

### Table of Contents

- EC Gives OK To MERCOSUR Talks, Ag Sector Could Block The Road Ahead
- MAI Still Alive; Canadian Group Drafts Alternative Agreement
- Annan, Ricupero Warn On Trade
- U.S., Latin American Countries Threaten More WTO Action On Bananas
- U.S. Approves China MFN Status; WTO Accession Update, Taiwan, China
- Asian Crises Takes Centre Stage At ASEAN Summit
- IN BRIEF: Canada Settles NAFTA Toxics Suit ; WTO & WIPO to Help Developing Countries ; Monsanto-Gr
- EVENTS & RESOURCES
- JOB OPPORTUNITIES

### EC GIVES OK TO MERCOSUR TALKS, AG SECTOR COULD BLOCK THE ROAD AHEAD

The European Commission (EC) last week approved a negotiating mandate for a trade agreement with the Southern Cone Common Market (MERCOSUR, which includes Argentina, Brazil, Paraguay, Uruguay and associate-member Chile). But the mandate now faces a bigger hurdle - getting unanimous approval from the Commission's trade ministers. This could prove insurmountable, as a number of EU agricultural ministers and European farm unions loudly warn of the damaging effects on Europe's farm sector should an EU-MERCOSUR pact go through. An internal EC report said that the EU could have to fund up to US\$15 billion a year to compensate its farmers for lost farm revenue due to cheap MERCOSUR agricultural imports. However, Manuel Marin, European Commissioner for North-South Relations, said the impact of a trade pact on EU agriculture had been exaggerated. Mr. Marin said the EU negotiating mandate excluded the most sensitive agricultural goods including cereals, beef and sugar, while still complying with the WTO guidelines by covering 90 percent of trade between the EU and MERCOSUR.

MERCOSUR officials warned that they will not forge ahead with EU-MERCOSUR free trade talks as long as any agricultural sectors are excluded from the negotiating framework. MERCOSUR's agricultural export capacity is under-utilised, and remains focused primarily on commodities. Brazilian Trade Minister Jose Botafogo last week said that MERCOSUR fought hard to secure a separate working team on agriculture as part of the hemispheric Free Trade Area of the Americas talks, and would not compromise its strong position on free trade in agriculture in talks with the EU.

A free trade agreement between the EU and MERCOSUR, which as proposed would remove tariffs on goods over a ten-year period, is estimated to be worth about US\$6.2 billion annually to the EU and US\$5.1 billion annually to MERCOSUR and Chile.

"EU: Brussels to back Mercosur talks," FINANCIAL TIMES, July 21, 1998; "MERCOSUR: Risks of EU link 'exaggerated,'" FINANCIAL TIMES, July 23, 1998; "Pressure mounts for a global trade round," JOURNAL OF COMMERCE, July 24, 1998.

### MAI STILL ALIVE; CANADIAN GROUP DRAFTS ALTERNATIVE AGREEMENT

The Council of Canadians, a Canadian citizens' group opposed to free trade, last week released a draft alternative agreement to the Multilateral Agreement on Investment (MAI). The Council argues that rather than throwing out the MAI drafted by the Organisation for Economic Co-operation and Development (OECD), the Council's

alternative agreement would incorporate social, labour, environmental and cultural rights into the agreement's framework. The Council of Canadians draft MAI would redefine the terms under which a foreign firm could enjoy national treatment in a country, so to incorporate what it calls the "social obligations" of capital, including the protection of social, labour, environmental and cultural rights. The draft alternative MAI would also allow governments to require foreign firms to meet basic performance standards before being allowed to make investments. These include adherence to labour standards at least as high as those set by the International Labour Organisation conventions; environmental safeguards which at least meet guidelines set under international treaties such as the Montreal Protocol on ozone depleting substances and the Kyoto Agreement on greenhouse gas emissions; requiring local permission for natural resource exploitation, and local job creation and domestic content standards.

Talks for the MAI have been underway since 1995, and are currently on a six-month hiatus while the 29 OECD member-countries consult with national constituencies about the OECD draft agreement. Prior to the six-month break, labour, environmental and citizens' groups expressed strong opposition to the MAI for not incorporating labour and environment standards and for a lack of transparency. The OECD has also been criticised for its failure to include developing countries in negotiations, while still expecting them to "sign-on" to an agreement that only rich industrialized countries had a hand in crafting.

An U.S. negotiator to the MAI July 15 indicated that in spite of the six-month hiatus from multilateral talks, the U.S. is pursuing bilateral talks with OECD members. In a briefing to non-governmental organizations (NGOs), negotiator Joe Papovich indicated that if the MAI was not concluded within the next 12 months, the U.S. would push to have the MAI moved to the WTO. Mr. Papovich seemed to be warning NGOs that perhaps an MAI via the OECD would be preferred to one concluded at the WTO, where it might be even more difficult to have labour, environmental and transparency issues addressed.

"Canadian anti-free trade group releases alternative MAI agreement," INTERNATIONAL TRADE REPORTER, July 22, 1998; "MAI update," PUBLIC CITIZEN GLOBAL TRADE WATCH, July 20, 1998.

#### **ANNAN, RICUPERO WARN ON TRADE**

United Nations Conference on Trade and Development (UNCTAD) Secretary-General Rubens Ricupero July 17 told a conference of international bankers that developing economies should not be pressured into "premature" financial liberalisation in the wake of the Asian financial crises. Mr. Ricupero said developing countries should be allowed to defend their economies against "international financial instability and volatile speculative capital flows." He added that as a result of the Asian financial crises, "Decades of rising incomes have been reversed and unemployment, underemployment and poverty are rising to alarming levels." UNCTAD expects that the number of people in Indonesia living below the poverty line will increase by 50 percent in 1998 over 1996 levels; in Thailand, a one-third increase in the number of people living in poverty is anticipated.

Mr. Ricupero delivered a similar message earlier this month at the annual session of the U.N. Economic and Social Council (ECOSOC), where he noted as well developing economies' dissatisfaction with the slow pace at which developed countries are implementing global trade agreements that would most benefit developing economies. Mr. Ricupero said that if the situation is not righted via full implementation of agreements, "the credibility of the WTO itself may be at stake." Also at the ECOSOC meeting, U.N. Secretary General Kofi Annan said that the U.N.--not the WTO, is the appropriate international forum within which to achieve goals related to labour, environment and human rights. "Some have suggested using trade rules to achieve goals with respect to labour, the environment and human rights," Mr. Annan said, referring to the desire of industrialised nations to tie those issues to trade agreements at the WTO. He added that attempts to resolve multilateral disputes related to labour, environmental and human rights issues would weigh down the WTO. Developing economies strongly oppose any linkage between trade and labour, the environment or human rights policy.

In other news, U.S. Treasury Secretary Robert Rubin completed a weeklong trip to Africa earlier this month, during which he visited Côte d'Ivoire, South Africa, Mozambique and Kenya. The trip was intended to reflect a renewed

focus on the continent from the Clinton Administration following President Clinton's trip there earlier this year. During his visit, Mr. Rubin gave a speech to the African Development Bank (ADB); wherein he outlined pending U.S. legislation which would offer increased access to the U.S. market for African goods--particularly textiles. After Mr. Rubin's speech, ADB officials said they appreciated the U.S. interest in opening its markets, but noted that the U.S. needs to direct more economic aid to Africa to help fund infrastructure development--needed to help the poorest African countries compete in the global marketplace. ADB officials also urged the U.S. to forgive crushing debts owed by heavily indebted poor countries.

"U.S. free-market missionary," INTERNATIONAL HERALD TRIBUNE, July 20, 1998; "Developing nations should not be pushed into liberalisation: UNCTAD chief," AGENCE FRANCE-PRESSE, July 18, 1998; "Development: U.N. officials disagree with orthodox neoliberalism," IPS, July 7, 1998.

#### **U.S., LATIN AMERICAN COUNTRIES THREATEN MORE WTO ACTION ON BANANAS**

The U.S., Ecuador, Guatemala, Honduras, Mexico and Panama last week put the EU on notice that they would request a WTO panel ruling on whether or not the EU has adequately revised its banana import regime to comply with a 1997 WTO ruling which found that the current EU regime violated global trade rules.

Last month EU ministers approved a revised banana import regime intended to bring the EU banana import rules into compliance with WTO trading rules. The WTO ruled last year that the current EU banana import regime violates global trade rules by discriminating in favour of imports from four Latin American countries (namely, Costa Rica, Colombia, Venezuela and Nicaragua) and from African, Caribbean and Pacific (ACP) nations, and against all other producers. The EU has until January 1, 1999 to implement a reformed import regime. At a meeting last week of the WTO Dispute Settlement Body, the U.S. and the complaining Latin American countries called the proposed changes "primarily cosmetic," arguing that the revisions perpetuate the discriminatory nature of the EU import regime. The main focus of concern for the U.S. and Latin American producers is over the yet-to-be-detailed plans around the EU's import licensing system, which had previously reserved a third of licences for ACP producers. EU ministers won't settle the details of the revised licensing system until this fall, but contend that it will comply with the WTO ruling.

U.S. trade officials stated that they would prefer to settle the matter with the EU bilaterally rather than re-open the WTO dispute. However, the U.S. and the five complaining Latin American countries warned they would make the unprecedented call as early as September (the next time the DSB meets) for a panel to rule on whether or not the EU has fulfilled its commitment under the 1997 WTO ruling. Trade observers note that the EU is trying to serve two masters in its revised regime: protecting the livelihood of ACP banana producers and at the same time satisfying global trade rules: it is yet to be determined whether those are mutually exclusive goals in this case. Trade officials advise that the EU may be better off pursuing a waiver to WTO trade rules regarding its banana import regime; or find ways to directly compensate ACP banana producers for revenue that could be lost due to a revised regime.

"EU to revise banana-import rules," WALL STREET JOURNAL, July 24, 1998; "Exporters threaten new banana battle," JOURNAL OF COMMERCE, July 24, 1998; "WTO: US seeks ruling on EU banana plans," FINANCIAL TIMES, July 24, 1998.

#### **U.S. APPROVES CHINA MFN STATUS; WTO ACCESSION UPDATE, TAIWAN, CHINA**

The U.S. Congress last week approved for another year the extension of "normal trade relations" (formerly known as most-favoured-nation trade status) to China, thus ensuring Chinese exports to the U.S. will enjoy a tariff level on par with most other foreign imports into the U.S. The trade-status renewal has become an annual affair in Washington, wherein Congressional critics of China's human rights, nuclear armament and trade record debate proponents of renewal who argue that the best way to persuade China to reform is to engage in trade with the country. Tang Guoqiang, China's Foreign Ministry spokesman, last week called the annual trade-status renewal process "detrimental to the stable development of bilateral relations as a whole." China resents the annual process,

and has repeatedly called for the permanent extension of normal trade relations, all the better via Chinese accession to the WTO.

Regarding China's accession to the WTO, Chinese negotiators were in Geneva this week and last, meeting with trading partners to discuss its entry bid. China was expected to bring nothing new to the talks, fostering long-suspected notions that China is not in a position to seriously consider WTO membership at this time. According to some trade observers, domestic economic problems including increasing unemployment and slowing economic growth have forced the momentum in China away from WTO accession as the first priority for China's leadership. For their part, Chinese negotiators are adamant that China be admitted to the WTO on developing-country terms. "We cannot ignore the fact that China is a developing country . . . If WTO members still insist upon such excessive demands, China feels it is not in a position to sacrifice its fundamental national interests," Hu Zhaoqing, a spokesman for the Ministry of Foreign Trade and Co-operation, said. In related news, Beijing announced last week that growth in gross domestic product (GDP) had slowed for the first half of 1998 compared to the same period last year. GDP growth was seven percent for the first half of 1998, casting doubt on China's ability to meet the eight percent GDP growth forecasted for this year.

In other news, the EU reached a formal agreement with Taiwan in that nation's bid for WTO membership. The agreement took five years to reach. Taiwan has yet to conclude agreements with the U.S., Canada and Hong Kong in its accession bid, although the EU agreement is seen as a solid step forward in the accession process. The biggest obstacle to Taiwan's accession may be China, which considers Taiwan a renegade province and has demanded that China must be admitted to the WTO before Taiwan.

"Trade status renewed for a year, China asks U.S. to drop reviews," INTERNATIONAL HERALD TRIBUNE, July 24, 1998; "U.S. votes to renew Chinese trade status," REUTERS, July 22, 1998; "WTO negotiations continue over China membership," BRIDGE NEWS, July 24, 1998; 'China signals no change in approach to WTO entry,' REUTERS, July 24, 1998; "Zhu Rongji turns from trailblazer into fire-fighter," FINANCIAL TIMES, July 20, 1998; "China's WTO negotiators head to Geneva empty-handed," AGENCE FRANCE-PRESSE, July 20, 1998; "Taiwan, EU conclude WTO talks," AGENCE FRANCE-PRESS, July 23, 1998.

#### **ASIAN CRISES TAKES CENTRE STAGE AT ASEAN SUMMIT**

Asia's financial crises was to be the main focus of attention this past weekend in Manila, when Association of Southeast Asian Nations (ASEAN) leaders held their annual meeting. The crises has put a strain on relations within ASEAN, whose member-economies until just over a year ago enjoyed a period of tremendous growth in regional trade and investment. The recession engulfing Asian countries has brought to the surface disagreement over how to better integrate ASEAN member-economies.

Members disagree over the pace of economic integration, which Singapore sees as the best way to revive business and investor confidence in Asia. Indonesia and Malaysia, meanwhile, remain wary of opening devastated industries and financial institutions to free trade before they've had a chance to stabilise and recover. ASEAN plans for an ASEAN Free Trade Area (AFTA) to be implemented by 2003 are still officially on-track. However, some ASEAN members and private-sector economists doubt ASEAN economies are ready to cope with AFTA requirements, noting also that most of the liberalisation to take place in ASEAN economies in the near future will be around foreign investment and not trade.

Members are also divided on the issue of openness within ASEAN, which has long maintained a policy of non-intervention in member's internal affairs. "There are some issues that we need to discuss more openly, more frankly in order to help each other to get around some of these problems that may eventually affect the region as a whole and could potentially reduce its weight and influence," Thailand's Foreign Minister Surin Pitsuwan said. Supporters of more openness contend that the financial crises' repercussions in the region could have been curtailed if there was more openness between members. ASEAN minister's have already agreed to implement a regional surveillance mechanism to monitor capital flows, banking practices and other economic indicators in the region.

On Tuesday and Wednesday of this week, ASEAN ministers were to meet with their so-called dialogue partners, including the U.S., China, Japan and the EU. ASEAN is expected to continue its call for Japan to get its economy back in gear, as Asian economic recovery is closely tied to Japan's ability to absorb regional exports. ASEAN is also expected to press the U.S. to do more to assist struggling ASEAN economies, reminding the U.S. and other dialogue partners that poor Asian markets are bad for rich Western economies. ASEAN nine member countries include Brunei, Burma, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

"Economics displace politics on top of Asean agenda," WALL STREET JOURNAL, July 24, 1998; "Asean crisis strains unity of Asean," INTERNATIONAL HERALD TRIBUNE, July 23, 1998; "Financial crises gets top billing," BANGKOK POST, July 24, 1998; "ASEAN committed to free trade plan despite economic crises," AGENCE FRANCE-PRESSE, July 18, 1998; "Asia crises may stall liberalisation: report," AGENCE FRANCE-PRESSE, July 22, 1998; "ASEAN officials 'not keen' to issue statement on crises," KYODO NEWS INTERNATIONAL, July 23, 1998; "Asean's problems spill out in the open," FINANCIAL TIMES, July 24, 1998.

#### **IN BRIEF: CANADA SETTLES NAFTA TOXICS SUIT ; WTO & WIPO TO HELP DEVELOPING COUNTRIES ; MONSANTO-GR**

The Canadian government will pay US-based chemicals group, Ethyl Corporation, US\$13m to settle a lawsuit over Canada's ban on importing the fuel additive MMT, despite new evidence that manganese in the octane enhancer can cause problems in the nervous system. The Canadian government said yesterday it had been unable to find scientific evidence justifying the ban, which began in June 1997 because of allegations from the motor industry that MMT interfered with emissions control systems. Ethyl, the maker of MMT, had brought a US\$250m legal challenge against Canada under NAFTA, the first launched against Canada under a NAFTA provision that allows private companies to sue over violations to the trade agreement. "Canada to pay \$13m to settle imports dispute," FINANCIAL TIMES, July 21 1998 ; "Liberals to back off on gas additive ban," VICTORIA TIMES, July 20, 1998.

The WTO and the World Intellectual Property Organisation have joined forces to help developing countries meet a January 2000 deadline for implementing WTO rules on intellectual property protection. Under a joint technical assistance programme, the two organisations will offer advice and help in drafting laws on copyright, patents, trademarks and other forms of intellectual property. States members of WTO must also put effective enforcement measures in place to tackle piracy, counterfeiting and other infringements of intellectual property rights. The WTO intellectual property came into force for industrialized nations in 1996. It gives most poorer nations a grace period to 2000, though the very poorest have at least until the year 2006. "Intellectual Property deadline - aid for developing countries", FINANCIAL TIMES, July 22, 1998 ; "Aide aux pays en développement - initiative commune de l'OMC et de l'OMPI pour lutter contre le piratage," L'AGEFI, July 22, 1998.

The Grameen Bank has announced that it is ending its alliance with Monsanto, announced last month. The U.S. based company Monsanto is the world leader in cotton seed sales, an important crop for Bangladesh, and number two in Maize crop, which has strong growth potential in South Asia. The alliance between Monsanto and Grameen ended as a result of pressure from environmental groups. ICTSD Internal Files

#### **EVENTS & RESOURCES**

##### **EVENTS**

FIRST REGIONAL CONGRESS OF ENVIRONMENT AND SUSTAINABLE DEVELOPMENT, 17 – 21 August, Guatemala City, Guatemala. The main objective of this event is the creation of a permanent forum for the discussion of environmental issues in general and of natural resources in particular. For more information, please contact: FLACSO - Programa Guatemala, tel: (502) 362 1431/33, fax: (502) 332 6729

INTERNATIONAL CONFERENCE ON INDICATORS FOR SUSTAINABLE FOREST MANAGEMENT, 24 – 28 August, Melbourne, Australia. The broad objective of the conference is to accelerate the further development of

scientifically-based indicators for sustainable forest management. For more information, please contact: Margaret Scarlett, tel: (61 3) 9521 8881, fax: (61 3) 9521 8889

ENERGY EFFICIENCY IN A COMPETITIVE ENVIRONMENT, 23 – 28 August, Pacific Grove, USA. The conference will address a broad array of subjects such as deregulation in the utility industry, international growth in energy efficiency programs and their linkages to global climate change initiatives, technology assessment, program implementation and evaluation, building energy analysis, and building industry trends. For more information, please contact: ACEEE, tel: (1 202) 429 8873, fax: (1 202) 429 0193

ENVIRONMENTAL RESPONSIBILITY IN WORLD TRADE, 6 - 9 September, London. This major environmental conference will provide delegates with an update on prospects for environmentally responsible international trade and will examine appropriate policies and practices. The emphasis throughout will be on practical action planning leading to real change. For more information, please contact: International Seminars, The British Council, 1 Beaumont Place Oxford, OX1 2PJ, UK, tel: (44 1865) 316 636, fax: (44 1865) 557 368, e-mail: [International.Seminars@britcoun.org](mailto:International.Seminars@britcoun.org), web: [www.britcoun.org/seminars/environment/isef8040.htm](http://www.britcoun.org/seminars/environment/isef8040.htm)

ICC GENEVA BUSINESS DIALOGUE, 23 – 24 September, Geneva, Switzerland. The Geneva Business Dialogue is the International Chamber of Commerce's initiative to create a successful mechanism to deal with the effects, promise and progress of globalization. For more information, please contact: Benjamin Davis, Director, Conference Programmes, International Chamber of Commerce, 38 Cours Albert 1er, 75008 Paris, France, tel: (33 1) 4953 2891, fax: (33 1) 4953 2942, e-mail: [conf@iccwbo.org](mailto:conf@iccwbo.org), web: <http://www.iccwbo.org/GenevaBusinessDialogue.htm>

## RESOURCES

"Development with a Human Face: Experiences in Social Achievement and Economic Growth," edited by Santosh Mehrotra and Richard Jolly, 512 pp., 1998. This book presents longitudinal studies of ten developing countries that have shown successful health and educational development over the last thirty to forty years. The contributors outline valuable insights for other developing countries. Available from: Oxford University Press, Orders Dept., 2001 Evans Road, Cary NC 27513, USA, tel: (1 800) 451 7556, fax: (1 919) 677 1303, web: [www.oup-usa.org](http://www.oup-usa.org)

"Building Corporate Accountability: Emerging Practices in Social and Ethical Accounting, Auditing and Reporting," edited by Simon Zadek, Peter Pruzan and Richard Evans, 256 pp., 1997. This book explores the use of social and ethical accounting, auditing and reporting as a means of enhancing corporate responsibility and business success. It introduces an historic overview of developments and a methodological framework that allows emerging practices worldwide to be analyzed, understood and improved. Available from: Earthscan Publications, 120 Pentonville Road, London N1 9JN, UK, fax: (44 171) 278 1142, e-mail: [earthinfo@earthscan.co.uk](mailto:earthinfo@earthscan.co.uk), web: [www.earthscan.co.uk](http://www.earthscan.co.uk)

"Yearbook of International Co-operation on Environment and Development 1998/99," The Fridtjof Nansen Institute, 356 pp., 1998. This book presents in one document a myriad of detailed and difficult to find data on the interrelationship between treaties, IGOs, NGOs and governments. Available from: Earthscan Publications, 120 Pentonville Road, London N1 9JN, UK, fax: (44 171) 278 1142, e-mail: [earthinfo@earthscan.co.uk](mailto:earthinfo@earthscan.co.uk), web: [www.earthscan.co.uk](http://www.earthscan.co.uk)

"Ecological Regions of North America: Toward a Common Perspective," Commission for Environmental Cooperation, 72 pp., 1997. This publication is part of a major regional effort to redraw the North American map in terms of ecosystems and ecological regions instead of political boundaries. It has become an "environmental toolbox" for environmental groups, government agencies and others to help describe, understand and manage the region's common environment and its natural resources. Electronic version available from: [www.cec.org/english/resources/publications](http://www.cec.org/english/resources/publications) under the "Environmental Conservation" section. Hard copies available from: Commission for Environmental Cooperation, 393 rue St-Jacques Ouest, bureau 200, Montréal, H2Y 1N9 Canada, tel: (514) 350 4300, fax: (514) 350 4314, e-mail: [info@ccemtl.org](mailto:info@ccemtl.org)

## **JOB OPPORTUNITIES**

ICTSD Programme Officer, Outreach/Partnerships. Part time, programme management and outreach. Developing country experience, background in international trade/sustainable development. Project management and ability to network among NGOs. Ability to write and speak English, French, Spanish + other languages an asset. Valid Swiss work permit. For more information, please contact: ictsd@iprolink.ch

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