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### **FTAA TALKS LAUNCHED**

Hemispheric leaders met in Santiago, Chile this past weekend to launch talks for the Free Trade Area of the Americas (FTAA). Canada was tapped to lead the negotiations through infancy: a steering committee will meet in Argentina under Canadian leadership this June to begin forming negotiating teams and chairpersons. The first meeting of the nine -category negotiating teams will be held this September in Miami. The FTAA is intended to result in a free-trade zone extending from Alaska to Cape Horn by 2005.

Canada will chair negotiations for the first 18 months. Canadian Prime Minister Jean Chretien said Canada "will ensure that the rate of negotiations will be kept up." Mr. Chretien told the second Summit of the Americas that talks must also maintain focus on social issues in order "to show that trade is not our sole preoccupation."

Hemispheric leaders admitted they had fallen short on the social agenda since the first Summit of the Americas in 1994, where the idea for FTAA was born. Leaders closed the summit by announcing a four-part action plan that seeks to correct the lack of progress on social issues by targeting education, democracy, economic integration and the eradication of poverty. Towards this, leaders identified US\$45 billion in potential resources from the Inter-American Development Bank, World Bank and U.S. Agency for International Development. Ministers also agreed to multilateral efforts to curb trade in illicit drugs.

Heading into the summit, many Latin American leaders were mindful of the precarious U.S. position with regard to trade expansion. FTAA was a U.S. brainchild in 1994, yet four years later the U.S. president lacks the authority to negotiate seriously with trading partners via fast-track negotiating authority. Fast-track authority shelters negotiated trade agreements from the congressional amendment process. Noted Mexican author Carlos Fuentes commented on President Clinton's predicament, writing, "[Clinton's] current problem is owed to a Congress that is notably provincial and lacking international vision."

The U.S. is expected to lead FTAA talks yet must now follow the lead of Latin American economies which are increasingly responsible for setting the tone and pace of the negotiations while the U.S. regroupes. Without fast-track, the U.S. has been unable to successfully press for its "early harvest" of trade liberalization by 2000, and instead has had to accept "business facilitation" steps by that date. This suits Brazil, the Americas' third largest economy, fine: it wants time to get its domestic economy in order before full-out free trade gets underway.

Further, the U.S. has seemingly stood still in its trade relations with Latin America since 1994. At the first Summit of the Americas it vowed to extend the North American Free Trade Agreement (NAFTA) to include Chile. To date, the U.S. has not been able to build domestic support for this expansion. Meanwhile, Chile has come into its own as an economy, forging alliances with South America's trading power, the Southern Cone Common Market (MERCOSUR), which comprises Brazil, Argentina, Paraguay and Uruguay. "We have shown we are moving ahead," Chilean President Eduardo Frei said. "Whoever is not willing to join, it is their problem." President Clinton told hemispheric leaders this past weekend that obtaining fast-track authority remains an administration priority for the next year.

"FTAA launched, aimed at hemispheric integration," JOURNAL OF COMMERCE, April 20, 1998; "America del Sur reafirma voluntad de encarar el ALCA en bloque," EL COMERCIO (Peru), April 16, 1998; "The road from Santiago," THE ECONOMIST, April 13, 1998; "Latin America questions U.S. trade commitment;" "Free trade with U.S. poses risks for Latin America," REUTERS, April 15, 1998; "Bridge Treaty: Central America horizons widen," FINANCIAL TIMES, April 16, 1998.

## **REGIONAL AGREEMENTS THREATEN GLOBALIZATION'S THUNDER**

WTO Director General Renato Ruggiero last week warned against the proliferation of regional trade agreements as a threat to the primacy of the multilateral trading system. "[In] a world where the reality of global integration is calling for global solutions, regionalism cannot provide an alternative to the multilateral system," Mr. Ruggiero told a conference of the Institute for International Economics on April 15. Mr. Ruggiero further warned of "the adverse impact of a complex web of different regional and multilateral rules, especially the potential for competing dispute settlement procedures."

Marking her respective territory, U.S. Trade Representative Charlene Barshefsky also warned against the proliferation of regional trade agreements, ironically in the context of a major regional trade agreement. Ms. Barshefsky spoke on the eve of the second Summit of the Americas, where talks for a hemispheric Free Trade Area of the Americas (FTAA) were to be launched this past weekend (see related story, this issue). "What you see in our hemisphere," Ms. Barshefsky said, "is an acceleration in subregional integration--that is, in countries integrating with each other around the United States, not with the United States. We do want to ensure that the United States remains at the center, as the center of a constellation of trading relationships. The FTAA launch helps us reassert that central role, but the acceleration of subregional integration is something I think we have to look at very carefully."

Meanwhile, to counter the small-economy disadvantages in trade talks, Peru and Ecuador hope their collective bargaining power as part of the Andean Pact will yield favorable outcomes. Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic last week followed suit, signing a sub-regional free trade agreement designed to give a greater voice to issues of concern to smaller economies. The five countries intend to extend the agreement to include the Caribbean Community (CARICOM).

Also last week, both Mr. Ruggiero and Ms. Barshefsky called for more transparency in the WTO dispute settlement process. Mr. Ruggiero expressed frustration over WTO panel decisions being leaked to the public by interested parties while still confidential under WTO rules. Mr. Ruggiero noted that "[The] WTO is prevented--by the rules to which member countries have agreed--from providing the full details of cases until the process is complete, by which time opinions and political impressions are formed and

it is too late to correct mistaken impressions." Mr. Ruggiero suggested that moving to one panel report could enhance the system.

Ms. Barshefsky went further into the transparency discussion, calling for the now-closed proceedings to be open to the public. "There is no reason the interested public should be excluded from observing dispute settlement proceedings or filing amicus briefs. Public input is very valuable to us in all our WTO litigation. Likewise secretiveness breeds distrust," she said.

""WTO: Chief warns on trade groups," FINANCIAL TIMES, April 16, 1998; "Barshefsky, Ruggiero seek boost in transparency of WTO process;" "Barshefsky says she's concerned about subregional integration that excludes U.S.," INTERNATIONAL TRADE REPORTER, April 15, 1998.

### **MAI DEADLINE TO PASS, FACES UNCERTAIN FUTURE**

Ministers to the Organization for Economic Cooperation and Development (OECD) are set to meet April 28-29 in Paris, at which time a deadline for reaching agreement on a Multilateral Agreement on Investment (MAI) will pass with no agreement reached. It is expected that MAI-related discussion at the ministerial will be limited to acknowledging progress made on the talks, while avoiding setting a new deadline for completion. The EU has put pressure on the U.S. to commit to a deadline, which the U.S. has continued to sidestep. European officials want to at least agree on a formal workplan for the next year as a way of securing high-level participation by the U.S. Sources say May 1999 is an "implicit" deadline for reaching an agreement within the OECD. A U.S. state department official last week acknowledged that the U.S. and other OECD countries will need more time to overcome differences in areas such as investment and trade with U.S.-designated rogue nations.

Also at the April ministerial, OECD ministers are expected to announce their intention to offer Asian economies technical and analytical assistance to facilitate economic recovery in that region.

"OECD ministerial to highlight moves on Asian crises, investment pact," INSIDE U.S. TRADE, April 10, 1998; "AMI: le denouement repousse," LE FIGARO, APRIL 16, 1998.

### **G-24 CALLS ON IMF TO SPEED UP DEBT RELIEF**

The Group of 24 (G-24) developing economies last week called on the IMF, World Bank and G-7 to hasten the pace of debt relief for poor nations. In a communiqué, the G-24 expressed "deep concern" that official development assistance (ODA) from the world's richest countries fell to 0.25 percent of gross national product (GNP) in 1996, the lowest level in three decades. The Group said the decline in ODA further frustrates poor countries' efforts to fight poverty. The G-24 called on the international donor community to achieve the goal of 0.7 percent of GNP to be allocated towards ODA.

The Group also expressed the need for flexibility with respect to the Heavily Indebted Poor Countries (HIPC) Initiative. The IMF and the World Bank introduced the Initiative in 1996 to help alleviate debt in the world's poorest countries. G-24 ministers urged that more countries be included in the initiative, and further called for "permanent, creative and timely solutions to the debt program, within the context of an equitable burden-sharing arrangement." The HIPC Initiative has been criticized for taking too long to provide debt relief while waiting for reform programs to get underway in indebted countries.

The G-24 also called for a task force comprised of ministers from both developed and developing nations to review a wide range of issues. These include the capacity for international institutions such as the IMF to respond effectively to crises brought on by large-scale movements of capital and the strengthening of social safety nets as part of economic stabilization programs to protect the most vulnerable population segments. The G-24 advised that the task force should also examine the need for increased participation by developing countries at the decision-making level in international financial institutions in order to properly reflect developing countries' increasingly important role in the world economy.

"Communiqué of Group of 24," INTERNATIONAL MONETARY FUND, April 15, 1998; "G-24 seeks debt relief, aid review," ECONOMIC TIMES, April 16, 1998.

### **IMF MEETINGS FOCUS ON ASIA, REFORM**

Finance ministers and central bank officials met last week in Washington, D.C. for the joint annual meeting of the International Monetary Fund and World Bank. The foci were on lessons learned from the Asian financial crises and increasing concern over Japan's economic situation.

Addressing the former, the Group of Ten economic powers (G-10) "recommended that greater attention be given to financial stability in multilateral and regional surveillance." Ministers also expressed the need for improvement in the area of crisis prevention and management. This is in direct response to the acknowledged failure by global financial institutions to fully appreciate the extent of problems in Asian economies prior to the crises unfolding last summer.

The Group of Seven (G-7) industrialized nations had harsh criticism for a struggling Japanese economy. Ministers demanded that Japan focus on its economic recovery, seen as vital to the recovery of Asia as a whole: G-7 officials worry that a weak Japanese economy will be unable to absorb the expansion of exports coming out of Southeast Asian nations. The U.S. Treasury Secretary expressed G-7 sentiments, saying, "A sustained global expansion and recovery in Asia cannot be achieved when the second-largest economy in the world...is in recession and has a weakened financial system."

Going into the IMF meeting, many economists believed the IMF would mandate an intervention in Japan to stabilize the economy there. That did not materialize, however. U.S. and other nations left Japan on its own to grapple with fiscal and structural reform. "It is a question of the commitment of Japanese officials to act quickly and effectively on domestic policy. They seem to have a head-in-the-sand mentality," noted one economist. Japan has recently announced a fiscal reform package that includes significant tax cuts to boost consumption as well as bank sector reforms.

The IMF last week issued its twice-annual World Economic Outlook, predicting zero economic growth for Japan this year: the report indicated a continued recession in Japan through the first half of 1998, to be balanced out by reform-stimulated growth in the latter part of the year. The report also anticipated world economic growth this year of just over three percent, down about one percent from earlier forecasts. The IMF attributed the reduced forecast to lower-than-expected growth in Asia. The report did note some risk to developing economies that depend primarily on commodity exports, particularly oil-exporting nations.

IMF Managing Director Michel Camdessus announced plans for "renovating the architecture of the international financial and monetary system." Mr. Camdessus outlined a five-point program including

increased transparency; examining the role international financial institutions should play in strengthening international and domestic financial structures; strengthening IMF surveillance and "giving teeth" to its recommendations; the role of the Fund in crises management; and the role of the private sector in crises resolution.

"Group of Ten Communiqué," INTERNATIONAL MONETARY FUND, April 16, 1998; "Le FMI critique pour sa gestion de la crise asiatique," LE MONDE, April 16, 1998; "Le G7 cherche des garde-fous pour éviter une nouvelle crise," LE FIGARO, April 17, 1998; "G-7 meeting notable for what it didn't do," JOURNAL OF COMMERCE, April 17, 1998; "G-7 to focus on tighter global financial supervision," KYODO NEWS INTERNATIONAL, April 14, 1998; "FMI: Camdessus preconise une ambitieuse reforme du systeme financier international," LES ECHOS, April 15, 1998.

### **TRADE POLICY REVIEW BODY LOOKS AT INDIA**

The WTO Trade Policy Review Body (TPRB) last week conducted its second review of Indian trade policy. The review was generally favorable, with WTO members commending India for its ambitious economic reform, undertaken in 1991, which yielded annual average economic growth of 7 percent during the period 1993 to 1996.

Members did express concern around India's export-orientation versus a more general outward orientation. Members queried India's plans for reforming various export assistance programs, including income tax exemption, export financing at below-market rates as well as export promotion and marketing schemes. In response, India noted that it provides no export subsidies, but that Indian policy seeks to neutralize handicaps imposed on exports put at a disadvantage by national, state and local taxes.

Members also inquired about India's plans for bringing its intellectual property laws into compliance with the WTO agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs). Members noted that India's industries would benefit from more effective intellectual property protection. India noted that as a developing country it has until January 2000 to bring its laws into line with the TRIPs agreement.

On agriculture, members pointed out that India had all but left agriculture out of its reform process, with some members urging India to extend its outward-oriented reform policies to agriculture. India noted that 70 percent of its population is directly or indirectly dependent on agriculture for its livelihood and thus reform in that sector had been cautious. However, India noted that it had made important moves in this area, including the frontloading of a number of agricultural goods in its proposed plan to phase out quantitative import restrictions. India drew attention to the fact that its current agricultural policy is being finalized and includes provisions to accelerate the pace of liberalization and reform in this sector.

Members also encouraged India to increase investment in its infrastructure services, particularly in energy and transportation services. Deficiencies in these areas currently create a bottleneck to trade and investment growth. India assured members that infrastructure development was a priority commitment of the Indian government.

"Review of India's TPRB Evaluation," TRADE POLICY REVIEW BODY, April 17, 1998; "India's trade reforms engine for growth, says WTO report," ECONOMIC TIMES (India), April 17, 1998.

## EVENTS/RESOURCES

**ECONOMIC COMMISSION FOR EUROPE:** The UN Economic Commission for Europe (ECE) will hold its fifty-third session in Geneva from 20 - 23 April 1998. For further information, please contact the ECE Information Office, Palais des Nations, 1211 Geneva, Switzerland; tel: +41 22 917 2893; fax: +41 22 917 0036; e-mail: [info.ece@unece.org](mailto:info.ece@unece.org); Internet: <http://www.unicc.org/unece/>

**SUSTAINABILITY AND IMPACT ASSESSMENT:** The conference, "Sustainability and the Role of Impact Assessment in the Global Economy: Excellence, Innovation and Adaptability" will be held from 19 - 24 April 1998 in Christchurch, New Zealand. For further information, please contact the IAIA Executive Office; e-mail: [iaia@ndsuent.nodak.edu](mailto:iaia@ndsuent.nodak.edu).

**COMMISSION ON SUSTAINABLE DEVELOPMENT:** The CSD will hold its sixth session (CSD-6) in New York from 20 April - 1 May 1998. For further information, please contact the Division for Sustainable Development; United Nations Plaza, Room DC2-2270, New York, NY 10017 USA; telephone: +1 (212) 963 3170; fax: + 1 (212) 963 4260; Internet: <http://www.un.org/esa/sustdev/>; e-mail: [dpcsd@un.org](mailto:dpcsd@un.org).

**UNCSD-SIDE EVENT ON CYBERPARTNERSHIP FOR SUSTAINABILITY:** This meeting will be held on 23 April in conjunction with CSD-6. The side event focuses on wide area knowledge networking devoted to challenges of sustainability at all levels, regions, and sectors. Organized by MIT Technology and Development Program -- on behalf of the Global Partnership on Cyberspace for Sustainability ("the CyberPartnership") -- the session is designed to illustrate current collaborative initiatives, value-added potentials, and improvements in venues for international collaboration toward greater effectiveness in knowledge-sharing, applications, and implementations. For further information, please contact Nazli Choucri, MIT; e-mail: [nchoucri@MIT.EDU](mailto:nchoucri@MIT.EDU)

**OECD:** The OECD Council at Ministerial level will be held from 27 - 28 April 1998. For further information, please contact: OECD, 2 rue André Pascal, 75775 Paris Cedex 16, France; tel: + 33 (0)1 45 24 81 19; fax: + 33 (0)1 45 24 80 07; e-mail: [news.contact@oecd.org](mailto:news.contact@oecd.org)

**1998 CONFERENCE ON CORPORATE ENVIRONMENTAL, HEALTH, AND SAFETY EXCELLENCE:** This conference, co-sponsored by the Conference Board and the Arthur D. Little consulting firm, will be held 28-29 April 1998 at the New York Hilton in New York City, USA. Global leaders in business and the environment will convene to tackle the tough issues confronting organizations as they move to weave environmental "best practices" into core business strategies. The conference traditionally highlights companies that represent leading-edge practices in environmental management--and today those companies are pushing their industries toward sustainable development. This year's theme -- "Bringing Sustainable Development Down to Earth" -- is particularly timely and much in the news. For further information, please contact the Conference Board; tel: +1 (212) 339-0232; e-mail: [courter@conference-board.org](mailto:courter@conference-board.org).

**UN COMMITTEE ON ECONOMIC, SOCIAL AND CULTURAL RIGHTS:** The CESCR will hold its 18th session at the Palais des Nations in Geneva, from 27 April - 15 May 1998. On 11 May, it will hold a day of general discussion on globalization and its impact on economic and social rights. During the rest of its three-week session, it will examine the reports of a number of countries, including Poland, Nigeria, the Netherlands and Sri Lanka. For further information, please contact Alexander Tikhonov; tel: +41 22 917 3968; Internet: <http://www.unhchr.ch/html/menu2/6/cescr.htm>

WORLD TRADE ORGANIZATION: WTO MEETINGS THIS WEEK: April 21: Council for Trade in Goods; April 21-23: Trade Policy Review Board (Individual Members of the Southern African Customs Union (SACU)); April 22: Dispute Settlement Body; Committee on Safeguards ; April 22-23: WP on Algeria ; April 23: Committee of Participants on the Expansion of Trade in Information Technology Products ; Committee on Trade and Development followed by Sub-Committee on Least- Developed Countries; April 23-24: Committee on Subsidies and Countervailing Measures; April 24: Committee on Import Licensing; General Council; April 27: WP on GATS Rules; Committee on Rules of Origin; April 27-28: Committee on Anti-Dumping - Ad-hoc Group on Implementation. For further information, please contact the WTO at [enquiries@wto.org](mailto:enquiries@wto.org) ; Internet: <http://www.wto.org>

THE FIFTH BIENNIAL MEETING OF THE INTERNATIONAL SOCIETY FOR ECOLOGICAL ECONOMICS: CALL FOR PAPERS AND PRESENTATIONS. Deadline: 27 April 1998. The conference entitled "Beyond Growth: Policies and Institutions for Sustainability," will be held on 15-19 November 1998 in Santiago, Chile. The Organizing Committee invites contributions to be presented in the concurrent afternoon Technical Sessions, Thematic Contributed Paper Sessions, Panel Discussions, Tutorial Sessions or Display Area Presentations. Papers on trade and sustainable development are particularly welcome. Abstracts of papers to be presented should be maximum 200 words and submitted to the 1998 ISEE Conference Secretariat. For further information, please go to: <http://www.uchile.cl/facultades/ISEE3.html>

ICTSD. The Declaration by Non-Governmental Organizations of the Hemisphere on the Occasion of The IV Ministerial of the Free Trade Area of the Americas is now available at <http://www.ictsd.org/html/ftaangoeng.htm> and in Spanish at <http://www.ictsd.org/html/ftaangosp.htm>

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