOPMENTS Vol. 12, No. 1; "WTO says eliminating subsidies would help protect the environment," BNA INTERNATIONAL TRADE REPORTER, March 25, 1998; "Don't demonize globalization, WTO chief warns," REUTERS, March 23, 1998; "Brittan calls to end logjam over environment issues," FINANCIAL TIMES, March 24, 1998; "Vif debat a Geneve autour des enjeux de la mondialisation," LE TEMPS, March 24, 1998; "Un commerce liberalise ne sert pas qu'aux riches," LE TEMPS, March 26, 1998; "Joint statement by the organizers of Bellerive/GLOBE International conference," GLOBE/BELLERIVE PRESS RELEASE, 25 March, 1998.

MINISTERS AGREE ON FINAL FTAA DECLARATION

Hemispheric trade ministers agreed March 19 on a blueprint for the Free Trade Area of the Americas (FTAA), talks for which will be launched at next month's heads of state Summit in Santiago, Chile. As agreed to at the 1994 Summit of the Americas, the FTAA would create a free trade zone from Alaska to Chile by 2005.

At their March 18-19 meeting in San José, Costa Rica, the Trade Ministers agreed to establish 9 negotiating groups, including Investment, Government Procurement, and Intellectual Property Rights. They also agreed to create a committee to address public participation whose governmental representatives will receive, analyze, and present for ministerial consideration input from all sectors of civil society, including business, labor, environmental and academic groups. In their Declaration of San José, Ministers stated, "We reaffirm our commitment to the principle of transparency of the negotiation process, to facilitate the constructive participation of the different sectors of society. We also reaffirm our commitment to the Belo Horizonte Ministerial Declaration and to paragraph 4 of the Singapore Ministerial Declaration of the WTO."

Ministers also agreed to have a separate negotiating group on agriculture, rather than incorporating agriculture into broader negotiating categories. According to Brazilian Foreign Minister, Luiz Felipe Lampreia, Mercosur wanted to establish "... a group where we could focus specifically on our particular interests so there is not a mixture between industrial and agricultural products, and that we could examine with much emphasis and interest agricultural products."

The initial structure for the negotiations will include the establishment of a Trade Negotiations Committee (TNC) at the Vice-ministerial level which will meet no less than twice a year. The responsibilities of the TNC will include guiding the work of the negotiating groups, setting the overall structure for the agreement, and ensuring full participation by all 34 countries. At its first meeting in

June of this year, the TNC will develop a work program for the negotiating groups in order to ensure that they begin their work no later than the 30th of September, 1998.

While governments were unable to agree to have interim trade agreements signed by 2000, they did agree to "Recommitting FTAA countries to make concrete progress by the year 2000. Specifically, Ministers called for agreements on business facilitation in such areas as customs procedures, professional services, and IPR by the turn of the century," according to U.S. Trade Representative Charlene Barshefsky.

"Final FTAA declaration falls short of at least two key U.S. demands," INSIDE US TRADE, March 23, 1998; "Barshefsky says early FTAA results must not hurt final agreement," INSIDE US TRADE, March 27, 1998; "Agriculture is focus of 2 sets of negotiations," JOURNAL OF COMMERCE, March 25, 1998; "ALCA entra en el gran juego," LA NACION (Costa Rica), March 23, 1998; ICTSD Internal Files.

AFRICA BILL PASSES U.S. HOUSE

The U.S. House of Representatives earlier this month passed the African Growth and Opportunity Act to promote trade and economic development in sub-Saharan Africa. The bill must now pass a vote in the Senate. There is strong opposition among senators to provisions within the House bill that would provide duty and quota free access for African textiles and apparel; opponents argue that such access will open the door for transshipment of Asian goods via African countries. U.S. Trade Representative Charlene Barshefsky last week acknowledged the uphill battle facing the bill, saying, "I do not think an Africa bill will emerge from the Senate unless these provisions are altered in some way."

Informed forces say the Senate will most likely not vote on the bill until June, as the momentum does not currently exist to overcome the strong opposition to the bill. Observers say that passage of some form of the Africa bill depends somewhat on how hard the Clinton Administration pushes for its passage upon returning from his current 11-day trip to Africa.

South African President Nelson Mandela, meeting with President Clinton in South Africa last week, spoke out against the Africa bill. He expressed the concern shared by other African countries that the bill is a mechanism to open African markets to U.S. interests, offering little in return for African economies. Mr. Mandela also stated that S. Africa would not be bullied by the U.S. into breaking its long-standing ties with Cuba, Libya and Iran.

In related news, Rosa Whitaker, newly-appointed U.S. Trade Representative to Africa, said the role of her position is to help build trade capacity in African countries in order for them to become full participants in the global trading system. "The role is to focus high-level attention on how we increase trade and investment with Africa and to assist Africa's integration into the international trade system. We plan to do that through the World Trade Organization and multilateral initiatives."

Boosting trade and investment must not be the extent of U.S. initiatives in Africa. Debt relief is the all-important third area requiring attention, as the world's poorest countries struggle to deal with over US\$200 billion in foreign debt.

To address the African debt burden, President Clinton this past weekend in Africa promised that the U.S. will contribute more funds to debt relief for African countries. Welcome news, but undoubtedly tied to economic reforms. The kind of reform the U.S. is after requires time that poor economies do not have.

For example, in the time it takes to implement reforms, the equivalent dollar value in interest on debt may accrue, nullifying the effects of debt-relief packages.

Increased exports will no doubt help increase revenues to assist in paying back debt; but the outlook for exports is clouded by the Asian financial crises. African countries worry that the crises will slow exports to Asia, which had been the largest growth market for African products. African exports will most likely face increased competition with cheap Asian products in third-country markets.

"Barshefsky says Africa bill will not pass senate without changes," INSIDE U.S. TRADE, March 27, 1998; "U.S. wants Africa to see best trade is fair trade," REUTERS, March 20, 1998; "Heavy burden of Africa's external debt," FINANCIAL TIMES, March 26, 1998; "L'Afrique victime de la crise asiatique?" LA TRIBUNE, March 24, 1998; "Mandela tells Clinton trade bill is unacceptable," REUTERS, March 29, 1998.

WTO-DSB MEETS: BANANAS, CAR POLICY IN SPOTLIGHT

The U.S., Mexico, Honduras, Guatemala, Ecuador and Panama (G-6) last week told the WTO Dispute Settlement Body (DSB) that proposed changes to the EU banana import regime remain inconsistent with global trading rules. The WTO ruled last year that the EU regime violated international trade rules, and gave the European Commission (EC) 15 months to implement reforms of its preferential treatment practices. The G-6 last week commented on the proposed changes, saying, "they have not given confidence that the proposal will result in a WTO-consistent regime." The G-6 expressed concern that the EC's proposed reforms maintain a discriminatory quota system against imports from their countries, and does not reveal EU plans for reform of its licensing system. The EC trade ambassador to the WTO, Roderick Abbott, responded by saying that the proposed reforms could not be judged until after they have been fully discussed and passed by the 15 EU member states. The EC agreed to implement reforms by January 1999.

Also at the WTO last week, a dispute panel found that Indonesia's national car policy violates international trade rules by discriminating against foreign automobile imports in favor of domestic products. The WTO report found that Indonesia's car policy violated the most-favored-nation provision under the General Agreement on Tariffs and Trade. Japan, the EU and U.S. brought the complaint to the WTO. Indonesia adopted its national car policy in 1996, granting complete tariff exemption to Pt Timor Putra Nasional, a company run by the son of Indonesia's President Suharto. The DSB is expected to adopt the ruling in May, although Indonesia previously agreed to dismantle the program as part of its IMF bailout package.

"US, Latin banana producers accuse EU of flouting its WTO obligations," AGENCE FRANCE-PRESSE, March 25, 1998; "U.S., Latin Americans press EU over banana imports," REUTERS, March 25, 1998; "WTO rules against Indonesia's car policy," KYODO NEWS INTERNATIONAL, March 26, 1998.

TRADE OFFICIALS TO MEET ON CHINA WTO BID

Trade negotiators from the U.S., Canada, Japan and the EU are to meet this week in Geneva with Chinese trade officials to discuss China's WTO accession bid. China is expected to present a detailed list of tariff cuts proposed as part of its bid package. The May WTO ministerial had at one time been the target date for Chinese accession; it is now highly unlikely that an agreement could be reached by then. Talks between China and WTO members have been frustrated by disagreements over market access to the Chinese economy.

Last week, Chinese Vice Premier Li Lanqing called for rapid accession to the WTO, saying, "It would be hard for the WTO to play its full role as a world organization without the participation of China." Mr. Li said also that China must be permitted to enter the WTO "as a developing country with all due obligations and corresponding rights" afforded developing countries within the WTO. Trading partners have argued that China should be admitted under terms adhered to by developed countries, which generally allow less time for the phasing-in of trade commitments.

"China will continue to seek WTO entry as a developing nation, vice premier says," INTERNATIONAL TRADE REPORTER, March 25, 1998; "Talks on China's WTO bid to be held in Geneva March 30," DOW JONES, March 27, 1998.

WORLD TRADE AVERTS ASIA CRISES' EFFECT IN 1997

The WTO last week reported that global trade volume grew by 9.5 percent in 1997, ahead of the seven percent initially forecast by WTO economists. A burst of economic performance in North America contributed to the higher-than-expected performance. The dollar value of trade grew at a slower pace, growing at only three percent in 1997, versus four percent in 1996. Growth in services exports grew by only two percent in dollar value in 1997 compared to a six percent increase in 1996. The decline in the value growth of trade is attributed to low inflation and the increased strength of the dollar against other currencies.

The outlook for 1998 remains uncertain as the impact of the Asian financial crises are assessed. Asia as a whole registered 11.5 export growth in 1997, versus 3.5 in 1996. Imports to Asia increased by only 5.5 percent in 1997, versus the average 10.5 percent during the period 1990-95.

The WTO report notes that despite Asia's strong growth in exports, fears that cheap Asian exports will flood industrialized countries' markets remain largely unfounded. No country outside Asia relies on any of the five countries most effected by the crises--Indonesia, Malaysia, the Philippines, South Korea, and Thailand--for more than 10 percent of imports or exports. The WTO report states that even a 20 percent increase in exports from those Asian economies "would not cause a significant problem in relation to the overall trade or current account [balance] for countries outside Asia."

Japan and China are the key countries to watch during 1998: the two countries' ability to absorb increased exports from southeast Asian nations will be a major factor in whether or not the Asian financial crises has a negative impact on trade in 1998. Japan imports 16.5 percent of exports from the five Asian economies most affected by the crises. However, Japan last year grew imports by only 2.5 percent, versus the 6.5 percent average growth for 1990-95. So far this year, imports for Japan and China have been sluggish.

In related news, the World Bank released a report on the Asia crises which placed blame on local governments, foreign investors and international institutions, including itself, for failing to anticipate Asia's economic crises. The World Bank report said that international institutions like itself "failed to adequately assess the region's economic vulnerabilities." The World Bank annual report on Global Development Finance, released last week, anticipated smaller flows of private capital flows to developing countries as a result of the Asian crises. Meanwhile, at a meeting on population and development in Bangkok organized by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and the United Nations Population Fund (UNFPA), UNFPA executive director Nafis

Sadik said that progress in population policies and improving reproductive health for women has met new challenges in light of the Asian economic crises, which threatens social spending in Asian countries.

"WTO report says trade growth in 1997 second largest increase in two decades," INTERNATIONAL TRADE REPORTER, March 25, 1998; "Commercio '97 da record," IL SOLE, March 24, 1998; "Geringer effekt der finanzkrise in sudostasien," NZZ, March 24, 1998; "World Bank accepts a share of blame for Asia crises," INTERNATIONAL HERALD TRIBUNE, March 25, 1998; "Developing countries may suffer private capital fall," FINANCIAL TIMES, March 25, 1998; "Asian crises may undercut progress, says UNFPA," TERRAVIVA, March 26, 1998.

PROPOSED CAP REFORM DOES NOT GO FAR ENOUGH, CRITICS SAY

European agricultural ministers are to meet this week to discuss proposed reforms to the Common Agricultural Policy (CAP). With WTO talks on agriculture looming, the EU must take measures to address trade barriers sure to be attacked by the U.S. and the Cairns Group of agricultural exporting nations. Further, as the EU considers expansion of its members to include agrarian economies such as Poland and Hungary, the need for CAP reform is highlighted. The cost of the CAP to EU economies has grown steadily, from US\$27 billion in 1990 to US\$42 billion in 1997, accounting for nearly a third of the EU budget. The increase is due in large part to the reunification of Germany.

The proposed reforms would reduce support prices for milk, cereals and beef, bringing prices for those commodities more in line with world prices. Price supports would be replaced with direct payments to farmers: the EU holds that such payments fall under the minimally trade distorting or "green box" category in the WTO. The proposed reforms also include so-called modulation provisions, limiting the amount of money large, corporate farms could receive in compensation payments. A European Commission spokesperson also noted that Eastern European countries might not be eligible for direct agricultural aid, thus affording more savings to the CAP.

Farm unions across Europe have protested the reforms as a threat to their livelihood. Still others criticize the plan as not going far enough to address serious flaws in the European agricultural model. The increase in direct payments in lieu of price supports would actually increase the CAP budget by 10 percent, critics charge. Further, opponents say that price supports have been largely inoperative since 1992, when the EU first cut price supports. The effect would be, critics argue, that the EU could claim that a large concession was made when it meets with WTO trading partners, even though the reform will have limited overall effect. Critics also charge that the modulation policy toward large farms does not go far enough to stop the now 80 percent of farmland from going to the richest 20 percent of farmers. This week's meeting of agriculture ministers will be the first round of discussions on CAP reform implementation targeted for 2000-01.

"European Union: farm reform," OXFORD ANALYTICA, March 26, 1998; "Europe's CAP charade," WALL STREET JOURNAL, March 25, 1998.

OECD'S MAI ADRIFT, AGAIN

Government sources last week said that the April ministerial meeting of the Organization for Economic Cooperation and Development (OECD) will not likely yield a new deadline for the completion of the Multilateral Agreement on Investment (MAI). Talks for the MAI have been underway for nearly three years, and were previously expected to conclude by the end of April. It has been known for some time

that the April deadline would come and go without an agreement; it now seems that ministers have agreed to continue negotiations without a deadline.

European officials pressed for a new agreement deadline during a negotiating session earlier this month but were met with strong resistance by the U.S., Canada and Mexico. Ministers will instead most likely schedule three or four negotiating sessions before the end of the year, and then possibly set a new deadline. European countries want to measure the U.S. commitment to the MAI by obtaining detailed plans for continued negotiations on the table. While the U.S. says it supports the MAI, it has so far refused to commit to specific timing.

The MAI is intended to harmonize international investment rules and to dismantle barriers to foreign investment. Critics of the OECD negotiations say the WTO is the more appropriate forum for MAI talks. Indeed, some look at this latest extension of the MAI deadline as a stalling tactic until talks can be transferred to the WTO. The WTO is more adept at brokering complicated agreements and has a dispute resolution process already in place, whereas OECD ministers have yet to agree on a dispute resolution framework. More significant, the OECD must try to sell developing economies on the virtues of joining an investment pact that they were not part of crafting. WTO talks on investment would include developing countries participation, where those economies have an ever-growing voice. A WTO agreement on investment is among a number of items under consideration for the WTO agenda over the next few years.

In related news, chair of the MAI negotiating group Franz Engering will step down after the April ministerial to devote more time to Dutch economic issues at The Hague.

"L'AMI se debat entre la vie et la mort," LA TRIBUNE, March 27, 1998; "OECD members likley to continue MAI talks without deadline," INSIDE U.S. TRADE, March 27, 1998; "New rules, old results," NEWSWEEK, March 30, 1998; "The sinking of the MAI," THE ECONOMIST, March 14, 1998.

OUTLOOK ON WTO AGENDA FOR 1998-99

Building on the momentum of the last year during which global agreements on financial services and telecommunications were concluded, trade ministers hope to forge a WTO agenda over the next year that will liberalize trade in other sectors. The 1998-99 WTO season will most likely focus on preparations for global talks on agriculture, the possibility of global talks on investment, and protecting against the spread of the Asian financial crises.

Whatever the agenda, it will be the EU driving it. The new chair of The WTO General Council, John Weekes, this month said the EU would take the leadership role in the next round of trade negotiations, while the U.S. decides what direction to take in international trade. EU trade commissioner Sir Leon Brittan has already proposed a so-called Millenium Round of global trade talks and recently put forward a proposal for bolstering free trade between the EU and U.S. The EU is very keen on a global agreement on investment, and is ready to defend the European Common Agricultural Policy in global talks on agriculture.

A global agreement on investment geared toward harmonizing international investment rules faces opposition from developing countries who want control of what kind of foreign investment occurs in their countries. An effort to reach a Multilateral Agreement on Investment through the Organization for

Economic Cooperation and Development (OECD) has all but failed (see related story in this issue). However, WTO investment talks would be more inclusive in terms of countries represented.

The Cairns Group of agriculture exporting nations is expected to announce support for a Millennium Round when it meets this week in Sydney. The group is anxious to launch talks for a global accord on agriculture, which Cairns members hope will signal the end of direct export subsidies in WTO member economies. The Cairns Group comprises Argentina, Australia, Brazil, Canada, Chile, Columbia, Fiji, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand and Uruguay. As a group, the nations account for about 20 percent of global agricultural exports.

The WTO agenda in the coming year will also address the issue of electronic commerce. The EU and U.S. have agreed to work toward making business conducted on the Internet duty-free. The WTO will also address the issue of encryption.

"Global trade: WTO agenda for 1998-99," THE ECONOMIST INTELLIGENCE UNIT, March 20, 1998; "EU supplants U.S. in directing WTO agenda, Canada's Weekes says," INTERNATIONAL TRADE REPORTER, March 18, 1998; "Australia to push for "millennium round" in farm trade talks," AGENCE FRANCE-PRESSE.

EVENTS/RESOURCES

UNCTAD Expert Meeting on Existing Regional and Multilateral Investment Agreements and their Development Dimensions, 1-3 April 1998, Geneva. Contact: Office of the Secretary of the Board, UNCTAD, tel: (41-22) 917-4815; fax: 907-0056.

OECD Environment Committee at Ministerial Level, 2-3 April 1998, Paris. Contact: OECD, 2 rue Andre Pascal, 75775 Paris Cedex 16, France; tel:(33-1) 4524-8119; fax: (33-1) 4524-80076; e-mail: news.contact@oecd.org.

The NAFTA-COMMISSION ON ENVIRONMENTAL COOPERATION (CEC) Compliance Indicators Meeting will be held from 4 - 6 April 1998 in Mexico City, Mexico. For more information on both meetings contact: Linda Duncan, NAFTA-CEC, tel: +1 (514) 350-4334; e-mail: lduncan@ccemtl.org.

INTERNATIONAL SUSTAINABLE DEVELOPMENT RESEARCH CONFERENCE: This meeting will be held from 3 - 4 April 1998 in Leeds, UK. The conference seeks to bring together an international interdisciplinary audience to begin to tackle many of the issues connected with Sustainable Development; to share experiences and to begin to work towards solutions. By building informal partnerships and in offering opportunities to share ideas this conference seeks to move this complex debate forward. For more information contact ERP Environment; tel.: +44 0 1274-530408; fax: +44 0 1274-530409; e-mail: conference@weetwood.co.uk; Internet: <http://www.weetwood.co.uk>

NEW CONSUMER UNITY AND TRUST SOCIETY (CUTS) RESEARCH REPORTS: Basudeb Guha-Khasnobis: Tariff Escalation - A Tax on Sustainability; Phillip Evans: Trade, Labour, Global Competition and the Social Clause; and Ghayur Alam: TRIPs, Biotechnology and Global Competition. Reports are \$10/Rs.20 each. For more information, contact: CUTS/CITEE, D-218, Bhaskar Marg, Bani Park, Jaipur 302016, India; tel: (91-141) 202-940/202-968; fax: (91-141) 202-986/203-998; e-mail: CUTSJPR@JP1.VSNL.NET.IN.

NOUVEAU SITE WEB SUR LE DEVELOPPEMENT DURABLE/NEW FRANCOPHONE SUSTAINABLE DEVELOPMENT WEB SITE: An archive of a number of web sites in French related to sustainable development is now available at: <http://agora21.emse.fr/recherche/liste.html>

NEW WEB SITE ON CENTRAL AMERICAN ECONOMIC INTEGRATION: The Sistema de la Integración Centroamericana (SICA) has a site available for those interested in Central American regional economic developments and integration. <http://www.sicanet.org.sv> The site includes daily news in Spanish as well as the most recent documents, agreements, and meetings relating to Central American regional integration.

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