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TABLE OF CONTENTS

- Grameen Scraps Plans For Monsanto Joint Venture
- Numerous EU-U.S. Trade Disputes - EU Retaliates Over U.S. Gluten Measure
- Quad Pushes For High-Level Trade-Environment Meeting, Environmentalists Damn Export-Credit Agencies
- France Gives Okay To GMO Corn
- Caribbean Banana Producers Blast U.S. Banana Strategy
- Mercosur Stalled On Car Pact; Demands EU Yield On Agriculture
- Africa: Calls To Shift Military Spending Towards Social Programs, Rules of Origin Complaints
- In Brief - Fishy Trade Restrictions ; Vietnam shapes up bid to join WTO
- EVENTS & RESOURCES

GRAMEEN SCRAPS PLANS FOR MONSANTO JOINT VENTURE

Just one month after announcing a joint venture between the Grameen Bank of Bangladesh and the U.S.-based Monsanto Company for the creation of the Grameen Monsanto Centre for Environment-Friendly Technologies, Grameen officials announced the project would be cancelled. The project was intended to provide access to technology to very low-income people utilising what the Grameen Centre calls "appropriate, environmentally-sensitive methods to benefit communities and improve living standards for families." Monsanto is a multinational life sciences firm with a substantial interest in genetically engineered products such as pest-resistant and higher-yield cotton, rice and maize varieties. Grameen officials offered no comment as to why the joint initiative was being scrapped, although sources close to the project suggested that pressure from environmental groups and others opposed to the use of GMOs played a part in Grameen's decision.

The Grameen Bank of Bangladesh is part of the international Grameen family of organisations focusing on poverty-reduction. The bank makes micro-credit loans and venture capital available to individuals in the least developed nations who would otherwise not be eligible for commercial loans. The original plan for the Grameen Monsanto Centre involved Grameen making micro-credit loans to farmers to facilitate the purchase of technologies developed at the Centre, including Monsanto GMO product, with the aim to boost harvests and support food self-sufficiency. Critics of the project were quick to point out that transgenic crops are a threat to local biodiversity due to pollination gene transfer and increased pest resistance to genetically engineered crops. Critics also argued that Monsanto wanted to use the Centre as a back-door into the as-of-yet unregulated Bangladeshi market-building support for Monsanto product in the country and increasing pressure on the government there to adopt regulations favourable to its products. Prominent Indian environmentalist Vandana Shiva last month said the Grameen-Monsanto initiative would put the bank in the dubious position of taking the side "of a corporation against citizens world-wide and who introduced technologies and corporate monopolies in Bangladesh."

"Monsanto's Bangladesh partnership is scrapped," TIMES OF LONDON, July 29, 1998; "Monsanto forging ahead without Grameen," IPS, July 30, 1998.

NUMEROUS EU-U.S. TRADE DISPUTES - EU RETALIATES OVER U.S. GLUTEN MEASURE

The U.S. and EU engage in more than US\$1 trillion in trade and investment with each other every year: the EU accounts for 24 percent of U.S. exports. The growing number of trade disputes between the two - including cases brought to the WTO concerning bananas, hormone-treated beef, sanctions laws and the above two disputes, could stand in the way of an enhanced free trade arrangement via a so-called "transatlantic economic partnership": an initiative touted by President Clinton and EU

Trade Commissioner Sir Leon Brittan.

The European Commission (EC) last week proposed taxing imports of U.S. corn gluten--an animal feed additive, in retaliation against U.S. import restrictions on EU wheat gluten. The U.S. cut imports of EU wheat gluten 41 percent in 1998 compared to 1997. The U.S. took the action after an International Trade Commission study found that U.S. wheat gluten producers were being outsold by subsidised gluten imports from other countries. The EC move, if adopted, would impose duties on 2.73 tonnes of corn gluten, raising about US\$14.8 million in revenues. The EC estimates this figure to be the minimum dollar value of the lost wheat gluten exports. The EC is also considering making a formal complaint to the WTO against the U.S. wheat gluten measure, which the EC contends was applied in a "discriminatory and disproportionate way." The EC cited the example of Australia, which suffered no cuts in its gluten quota, and Canada, which is excluded from the quota.

In other news, the U.S. July 23 blocked an EU request at the WTO Dispute Settlement Body (DSB) for an investigation into whether U.S. tax exemptions for foreign sales corporations (FSCs) constitute an unfair export subsidy under global trade rules. The EU complained that the U.S. subsidises about \$US10 billion annually through tax exemptions for U.S. companies. The exemptions are granted to U.S. companies exporting goods and services through FSCs registered off-shore in Caribbean countries such as Barbados and the Cayman Islands. The U.S. blocked the EU complaint on the grounds that the EU had shown no commercial injury from the U.S. FSC policy.

The EU acknowledged that most WTO members offer similar tax refund programs, but question whether the U.S. FSCs are supporting genuine exports or merely supporting shell operations for U.S. corporations seeking to avoid taxes. The EU could reissue its complaint at the next DSB meeting. The focus on FSCs has some Caribbean officials worried that its attempts to diversify away from agricultural exports like bananas into areas such as services--an area covered under FSCs--could be caught in yet another battle between the EU and U.S.

"EU heads for clash with US over gluten," FINANCIAL TIMES, July 30, 1998; "U.S. blocks EU bid to have WTO investigate fairness of FSC tax break," INTERNATIONAL TRADE REPORTER, July 29, 1998; "Rougher sailing across the Atlantic," BUSINESS WEEK, July 27, 1998; "The week in Europe," CARIBBEAN COUNCIL FOR EUROPE, July 10, 1998.

QUAD PUSHES FOR HIGH-LEVEL TRADE-ENVIRONMENT MEETING, ENVIRONMENTALISTS DAMN EXPORT-CREDIT AGENCIES

Trade negotiators from the so-called Quad group of nations--the U.S., Canada, Japan and the EU--agreed last week to begin building broad-based support among WTO members for renewed focus on the relationship between trade and the environment. This initiative would be launched with a high-level WTO meeting on trade and the environment, which the EU proposed should be held in the spring of 1999. The idea for a high-level environment meeting was most notably floated by U.S. President Clinton at the May 1998 WTO Ministerial. An U.S. official last week said that because some WTO members remain sceptical about a high-level meeting on trade and environment, it was too soon to set a date for the event.

The official also said that any agenda for a high-level environment meeting must include issues of concern to developing countries. This could include the issue of agricultural subsidies, which are used by economies like the U.S. and EU. Developing economies argue that, in addition to being market-distorting policies that act as trade barriers for developing countries' agricultural products, the subsidies act to stimulate domestic agricultural production and cause environmental problems such as land exhaustion. Developing economies also may want to consider the issue of industrialised economies' practice of placing higher tariffs on processed goods than on raw materials, forcing developing economies to focus exports in sectors that exploit natural resources. The Quad negotiators also agreed last week that the renewed focus on trade and environment at the WTO should be a "very open process," incorporating the input of non-governmental environmental organisations and multilateral organisations such as the U.N. Conference on Trade and Development (UNCTAD) and the U.N. Environmental Program (UNEP).

In other news, environmental groups world-wide continue to press export credit agencies to apply social and environmental standards to large-scale projects they support. According to the U.S.-based Environmental Defence Fund, export credit agencies hold about 20 percent of developing economies' long-term debts, and support through loans, guarantees and insurance, over 10 percent of total global exports. Environmental groups argue that export credit agencies fund projects such as dams and energy production projects, often without regard to their environmental implications--such as their impact on greenhouse gas emissions or water supplies--and often fail often to consider alternative projects which support sustainable development. Last month, 160 non-governmental organisations from 48 countries appealed to the Group of Eight (G-8) industrialised countries asking for a set of common social and environmental controls to be adopted for export agencies' lending, calling for an agreement on such standards within two years. Germany blocked the agreement: the G-8 referred further work on the subject to the Organisation for Economic Co-operation and Development.

"Environmentalists damn export credit agencies' policies," FINANCIAL TIMES, July 31, 1998; "Quad negotiators to lobby for high-level WTO environment meeting," INSIDE U.S. TRADE, July 31, 1998.

FRANCE GIVES OKAY TO GMO CORN

France announced July 30 it would approve two genetically modified corn varieties, alleviating tensions--for the time being at least--between the U.S. and France over access to the EU market for U.S. corn. However, France also announced last week that it would consider other corn varieties on

a case-by-case basis, "taking into account both health and environment." France also announced a two-year moratorium during which no non-corn genetically modified products will be approved. France and the U.S. have been embroiled in a trade dispute over market access for genetically modified organisms (GMOs), as the two strains of U.S. corn containing GMOs awaited access to the European market, pending French approval. Because the U.S. does not separate traditional corn from corn containing GMOs, French opposition to GMOs had essentially blocked all corn imports from the U.S. this year. U.S. corn exports to the EU, almost exclusively to Spain and Portugal, are worth about US\$300 million annually. French Prime Minister Lionel Jospin promised to consider the issue of market access for the two strains by the end of July.

Earlier this summer, the French Parliament convened a so-called citizen's group of 15 "ordinary" French citizens to offer their opinion on the use of GMOs in the food chain (see BRIDGES Weekly Trade News Digest vol. 2, no. 26). The non-binding findings of the panel included the consensus that "Based on current knowledge there are no appreciable risks to humans through eating genetically modified organisms." France's announcement last week might settle the short-term problem of U.S. corn exports this year, but it is clear the dispute between the U.S. and EU over the use of GMOs and biotechnology in the food-chain is far from over. In the near-term, the U.S. is expected to push the EU to adopt a more efficient and predictable approach to approving GMO products for its market.

"France announces decision to approve two U.S. GMO corn varieties," *INSIDE U.S. TRADE*, July 31, 1998; "France approves sale of U.S. corn with altered genes," *INTERNATIONAL HERALD TRIBUNE*, July 31, 1998.

CARIBBEAN BANANA PRODUCERS BLAST U.S. BANANA STRATEGY

The Caribbean Banana Exporters Association (CBEA) last week called the United State's latest threat against the EU banana import regime a "cynical and ruthless exploitation" of the WTO. The U.S., Ecuador, Guatemala, Honduras, Mexico and Panama in July 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 (see BRIDGES Weekly Trade News Digest Vol. 2, No 28). The U.S. et al. argue that the revised EU regime merely perpetuates WTO violations.

The CBEA last week criticised the U.S. for this latest threat, saying in a statement that should the U.S. press on with its case, it would be "without regard to the economic and social turmoil it will cause in the small Caribbean countries that the U.S. wishes to sacrifice in the name of free trade." The CBEA represents growers in Belize, Jamaica, Suriname, St. Lucia, Dominica, St. Vincent and the Grenadines and Grenada. Some of the smaller Caribbean economies depend on banana exports to the EU for over half their export revenue. The CBEA also said African, Caribbean and Pacific (ACP) producers account for only seven percent of world banana trade, compared to 64 percent for the large U.S. multinational producers including Chiquita and Dole, operating out of Latin America.

"U.S. warns of retaliation in banana, hormone dispute with U.S.," *REUTERS*, July 28, 1998; "Caribbean vents anger over approach to WTO," *FINANCIAL TIMES*, July 28, 1998; "Caribbean banana exporters deplore further USA and Latin American attacks on their industry," CBEA, July

28, 1998; "Caribbean banana exporters say U.S. action could bankrupt them," BLOOMBERG NEWS, July 29, 1998.

MERCOSUR STALLED ON CAR PACT; DEMANDS EU YIELD ON AGRICULTURE

Leaders from the Southern Cone Common Market (MERCOSUR) met in southern Argentina last weekend for their semi-annual summit. Member-countries Argentina, Brazil, Uruguay and Paraguay as well as associate-members Chile and Bolivia, signed an agreement liberalising government procurement, made headway on services liberalisation within MERCOSUR, and began preliminary talks with the Southern African Development Community (SADC) on a free trade agreement. Brazil and Argentina, however, failed to reach agreement on common car tariffs. Argentina demanded that Brazil drop all government subsidies programs for the local car industries in Brazilian states. Brazil said its federal government lacks the jurisdiction to end those programs. The other sticking point in the agreement is around local content rules: Brazil does not want to impose any national content requirements as long as 60 percent of components are produced in any one of the MERCOSUR countries.

MERCOSUR leaders also called on the EU to end agricultural subsidies as part of a proposed free trade agreement between the two trade blocs. Brazilian President Fernando Henrique Cardoso said that for highly developed regions like the EU and U.S., agricultural subsidies make "no sense." Further, President Cardoso said, "It is incredibly unjust to put up barriers to freer trade on agriculture products since it is precisely the area where developing countries have the opportunity to grow more rapidly." The proposed EU negotiating mandate for talks with MERCOSUR was approved by the European Commission late last month, but did not include provisions for EU-sensitive agricultural sectors including cereals, beef and sugar, prompting the strong words from MERCOSUR leadership on the need for agriculture liberalisation. Within the EU, the framework must now pass the EU Council of Ministers, where several EU farm ministers are sure to oppose the framework for its possible negative effects on EU farmers.

South Africa's President Nelson Mandela was at the summit to help kick off discussions between MERCOSUR and the Southern African Development Community--comprising, inter alia, South Africa, Angola, Mozambique, and Zimbabwe. At the summit, Mr. Mandela spoke to the issue of globalisation and the role of developing economies. "Globalisation is a phenomenon that we cannot deny. All we can do is accept," he said, but warned that the major risk involved is of globalisation "continuing to benefit the powerful at the expense of the weakest."

"Trade: Mandela urges equity in globalisation at Mercosur summit," IPS, July 24, 1998; "EUROPEAN UNION/MERCOSUR: Trade Pact," OXFORD ANALYTICS, July 28, 1998; "Brazil-Argentina pact on Car Tariffs Stalled," INTERNATIONAL HERALD TRIBUNE, July 25-26, 1998; "Mercosur wants EU to end farm subsidies," FINANCIAL TIMES, July 25-26, 1998.

AFRICA: CALLS TO SHIFT MILITARY SPENDING TOWARDS SOCIAL PROGRAMS, RULES OF ORIGIN COMPLAINTS

In Africa last week, two separate calls were made for African nations to reduce military spending in favour of spending more on development projects which would lift standards of living on the African continent. Addressing the Second Southern African International Dialogue last week in Swakopmund, Namibia, Zimbabwean President Robert Mugabe called on members of the Southern

African Development Community (SADC), of which Zimbabwe is a member, to cut military spending and allocate more funds to health, education and development programs.

Separately, former Costa Rican President Oscar Arias addressed a conference focusing on "The Leadership Challenges on Militarism in Africa," held in Arusha, Tanzania, an event organised by the Arias Foundation for Peace and Human Progress Campaign project. Mr. Arias told reporters that "We need to educate people on demilitarism. What we say is that we don't hate armies, but we need the resources to be used in other development activities." The Arias Foundation's "Year 2000 Campaign," aims to "redirect world military spending to human development." Noted at the conference was the fact that Africa's poorest countries such as Sierra Leone, Rwanda, Liberia, and Somalia are spending the most on military and arms. Some participants commented that demilitarisation would be difficult for African countries who fear aggression from neighbouring countries and fear higher unemployment if armies are cut.

Also last week, African and EU trade officials met to examine so-called rules of origin within the context of technological and capital barriers to EU markets for African, Caribbean and Pacific (ACP) countries. Peter Gakunu, the ACP Chief of Trade and Customs Co-operation Division, said rules of origin under the Lomé IV Convention - the trade and aid agreement between the EU and ACP nations, represented a technical barrier to trade for ACP exporters trying to gain access to the EU market. "Rules of origin under the Lomé Convention do not reflect [ACP's] level of development or their capacity to process for export," Mr. Gakunu said.

"Africans seek greater access to Europe," REUTERS, July 28, 1998; "Africa: governments urged to spend on development, not arms," IPS, July 24, 1998; "Mugabe wants SADC countries to slash defence spending," PANAFRICAN NEWS AGENCY, July 28, 1998; "Constraints to the development of the "wired" economy in Africa," NUA ANALYSIS, May 15, 1998.

IN BRIEF - FISHY TRADE RESTRICTIONS ; VIETNAM SHAPES UP BID TO JOIN WTO

By Council Regulation (EC) No. 1435/98 of 29 June 1998, the Council of the European Union banned imports of blue-fin tuna from Belize, Honduras and Panama. This action was taken pursuant to recommendations of the International Commission for the Conservation of Atlantic Tuna (ICCAT), which the European Community joined in November 1997. ICCAT has identified Belize, Honduras and Panama as countries whose vessels fish Atlantic Blue-Fin Tuna in a manner prejudicial to the organisation's measures to conserve the species, and instructed its contracting parties to take measures to prohibit imports from these countries of Atlantic Blue-Fin Tuna. ICTSD Internal Files.

The U.S. government on Tuesday announced anti-dumping duties on salmon imports from Chile, the biggest foreign supplier to U.S. restaurants and supermarkets. The anti-dumping duties will apply to fresh, farmed Atlantic salmon. In June, the Commerce Department ruled that fresh Atlantic Salmon from Chile was being dumped, or sold, in the U.S. at below fair market prices. The independent U.S International Trade Commission concluded that the U.S. salmon industry was hurt or may be hurt by Chilean producers. "U.S. imposes anti-dumping duties on Chilean salmon," REUTERS, July 28, 1998.

Vietnam has pledged to extend trade and investment ties with member-countries of the WTO in its bid to join the multilateral trading organisation, Vietnam official press said on Tuesday. Truong

Dinh Tuyen, Vietnam's Trade Minister was quoted as saying that Hanoi's application to join the WTO will form the basis of its trade policy in the next decade. Last week, he told the first session of the WTO's working party on Vietnam's accession that the application was part of Hanoi's policy of expanding trade and investment ties with WTO members. "WTO bid to form basis of Vietnam's trade policy : minister," AFP, July 28, 1998.

EVENTS & RESOURCES

• EVENTS

EIGHTH STOCKHOLM WATER SYMPOSIUM, 10-13 August, Stockholm, Sweden. For more information, please contact: the Stockholm International Water Institute (SIWI), tel: (46 8) 5061 6600, fax: (46 8) 109 071, web: <http://www.siw.org/sws/sws1998/sws1998.html>

WTO/UNEP CONFERENCE ON SUSTAINABLE TOURISM ON SMALL ISLAND DEVELOPING STATES, 7-10 September, Mauritius. For more information, please contact: UNEP, tel: (33 1) 4437 1450, fax: (33 1) 4437 1474, e-mail: jaloisi@unep.fr

APEC/WORLD BANK JOINT ENVIRONMENT CONFERENCE, 13-16 September, Los Angeles, USA. For more information, please contact: APEC, 438 Alexandra Road, #14-01/04 Alexandra Point, Singapore 119958, tel: (65) 276 1880, fax: (65) 276 1775, e-mail: info@mail.apecsec.org.sg, web: <http://www.apecsec.org.sg/>

10TH INTERNATIONAL HUMAN ECOLOGY CONFERENCE: Living with the Land - interdisciplinary research for adaptive decision-making, 27-30 May 1999, McGill University, Montreal, Canada. For more information, please contact: Society for Human Ecology, fax: (1 514) 398 7437, e-mail: she@felix.geog.mcgill.ca, web: members.aol.com/tdietzvt/SHE_X.html

• RESOURCES

"Global Action for Biodiversity," by Timothy Swanson, Royal Institute of International Affairs and IUCN, 208 pp., 1997. This book provides an introduction to the topical debate of biodiversity conservation. It is a valuable reference point for conservationists, policy makers, and students of development studies, environmental studies, environmental policy and conservation biology. Available from: Earthscan Publications Limited, 120 Pentonville Road, London N1 9JN, UK, tel: (44 171) 278 0433, fax: (44 171) 278 1142, e-mail: earthinfo@earthscan.co.uk, web: www.earthscan.co.uk.

"Views from the Alps: Regional Perspectives on Climate Change," edited by Peter Cebon, Urs Dahinden, Huw Davies, Dieter Imboden, and Carlo Jaeger, MIT Press, 536 pp., 1998. Although climate change is a global problem, there is a growing recognition of the need to look at its regional manifestations and management. This book takes such a regional approach to the Alpine region. Available from: The MIT Press, 5 Cambridge Center, Cambridge, MA 02142-1493, USA, tel: (1 800) 356 0343 or (617) 625 8569, web: <http://mitpress.mit.edu>

"Shadows in the Forest: Japan and the Politics of Timber in Southeast Asia," by Peter Dauvergne, MIT Press, 336 pp., 1997. This book is the first to analyze the environmental impact of Japanese

trade, corporations, and aid on timber management in the context of Southeast Asian political economies. It is also one of the first comprehensive studies of why Southeast Asian states are unable to enforce forest policies and regulations. Available from: The MIT Press, 5 Cambridge Center, Cambridge, MA 02142-1493, USA, tel: (1 800) 356 0343 or (617) 625 8569, web: <http://mitpress.mit.edu>

"Eco-Efficiency: The Business Link to Sustainable Development," by Livio DeSimone and Frank Popoff, with the World Business Council for Sustainable Development, 264 pp., 1997. This book describes the principles of eco-efficiency and presents case studies of a number of international companies. In the conclusion, the authors argue that business must change to become eco-efficient and that governments need to change the conditions under which business operates, including tax and regulatory regimes, to make them more conducive to eco-efficiency. Available from: The MIT Press, 5 Cambridge Center, Cambridge, MA 02142- 1493, USA, tel: (1 800) 356 0343 or (617) 625 8569, web: <http://mitpress.mit.edu>

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