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### **ASIA'S CRISIS UPSETS GLOBAL IMPORT-EXPORT FLOWS**

>From India to South America to Egypt, the Asian financial crisis has exporters fighting to stay competitive with cheaper Asian products on the world market. In India, some industry associations are calling for a temporary "regulatory customs duty" to protect Indian producers from cheap Asian imports. Most vulnerable, those in favor of protection say, are commodities like copper, flat-rolled steel and home electronic equipment. Exports from India will face increasing competition from its Asian competitors, especially in the textile and leather goods sector.

Pakistani exports are at a critical stage: Asian markets account for 45 percent of all Pakistani exports. In the past year Pakistan has experienced a 55 percent decline in exports to the region, and will face stiff competition from Asian competitors on the world market for its textiles and rice production. Equally pressing, Pakistani exporters remain unpaid by Indonesian, Thai, Malaysian and South Korean importers for about US\$57 million in goods.

For Egypt, attempts at increasing its market share in sectors such as textiles would normally focus on quality improvements and market knowledge. "But now," a World Bank official said, "you have got a massive price advantage that the East Asians are getting...maybe it is time for Egypt to look at price factors."

1997 exports from Mexico were up 15 percent from 1996, reaching US\$110.38, but 1998 may not be as fruitful for exporters. Mexican President Ernesto Zedillo last week acknowledged that Mexico, too, must adjust to a more competitive international market. The Asian crisis, Mr. Zedillo said, requires Mexico to step up efforts at product and market diversification.

For Latin America's largest economy, Brazil, the threat from Asia's financial woes prompted its planning minister to comment last week that more competitive Asian imports may worsen Brazil's already large foreign trade deficit. "If it is necessary to adopt any measure related to our imports from Asia, the government will do it," Planning Minister Antonio Kandir said. Asian imports represent 15 percent of

Brazil's total imports. Meanwhile, Brazilian exports to Asia are down--exports to South Korea dropped a precipitous 13.3 percent in 1997.

Observers are keeping a watchful, yet optimistic eye on Brazil as the Asian crisis unfolds. Fearing that its own arguably overvalued currency would be devalued, Brazil implemented a reform plan in December, raising taxes and cutting its budget, and proposed constitutional reform of its government pension program. Brazil continues to move forward in its privatization efforts. These actions have helped Brazil usurp a healthy portion of foreign investment which would have previously been directed to Asia.

"Subcontinent fears impact of Asia crisis," JOURNAL OF COMMERCE, January 27, 1998; "Egypt exports seen hit by Asian crisis;" "Zedillo sees stiff competition for Mexico exports," REUTERS, January 26, 1998; "Bresil: un colosse aux pieds d'argile," LE FIGARO, January 27, 1998; "Brazil mulls raising import tariffs on Asian products," KYODO NEWS SERVICE, January 27, 1998.

### **EU-RUSSIA MEET ON TRADE**

Officials from the European Union and Russia met last week in Brussels for the first meeting of the EU-Russia Cooperation Council. The meeting on trade and investment matters focused heavily on trade barriers between the two markets, yielding an outline for further discussions but little else. The EU reiterated concerns over Russian trade barriers on a range of products including alcohol, textiles and aircraft. An EU spokeswoman said that Russia maintains "unjustified and complicated certification and testing requirements [and] labeling requirements...There is an effective block at the moment on imports of eggs and alcohol. . .[T]he distribution licenses for EU alcohol cost about 30 times more than for [Russian] alcohol and we find that discriminatory."

Russian Foreign Minister Yevgeny Primakov expressed concern over anti-dumping duties on Russian goods imposed by the EU, and the fact that Russia continues to be treated as a non-market economy by the trade bloc. The EU will be discussing a European Commission proposal to remove the non-market stigma for Russia when EU ministers meet next month. Russia noted as well that it hopes Russian market share will not be lost when eastern European countries join the EU early next century.

Mr. Primakov said that Russia is working on its offer for market access for goods, so that serious discussions for its WTO membership can begin. Russia's WTO membership would help resolve bilateral trade as well as move forward the possibility of a free-trade area between the EU and Russia.

In the Latvian capital of Riga last week, the 11-nation Council of Baltic Sea States (CBSS) was energized by findings in a new Swedish study which argues that the large gap in living standards and costs between the eastern and western Baltic states presents big opportunities for trade, investment and accelerated economic growth. The study notes that the Baltic region is poised for a tenfold increase in trade over the next decade. The outlook is particularly strong for the Baltic rim, incorporating 50 million people in Denmark, Sweden, Finland, the former Soviet Baltic states and the Baltic provinces of Poland, Russia and Germany. Russian Prime Minister Victor Chernomyrdin attended the summit, perhaps indicating a more positive Russian attitude toward its Baltic neighbors.

"Trade issues remain after historic EU-Russia meet," REUTERS, January 27, 1998; "UE-Russie: un long chemin," LE FIGARO, January 28, 1998; "High hopes for Baltic trade links," FINANCIAL TIMES, January 26, 1998.

## **BIO-PIRACY: AUSTRALIAN CASE HIGHLIGHTS DEBATE ON INTELLECTUAL PROPERTY**

Two Australian crop development agencies last week were forced to drop patent requests on two chickpea varieties the agencies admit were acquired from the International Crops Research Institute for the Semi Arid Tropics (ICRISAT) based in India. The two agencies had signed an agreement with ICRISAT, saying that they would not commercialize or license the varieties obtained for research purposes. While the two Australian agencies admitted they were not the original breeders of the germplasm, they proceeded to apply for Plant Breeders Rights (PBR) with the Australian government. PBRs serve as patent-like intellectual property claims on crops.

Meanwhile, Australia is coming under fire for its role in processing PBR claims by Australian breeders who contributed nothing of value to germplasm development. "Australia is privatizing seeds that belong to our farmers, and they plan to sell them back to us with their own self-authorized plant monopoly," said a spokesman for a South Asian farmer organization. "No work was done to improve on the Indian variety. It was a direct piracy of the genius of farmers here," the spokesman said.

The Rural Advancement Foundation International (RAFI) blew the whistle on the two Australian agencies in the chickpea case. RAFI officials noted 26 cases of PBR claims in Australia where the germplasm originated in other countries, even though Australian laws prohibit PBR claims in cases where the applicant is not the original breeder. The chickpea case is part of a broader international bio-piracy investigation underway by a group of non-governmental organizations, the United Nations Food and Agriculture Organization (FAO) and the World Bank-based Consultative Group on International Agricultural Research (CGIAR).

While a legally-binding treaty on the exchange of germplasm is worked out, nearly half a million seed varieties from around the world, including the two chickpea germplasm from ICRISAT, are being administered under a trusteeship between crop research centers and the FAO. Last year, FAO negotiators learned that Australia was opposed to a key "Farmers' Rights" principle in the germplasm-exchange treaty. Farmers' Rights--recognizing farmers' contributions to germplasm development and right to share in any benefits derived from commercial or other use, were accepted by the FAO in 1985 and at the Rio Earth Summit in 1992. Even with a legally-binding treaty on germplasm exchange, monitoring abuses will be difficult. Neither the FAO or CGIAR have the resources to truly manage the vast wealth of agricultural resources present in the germplasm trusteeship.

According to Neth Dano of SEARICE, "At this moment, we have to advise national governments that their bilateral agreements with Australian agencies could be abused. [P]oor countries don't have the capacity to police the world's patent offices to protect their farmers. We need to strengthen the multilateral system to make sure that countries aren't ripped off by dishonest corporations and industrialized countries." RAFI's Edward Hammond echoes this concern. "Far from an aberration, it seems that several Australian states and institutes feel they have carte blanche to pirate other peoples' knowledge and seeds."

"Biopiracy: beg, borrow, or steal," TERRAVIVA (IPS), January 27, 1998. "Aussies 'pirate' others genius?" RAFI PRESS RELEASE, February 1, 1998.

## **CROATIA, NEPAL PROGRESSING WITH WTO BIDS**

Croatia announced late last month that it will submit a new offer on tariff reductions in its effort to join the WTO. The WTO working party on Croatia's membership met January 21 to discuss Croatia's trade regime, focusing on technical barriers to trade and rules of origin. Croatia held bilateral talks in Geneva with a number of trading partners including the U.S., EU, Canada, the Czech Republic and Poland. The U.S., generally satisfied with Croatia's services offer, wants Croatia to put some items on the WTO's "zero tariff" line, which mainly includes information technology and some pharmaceutical products. The EU asked for further, unspecified commitments regarding Croatia's goods offer.

Among the 32 other countries currently negotiating to join the WTO, Nepal last week said it is working on market opening offers for its services. Nepal, one of the world's 10 poorest countries, currently holds observer status at the WTO. As to which markets will be opened, a Nepali senior commerce official said "Most probably the financial sector, telecommunications or tourism will be opened up...but no decision has been taken yet." At present, full foreign-ownership in the travel and tourism sector is not allowed in Nepal.

Trade observers note that Nepal will need to update its copyright legislation to come in line with the WTO. This could make some goods, such as pharmaceuticals, more expensive as local manufacturers begin to pay royalties on patented formulas.

"Croatia to submit offer on tariff reductions to WTO," INTERNATIONAL TRADE REPORTER, January 28, 1998; "Nepal mulls steps to join World Trade Organization," REUTERS, January 25, 1998.

#### **HUNGARY LEAVES CAIRNS GROUP**

In preparation for membership in the European Union, Hungary left the Cairns Group of agricultural exporting countries February 1. Hungary, the only European member of the group, plans to follow the European Union's Common Agricultural Policy before its anticipated EU membership early in the 21st century. Hungary, along with Poland, the Czech Republic, Estonia, Slovenia and Cyprus, will begin entry talks with the EU at the end of March.

"Hungary will leave WTO's Cairns Group on February 1, ministry says," BLOOMBERG NEWS, January 28, 1998.

#### **EU-S.AFRICA TALK FREE TRADE**

The European Union and South Africa met again last week to negotiate a free trade pact. The EU and South Africa hope to meet a mid-1998 target for signing an agreement, talks for which have gone on for several years. The EU presented a counter-proposal to South Africa's November 1997 offer. The South African proposal outlined a tariff-reduction plan for over 8,400 goods over 12 years. Details were not available on the EU counter-offer. The EU is South Africa's largest trading partner, accounting for over half of its trade and investment.

"EU gives South Africa proposals for trade pact," REUTERS, January 29, 1998.

#### **DEVELOPING COUNTRIES RECEIVE BOOST IN NEGOTIATING, DEBT ASSISTANCE**

The Swiss government in January committed half a million (US) dollars in financial assistance to help developing countries improve negotiating resources for future talks on a multilateral framework on

investment (MFI). The money will be given to the United Nations Conference on Trade and Development, which will sponsor the initiative to train negotiators, organize regional meetings focusing on issues related to a possible MFI agreement, and to prepare and publish technical papers on key issues related to investment. The program's objective is not to draft a specific agreement on investment for developing countries, but instead to aid them in forums such as the WTO where investment issues are likely to be discussed.

The European Parliament last month voted to support debt-assistance programs for heavily indebted poor countries (HIPC). HIPC's owe an estimated US\$5.6 billion. A parliament official said the scheme does not involve "simple debt forgiveness," but will instead offer grants to service debt as it comes due. HIPC's in need of "exceptional" debt relief under the proposal are exempt from contributing to the Lome Convention's export income stability scheme, which supports minimum earning levels on agricultural exports from African, Caribbean and Pacific (ACP) countries. Falling commodity prices hit key ACP exports hard in 1997, further reducing chances that debts would be repaid.

"EU Parliament backs relief for Lome members;" "Swiss promise aid to poorer nations in next international investment talks," INTERNATIONAL TRADE REPORTER, January 28, 1998.

#### **INVESTMENT FLOWS TO ASIA SLOW IN WAKE OF CRISIS**

Capital flows to emerging markets dropped by a staggering one-third last year in the wake of Asia's financial crises. Not surprisingly, five Asian countries were the hardest hit: Indonesia, the Philippines, Malaysia, South Korea and Thailand. Private sector capital flows to the five countries totaled US\$93 billion in 1996, dropping to a net outflow of US\$12 billion in 1997. The International Institute of Finance (IIF) tentatively estimates a further 15 percent decline in capital flows in 1998 if the Asian economies do not stabilize. Investors did not abandon emerging markets all together, however. Flows to other emerging markets, including some Asian economies, increased modestly during the same period from US\$202 billion to US\$212 billion. The IIF expects emerging markets as a whole will experience economic growth of 2.9 percent this year, down from 4.9 percent in 1997 and 1996. In the Asia-Pacific region, the estimated 2.8 percent growth will be the lowest the region has seen in a generation. The IIF said that it does expect a gradual rebound in bank lending and capital market lending to emerging markets.

"Les capitaux prives fuient les marches asiatiques," LA TRIBUNE, January 30, 1998; "Capital flow to emerging markets fall," FINANCIAL TIMES, January 30, 1998.

#### **EVENTS/RESOURCES**

FTAA. Working Group Meeting on Services. February 4-5, Washington, D.C.; FTAA Third Vice Ministerial Meeting, February 10-12, San Jose, Costa Rica. Attendance restricted to Official Representatives for both meetings.

INTERNATIONAL CONFERENCE ON DIVERSITY AS A RESOURCE: This meeting will be held from 2 - 5 February 1998 in Rome and will be hosted by COBASE. For information contact Anna Borioni; tel: +39-6-333-0078/8552; fax:+39-6-333-0081; e-mail: Anna.borioni@inet.it.

BIOSAFETY. The next meeting of the Open-ended Ad Hoc Working Group on Biosafety will be held in Montreal from 5 - 13 February 1998. At its third meeting, the Working Group established a mechanism to enable governments to develop consolidated text upon which future negotiations would be based. In

the report of the third meeting, the Working Group adopted in Annex I to the Report a 'Consolidated Text of Draft Articles. Documents pertaining to the negotiations can be downloaded from <http://www.biodiv.org>

INTERNATIONAL CONFERENCE ON MEDICINAL PLANTS CONSERVATION, UTILIZATION, TRADE AND BIOcultures. This meeting is scheduled from 16 - 20 February 1998 at the National Institute of Advanced Studies, Indian Institute of Science Campus, Bangalore, India. The meeting will focus on the issue of medicinal plants for survival. For further information, contact the Foundation for Revitalization of Local Health Traditions (FRLHT), No. 50, 2nd Stage, MSHLayout, Anandnagar, Bangalore 560 024, India; tel.: +91 80 333 6909/0348; fax: +91 80 333 4167; e-mail: [root@frlht.ernet.in](mailto:root@frlht.ernet.in).

Upcoming Publication: Growth Versus the Environment: Is There a Trade-Off? (Economy & Environment, No 14). by Per Kageson. Price information not available. Though not yet available, this publication can still be ordered from <http://www.amazon.com>. Hardcover. Published by Kluwer Academic. Publication date: April 1998. ISBN: 0792349261.

New Publication: "The WTO and the Global Economy." by Richard Blackhurst. In Journal "The World Economy", Autumn, 1997.

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