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EC SLIPS ON BANANA PROPOSAL

The United States, Mexico, Honduras and Guatemala last week rejected the European Commission's (EC) proposal for revising its banana import regime. The countries said the EC proposal exacerbates the problems between the various sides, and the U.S. went so far as to call the EC proposal protectionist and cast doubt on the EU's commitment to fulfill its WTO obligations. The WTO ruled last year that the EU system of preferential market access for banana imports from former African, Caribbean and Pacific colonies and four Latin American states discriminates against other Latin American producers and bananas distributed by US-based corporations.

EU member states offered little support last week to the European Commission's proposal. EU sources say members have split into two camps: one group representing African, Caribbean and Pacific (ACP) interests wants to restrict Latin American market access to 2.3 million tons, 253,000 tons less than that indicated in the Commission's proposal. This group, which includes France, Spain and Portugal, also called for an increase in aid to ACP countries outlined in the Commission's proposal. A second group, notably Germany and Sweden, advocated the need for free trade in bananas, and expressed doubts that the proposed reforms went far enough for the WTO or consumers.

The European Council has referred the case to the Special Committee on Agriculture for technical examination until such a time as it can be presented to the European Parliament for a vote. The decision must be approved by a majority of EU agriculture ministers if it is to pass. The UK has stated that it believes that it can broker an agreement before the end of its EU presidency on June 30. The EU has until the end of 1998 to reform its banana licencing program in line with the WTO ruling.

Ecuador has not expressed disagreement with the proposal, but the Ecuadorian Minister of External Trade, Benigno Sotomayor, will be travelling to Brussels to discuss the future of the proposal with European agriculture commissioner Klaus Fuicher. For its part, Honduras has stated that if the EU banana trade restrictions persist, it will return its complaint to the WTO or eventually impose sanctions against the EU. "The new EU proposal on the banana import regime is still discriminatory and violates free trade by maintaining prior import quotas," said Honduran Vice-Minister of External Trade, Sergio Nunez.

In the Windward Islands, the National Farmers Union (NFU) is negotiating with the Windward Islands Farmers Association (WINFA) and the Banana Growers Association (BGA) to launch a fair-trade banana campaign. The NFU hopes to counteract the effects of the WTO ruling by creating a niche market for bananas grown and sold under fair trade principles. Under such a scheme, a producer agrees to pay workers at least the national minimum wage, abide by international labor conventions and utilize environmentally friendly growing methods. In return, buyers agree to purchase the bananas at no lower than the cost of production. The NFU had hoped to launch bananas from the Windward Islands by March of this year, but progress has been slow with WINFA and BGA. NFU officials say the market for fair-trade bananas is 400,000 metric tons annually, with the strongest demand coming from Holland, Belgium and Switzerland.

"U.S.-Latins reject EU banana trade plan," REUTERS, January 22, 1998; "EU member states launch debate over changes to banana regime," INSIDE U.S. TRADE, January 23, 1998; "EU farm ministers divided over banana trade reform," DOW JONES, January 20, 1998; ""Ex-colonies seek delay in EU banana regime," JOURNAL OF COMMERCE, January 22, 1998; "NFU to launch fair trade banana campaign," THE HERALD (St. Vincent and Grenadines), January 21, 1998; "Banano: la UE por otro regimen," EL COMERCIO (Ecuador), January 19, 1998; "Honduras puede recurrir de nuevo a la OMC," PRENSA LIBRE (Guatemala), January 23, 1998.

FOREIGN COUNTRIES QUICKLY PREPARE FOR IMPORTS FROM ASIA'S FINANCIAL CRISIS

Markets across the globe are bracing for a flood of inexpensive Asian imports. As Asian economies attempt to take advantage of their devalued currencies--some of up to 200 percent--and try to export their way out of the region's financial crises, other countries are preparing themselves or are already feeling the pinch.

According to a banker from ING Barings, the Asian crisis, thought at first blush to be a disguised blessing to Latin American economies, is now projected as "a dark shadow about the region." In Colombia last week, the Directive Council of External Trade released a policy statement that would apply safeguards to restrain the entry of products from Thailand, Malaysia, Indonesia, S.Korea, Hong Kong and the Philippines in the event that import volumes from these countries superseded historical averages. "The steep devaluations in these Asian countries could bring an avalanche of goods which will sell at below-market prices," said the Minister for External Trade, Carlos Ronderos. The Colombian Minister is worried that Asian goods will threaten Colombia's international competitiveness. Colombian anti-dumping procedures will also be reviewed and its application made more expeditious and effective.

U.S. trade lawyers anticipate a flurry of anti-dumping cases as cheap exports from struggling Asian economies flood the U.S. market. "If currencies remain considerably below their normal trading range against the dollar, then you can expect a surge in imports followed by an increase in the number of anti-dumping cases," one trade lawyer observed. So-called dumping is a trade term meaning that a foreign company is selling products at a price which is considered unfair: usually below the price it costs to produce the good, and in so doing injures the importing country's industry. Partly as a result of the influx of Asian exports, the U.S. trade deficit is expected to widen precipitously over the next year, threatening to bring about significant domestic backlash.

In Europe, a slowdown in exports has already begun in a number of sectors. This is bad news for Europe's two biggest economies, France and Germany. A slowdown in exports could mean a further rise

in unemployment, which reached 11.8 percent in Germany last month. Unable to raise prices on goods that are competing with more competitive Asian products could translate to a slowdown in investment projects.

Meanwhile, EU officials expressed concern at the sharp increase in the Japanese trade surplus. The trade deficit rose 48.5 percent in 1997, to US\$78.8 billion. EU officials told Japanese leaders earlier this month that the surplus is a sign that Japan needs to deregulate its economy. Japan is due to begin implementing a 3-year deregulation plan in April.

"Asia forex woes could produce flood of dumping complaints," DOW JONES, January 20, 1998; "Asia crises hurts Europe by slowing exports," INTERNATIONAL HERALD TRIBUNE, January 21, 1998; "EU concerned at sharp rise in Japan trade surplus," REUTERS, January 22, 1998; "Plan para evitar invasion de mercancías asiáticas," EL TIEMPO (Bogotá), January 21, 1998.

INDIA TOLD TO MAKE ITS INTELLECTUAL PROPERTY LEGISLATION COMPLY WITH WTO

The WTO Dispute Settlement Body (DSB) of 16 January adopted panel and appellate reports in favor of a U.S. complaint against India's intellectual property protection regime. The WTO found that India is not in compliance with the 1994 global agreement on trade-related intellectual property rights (TRIPs). As part of TRIPs, developing countries agreed to implement by 2005 a system for patent protection for agricultural chemicals and pharmaceuticals. The 10-year phase-in period was contingent upon countries' setting up an interim system to accept patent applications and petitions for marketing rights until the permanent system is in place.

The U.S. complained to the WTO that India had failed to set up such an interim system. The DSB, via an investigative panel and a subsequent appeals board, supported the U.S. complaint and told India January 16 that it must comply with its TRIPs commitment. India's trade ambassador to the WTO, Srinivasan Narayanan, said the adoption of the WTO ruling would have "significant implications" for the poorer economies within the WTO.

The Associated Chambers of Commerce and Industry of India (ASSOCHAM) last week urged Tariff Commission officials in New Delhi to phase out tariff rate quotas on 2,700 plus consumer goods. The U.S., EU, Australia and Japan have pushed hard for a phaseout plan for these goods: The EU and Australia reached an agreement in late 1997 on a six-year phase-out plan. The U.S. and Japan continue to negotiate with India on the matter- the U.S. has expressed dissatisfaction with India's phase out plan, which leaves many of the important agricultural goods toward the last years of the phase out period. ASSOCHAM said India should view the challenge by India's trading partners as a way for India to expand its export market, rather than a threat from cheap foreign imports.

ASSOCHAM also urged the Indian government to restructure its tariff system by imposing lower tariffs on imports of raw materials and imposing the strictest import duties allowable under WTO rules for intermediate and finished goods. "This is necessary to promote domestic value-addition," an ASSOCHAM statement said.

"WTO tells India to change patent protection laws," REUTERS, January 18, 1998; "India trade chamber urges restructuring of import duties," DOW JONES, January 21, 1998; Rationalize duty structure: ASSOCHAM," THE ECONOMIC TIMES (Mumbai), January 22, 1998.

MENEM ENCOURAGES CANADA TO JOIN MERCOSUR

While a trade row over aircraft subsidies keeps Canadian-Brazilian trade relations in a holding pattern, Argentina's President Carlos Menem said he hopes to welcome Canada as a member of the Southern Cone Common Market (MERCOSUR) within six months.

"We hope that soon Canada will overcome the difficulties it is having with our Brazilian brothers and that we'll be able to applaud its incorporation into a free trade zone between Mercosur and Canada," Menem said last week. Canadian Prime Minister Jean Chretien toured Latin America last week with Canadian business leaders. Mr. Chretien had originally hoped to sign a framework agreement with Mercosur on his tour, but the deal was waylaid by Canada's entanglement with Brazil. Mr. Chretien hoped that President Menem, who currently holds the rotating-presidency of Mercosur, could help resolve the dispute.

President Menem last week said that Mercosur "represents more than 50 percent of the gross domestic product of Latin America." Current trading between Mercosur partners-Brazil, Argentina, Paraguay and Uruguay, amounts to over US\$17 billion annually.

Brazil threatened to complain to the WTO over Canada's Bombardier group's failure to fulfill a two-year purchase agreement with the Brazilian aircraft company Embraer, for NATO training aircraft. Canada threatened a counter-complaint over what it says are unfair subsidies given by the Brazilian government to Embraer's export operations. Negotiators are currently working on a settlement.

Also last week, Canadian and Chilean trade officials reaffirmed their commitment to launch talks in April for the Free Trade Area of the Americas (FTAA). In addition, Canadian International Trade Minister Sergio Marchi said Canada will do all it can to bring Chile into the North American Free Trade Agreement between Canada, Mexico and the U.S. Expanding NAFTA has met strong opposition in the U.S. Congress.

FTAA talks have met with some uncertainty as U.S. participation hinges on President Clinton's fast-track status: Canada and Latin American countries are determined to start talks on time, with or without the U.S. The Clinton Administration will most assuredly participate in the talks, but without fast-track negotiating authority countries may be unwilling to negotiate with the U.S. if an agreement is subject to amendment by the U.S. congress.

"Menem hopes Canada joins Mercosur in six months," REUTERS, January 20, 1998; "Menem quiere que Canada forme parte del Mercosur," LA NACION (Buenos Aires), January 21, 1998; "Chile and Canada to cooperate on Americas trade," REUTERS, January 21, 1998; "Acuerdan incrementar y diversificar inversiones," EL MERCURIO, January 22, 1998.

U.S. CALLS FOR END TO EU BEEF BAN IN WAKE OF WTO RULING

The U.S. and EU may be close to a new battle in their long-standing dispute over an EU ban on hormone-treated beef imports. The WTO Appellate Body last week ruled that the EU has not provided sufficient scientific evidence to support its ban on hormone-treated beef, but that such a ban might be justified pending a scientific risk assessment that demonstrated adverse health effects from beef raised with hormones. The U.S. has reportedly let the EU know that it will reject any move by the EU to keep the ban in place while it performs a new risk assessment. The U.S. wants the EU to lift the ban as soon as

possible to allow the export of U.S. beef to Europe: U.S. officials said that the EU is then free to conduct another risk assessment.

"It is very difficult to imagine that scientific evidence can now be developed...that would ultimately support a ban," one U.S. official said. "We simply can't imagine that performing another risk assessment could constitute compliance [with the WTO ruling]."

U.S. farmers estimate that the ban costs them US\$250 million annually in lost export revenue.

"U.S. opposes new risk assessment in dispute with EU over beef hormones," INTERNATIONAL TRADE REPORTER, January 21, 1998; "U.S., EU likely to clash over implementation of WTO hormone decision," INSIDE U.S. TRADE, January 23, 1998.

FISCHLER OFFERS SOFTER APPROACH TO CAP

European Union Agriculture Commissioner Franz Fischler last week suggested that, with respect to the proposed reforms to the Common Agricultural Policy (CAP), a softer approach may be in order when setting income caps for larger farms receiving subsidies.

The current CAP proposal is geared to stop large farms from claiming huge government subsidies. Modulation, as the policy is called, is opposed by Britain and Germany, where farm sizes are larger than in other parts of Europe. Opponents to modulation say it will hinder the ability of large, efficient farms to compete in a global market against producers in the U.S. and South America. Smaller farms favour modulation as a way to better compete with larger farms.

Mr. Fischler last week said that the EU may need to consider employment as a factor in determining limits on direct payments for larger farms. "One argument to be taken seriously," Mr. Fischler said last week in Berlin, "is that farms in [the former East Germany] are among the major providers of employment in a large number of rural regions. I think it would be sensible, when setting the upper limit, to give this aspect due weight."

The EC will present its proposals concerning the revision of the CAP to the Council on March 31. The presentation of the proposals on large farms (notably those involved in rearing dairy and beef cattle) will be the subject of an open Council debate. The debate will also address three other sectors for which proposals have already been submitted: tobacco, bananas, and olive oil.

In the case of olive oil, Spain has come out strongly against Fischler's CAP proposals. The Spanish minister of trade, Javier Arenas, confirmed that the European Union Agriculture Commissioner's plan could "severely damage" agricultural employment in Spain. Fischler's plan calls for a transitory regime of olive oil production support up until the end of 2000, at which point it will be replaced by a system of state support based on the number of trees.

"EU: Softer stance on farm subsidies," FINANCIAL TIMES, January 22, 1998; "El Gobierno promete firmeza en Europa contra el plan de Fischler sobre el aceite," EL PAIS (Spain), 26 January, 1998; European Council Communiqué: 2065. - AGRICULTURE, January 20, 1998.

RUSSIA: FERTILIZER TRADE AND ECONOMY IN QUESTION

EU and industry officials last week said the EU would impose anti-dumping duties on imports of ammonium nitrate fertilizer from Russia. The move comes after an 18-month investigation into customs fraud, wherein Russian fertilizer is being brought into the EU by importers who declare the minimum import price (Ecu 102.9) but then sell the product on the market for less. The cheap imports from Russia account for nearly 20 percent of the fertilizer market in Europe: European suppliers complain that the Russian fertilizer has dragged down the price of fertilizers, by 12 percent in some cases. One industry analyst predicted that fertilizer prices would increase by US\$16-32 per ton by April.

This news comes as Russian First Deputy Prime Minister Anatoly Chubais last week stated that it would "take many years of rapid economic growth" to raise living standards in Russia. In an interview with the Kommersant newspaper, Mr. Chubais said the Russian government must undertake three important reforms in 1998: reducing the corporate tax burden, cutting gas and transport tariffs, and resolution of the crisis over non-payment of government bills. With these reforms, Mr. Chubais said, Russia could increase its economic growth rate to six or seven percent annually. Mr. Chubais said as well that, even if Russia can sustain high growth rates, it will only rank between the fifth and tenth largest economies by 2015.

Despite the glum outlook, Russia did see some economic growth in 1997, with gross domestic product rising by 0.4 percent and industrial output by 1.8 percent.

"Chubais downbeat over the economy," FINANCIAL TIMES, January 21, 1998; "EU acts over cheap Russian fertilizers," FINANCIAL TIMES, January 20, 1998.

EVENTS/RESOURCES

INTER-REGIONAL EXPERT GROUP ON CONSUMER PROTECTION AND SUSTAINABLE CONSUMPTION: The process of extending the UN Guidelines on Consumer Protection into the area of Sustainable Consumption will begin with the meeting "Inter-Regional Expert Group on Consumer Protection and Sustainable Consumption: New Guidelines for the Global Consumer." The meeting will develop policy recommendations for the Ad-Hoc Inter-Sessional Working Group of the CSD. The experts will meet in Sao Paulo, Brazil from 28 - 30 January 1998, organized by the UN Department of Economic and Social Affairs and hosted by the Environment Secretariat of the State of Sao Paulo and the Latin American Parliament. For information contact: Maria Elena Hurtado, Consumers International; tel.: 44 (0) 171 226 6663, ext. 205; fax: 44 (0) 171 354 0607; <http://www.consumersinternational.org>.

NORTH AMERICAN FREE TRADE AGREEMENT-COMMISSION ON ENVIRONMENTAL COOPERATION: The NAFTA-CEC Transboundary Environmental Assessment Meeting will be held from 3 - 5 February 1998 in Montreal, Canada. For more information contact: Maria Garcia, NAFTA-CEC, tel: +1 (514) 350-4366, e-mail: mgarcia@ccemtl.org. The NAFTA-CEC Working Group on Environmental Enforcement and Compliance will be held from 9 - 11 February 1998 in Montreal. For more information contact: Linda Duncan, NAFTA-CEC, tel: +1 (514) 350-4334; e-mail: lduncan@ccemtl.org.

ASIA PACIFIC ENVIRONMENTAL COOPERATION: The conference "Energy Security in APEC: Fuel Supplies for the Power Industry" will be held from 3 - 4 February 1998 in Honolulu, Hawaii, US. For information contact the Asia-Pacific Economic Cooperation Secretariat, 438 Alexandra Road, #14-00, Alexandra Point, Singapore 119958; tel : (65) 276-1880; fax: (65) 276-1775; e-mail: info@mail.apecsec.org.sg; Internet: <http://www.apecsec.org.sg/>

CLIMATE AFTER KYOTO: "Climate After Kyoto: Implications for Energy," in London, UK from 5 - 6 February 1998, will focus upon the outcome and implications of Kyoto for the world's environment and energy industries, and upon the likely follow-up steps. Information: Royal Institute of International Affairs; tel.: (41) 171-957 5700; fax: (41) 171-321 2045; e-mail; contact@riia.org; Internet: <http://www.riia.org/>.

WTO UPCOMING MEETINGS: Jan 26: Council for Trade in Services. Contact Rhian Wood, tel: (41-22) 739-4390, fax: 5771; Jan 27-28: Trade Policy Review Body (Japan). Contact Lucie Giraud, tel: 5075, fax: 5458; Feb 2: Committee on Rules of Origin. Contact Eki Kim, tel: 5584, fax: 5760; Feb. 4: Council for Trade in Goods. Contact Suja Rishikesh, tel: 5484, fax: 5770.

WTO Annual Report 1997: The two-volume report covers the period to 31 August 1997. Includes descriptive commentary and analysis of world trade, developments in trade policy, the work of the WTO, and a special chapter on trade and competition policy. One volume exclusively on trade statistics, tables and charts. Copies of the Report are available on sale in English, French and Spanish, priced SFr 75, from WTO Publications, 154 rue de Lausanne, CH-1211 Geneva 21. Tel: (41-22) 739-5208 or 5308; fax: 5792; email: publications@wto.org. The WTO Internet site (<http://www.wto.org>) provides a facility for ordering on-line.

PUBLICATION: Sustainable Enterprise in Latin America: A Case Book, 1997. Case studies developed by faculty of business schools and universities throughout Latin America and financed by MEB's Latin America – Business Environment Learning and Leadership (LA-BELL) Program, available in English, Portuguese and Spanish. The book demonstrates the opportunities and challenges of incorporating sustainable development principles and issues into Latin American business decision-making and daily practices. It is the first compilation of case studies of this type focusing on Latin America. Ordering info: tel: (410) 516-6963; fax: (410) 516-6998; email: chrisd@wri.org. address: WRI Publications, P.O. Box 4852, Hampden Station, Baltimore, MD 21211

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