



INTERNATIONAL CENTRE FOR
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NAFTA: ENVIRONMENT, LABOUR CONCERNS

As part of the North American Free Trade Agreement (NAFTA), a number of environmental institutions were established to safeguard the regional environment from negative effects of free trade. However, it is unclear just how effective these institutions are at carrying out the tasks assigned to them. According to Dan Seligman of the Sierra Club, "The public was sold a bill of goods [with NAFTA side agreements]. As a general matter, there was more promised than could possibly be delivered by these institutions."

The Commission on Environmental Co-operation (CEC) was established to foster public participation in NAFTA affairs, including the review of U.S., Mexican and Canadian citizens complaints of environmental infringements resulting from NAFTA. However, the CEC, even if it finds basis for a complainant, cannot force either of the governments to enforce its laws. According to CEC director Greg Block, "I'm very aware there are mixed and divisive views among the public," on the CEC's effectiveness. Mr. Block said the CEC was not given the authority to make a recommendation when reviewing citizens' complaints.

The North American Development Bank (NADBank), set up under NAFTA to secure loans for sewage and water treatment projects in the U.S.- Mexican border region, continues to look for financing for 21 projects, but has yet to fund a single water or sewage treatment project. Meanwhile, millions of gallons of sewage and toxic chemicals flow into the rivers and oceans off California and Texas, the "other" export from maquiladoras (export factories) set up along the U.S.- Mexican border. NADBank officials said that finding private funding for water and sewage treatment facilities has not materialised despite their efforts, and because Mexican laws make it difficult for Mexican localities to receive loans from institutions like NADBank. Meanwhile, the US\$400 million that U.S. and Mexican governments have contributed to NADBank's start-up is insufficient to fund substantial infrastructure projects.

In related news, the U.S. Department of Labour has for the second time this year found evidence of labour rights and safety abuses at Mexican factories. The violations are alleged to have taken place at an auto parts plant in Mexico City at a subsidiary of a U.S. firm: workers there said they were intimidated against forming a union. According to the agency investigating the incident, the case "raises troublesome questions as regards to the rights of workers to engage in legitimate organising activities." Nine complaints have been filed against Mexican factories since NAFTA was implemented in 1994: eight of those involved violations against workers rights to organise. Under NAFTA, consultations are the only recourse for violations of workers rights to organise.

"Oversight groups coexist uneasily with NAFTA feeling powerless, environmentalists grow frustrated," ATLANTA JOURNAL AND CONSTITUTION, August 2, 1998; "Signs of Mexican labour abuse found," ASSOCIATED PRESS, August 3, 1998.

INDIA LIFTS RESTRICTIONS FOR SAARC IMPORTS

The Indian government earlier this month lifted quantitative import restrictions on over 2,400 goods from South Asian Association for Regional Co-operation (SAARC) members. The list of goods includes meat and fish products, fruits, tea and coffee, and consumer and industrial goods. The goods will still be subject to normal import duties but will no longer be subject to licences and quantitative restrictions. SAARC members include India, Pakistan, Bangladesh, Sri Lanka, Nepal, Bhutan and the Maldives. SAARC signed a preferential trade agreement in 1995 and agreed to work toward a free trade area by 2001. The move by India is being hailed by some observers as a "bold initiative," confirming India's leadership role in South Asia. Less flattering observers say that the list of goods India put forward will not benefit SAARC members like Sri Lanka and Bangladesh dramatically as their industrial and other export sectors are not fully developed. Still others note that India will soon have to extend its import initiative to the U.S., EU and other WTO trading partners, making the move less bold and simply enactment of overdue policy. India has for over a year cited balance of payments difficulties as reason why it had to keep import restrictions in place.

Meanwhile, India's tea industry warned that lifting import restrictions could result in dumping of tea by SAARC members onto the Indian market. Industry officials expressed concern about Sri Lankan and Bangladeshi tea exporters undercutting domestic Indian producers for the large Indian tea market. India's tea industry does hope that freer trade with SAARC members could boost its tea exports to Pakistan, SAARC's largest market of tea consumers. Pakistan currently imports most of its tea from Indonesia and Kenya.

"India lifts Asian import restrictions," JOURNAL OF COMMERCE, August 12, 1998; "India takes lead in S Asia free trade," ECONOMIC TIMES (India), August 13, 1998; "Tea cos fear import onslaught from neighbouring Saarc nations," ECONOMIC TIMES (India), August 12, 1998.

U.S. VOTE SIGNALS VICTORY FOR OPPONENTS OF LOWER-LEVEL SANCTIONS

The U.S. House of Representatives August 7 defeated an amendment to a funding bill for the U.S. Commerce, Justice and State Departments, which would have prohibited the federal government from suing state and local governments for laws considered inconsistent with international trade rules. The amendment sought to protect state and local government's "selective purchasing" laws, which are used to target countries for human rights abuses. About two dozen states and localities in

the U.S. have selective purchasing laws, the majority of them targeting Myanmar (Burma) for human rights abuses, others target Indonesia, Cuba and most recently Switzerland, in relation to Swiss banks' alleged Nazi gold dealings during World War II.

The National Foreign Trade Council (NFTC), a coalition of more than 600 large U.S. companies, has for a year lobbied against the use of unilateral sanctions, such as those applied against India and Pakistan after the two nations conducted nuclear tests earlier this year. NFTC claims that sanctions are ineffective in bringing about changes in target countries at a cost of about US\$20 billion a year in lost business. NFTC also lobbied Congress against selective purchasing laws, and earlier this year filed suit against the state of Massachusetts over its so-called Burma law which imposes a penalty of 10 percent on all bids for state contracts by companies doing business with Myanmar. NFTC sued on the grounds that the Massachusetts law is unconstitutional in its attempt to usurp the supreme power of the federal government in matters of foreign policy and commerce.

The EU has also challenged the law by filing an amicus brief in the NFTC lawsuit, in which the EU threatened to bring a formal complaint to the WTO in September if the Clinton Administration did not issue Massachusetts a cease-and-desist order. The EU contends the Massachusetts and like laws violate the 1994 Government Procurement Agreement, signed as part of the Uruguay Round of global trade negotiations, which stipulates that government procurement decisions--including at the state and local levels--must be made on economic grounds only. Japan has also requested consultations on the matter. The EU threat helped generate support in Congress for the now defeated amendment blocking federal support for lawsuits against state and local sanctions laws. As one congressional supporter put it, "This amendment insures that the ultimate fate of subnational policies and laws are decided by the American political system and not by foreign bureaucrats."

"Trade-US: Clinton narrowly averts blow to WTO's power," IPS, August 7, 1998; "USA politics: anti-sanctions forces win key vote," JOURNAL OF COMMERCE, August 10, 1998; "House kills bill preventing U.S. suits against subfederal sanctions," INSIDE U.S. TRADE, August 7, 1998.

U.S. FAST TRACK: AGAIN GOING NOWHERE, BUT WITH AFRICA

U.S. environmental groups last week warned Republican congressional leaders against renewed attempts to pass so-called fast track presidential trade negotiating authority when Congress resumes this fall. Fast track would give the Clinton Administration the ability to bring negotiated free trade agreements to Congress for a straight yes or no vote not subject to amendment. Fast track is critical to U.S. credibility at the negotiating table since trade partners are reluctant to negotiate with the U.S. if hard work can become unravelled in the U.S. Congress. Environmental groups including TK warned Republicans against trying to pass the "old, failed fast track," which the groups said would erect "new and stringent restrictions on the president's ability to negotiate environmental safeguards on future trade agreements." Fast track has been stalled in Congress since 1995 - much of Congressional opposition stems from the environmental degradation that has taken place in Mexico since the implementation of the North American Free Trade Agreement (NAFTA) in 1994. Environmental groups said in their letter to Republican senators that international trade rules already undermine environmental and health laws, citing endangered species, pollution control and forest health as three areas which are under threat from global trade rules.

The Republican leadership wants to bring fast track up for vote in advance of November elections in deference to U.S. business interests. In a move to link the controversial bill to a more popular one

in order to increase its chances for passage, the bill has been tied to a comprehensive trade bill which would incorporate the Africa Growth and Opportunity Act, a bill designed to increase trade and investment with Sub-Saharan Africa, and the Caribbean Basin Initiative, which would improve U.S. market access for Caribbean nations. The move may not be enough: the Africa and Caribbean bills face opposition of their own in Congress. Textile unions are fearful of extending quota and duty free access for African textiles, and others in Congress think the Africa bill may not create enough jobs for African workers, as recent amendments to the bill would protect U.S. textile jobs. Tying fast track to the omnibus bill could bring about the defeat to all three trade initiatives. "It is all in the NAFTA race to the bottom tradition," according to Alice Hoffman, legislative director for the Union of Needletrades, Industrial and Textile Employees.

"Environment: Congress warned on 'resurrected fast track,'" FINANCIAL TIMES, August 13 1998;
"Linking Africa to fast track emboldens opposition," CONGRESS DAILY, August 12, 1998.

LIBERALISATION PRESENTS MIXED BAG FOR DEVELOPING COUNTRIES

Various stories relating to trade liberalisation and the role of international organisations in developing countries last week point to a variety of trade effects on developing economies.

Brazil and South Korea have both committed to reductions on import restrictions. Brazil has more than doubled a list of capital goods (such as industrial equipment) that qualify for an especially low import tariff of five percent, while South Korea plans to scrap a number of trade-limiting rules and procedures, such as quarantine and import-approval measures. South Korea has been forced to take steps to liberalise its economy as a result of a \$US 58 billion rescue package from the International Monetary Fund (IMF). According to South Korea's trade minister Han Duck-soo, Seoul is seeking "as much investment as possible from the United States" to help its economy regain health.

Belarus and Indonesia are being pressured to cut import barriers in order to both stimulate higher levels of foreign direct investment and stimulate exports. In Indonesia, the government was urged by the Indonesian Association of Importers (GINSI) to drop import limits on 190 products. GINSI's Chairman pointed to import duties of between 20 and 30 percent that are apparently contributing to the "high-cost economy" that is plaguing the country. Meanwhile, the IMF is urging Belarus to liberalise its economy; otherwise, says the IMF's senior representative to Lithuania and Belarus Adalbert Knobl, the country could face a financial crisis brought on by a widening trade deficit. Knobl indicated that Belarus would have to implement liberalising reforms if it was to compete in European markets, stating that currently, "Belarus now is not attractive (to investors)."

However, the verdict is not yet in on the overall beneficial effects of IMF or other reform programs regarding sustainable development. According to an investigation undertaken by the World Bank in conjunction with a number of development-oriented groups, structural adjustment programs—which advocate liberalisation of trade barriers and cuts to government spending—are exacerbating poverty and unemployment in some developing countries. Following two June conferences, the inquiry found that in both Hungary and Uganda, liberalisation and privatisation programs had eliminated jobs and hurt local industries, particularly small businesses. In Uganda, farmers and producers of indigenous crops were hit, and malnutrition is increasing. It is estimated that 350,000 workers have lost their jobs as a result of the privatisation process.

"Brazil extends list of low-tariff capital goods," REUTERS, August 12, 1998; "South Korea vows to ease or scrap many import limits," JOURNAL OF COMMERCE, August 13, 1998; "IMF says Belarus must liberalise economy," REUTERS, August 13, 1998; "Indonesian importers call on Jakarta to scrap import restrictions," AFP, August 10, 1998; "World Bank policies 'boosting poverty,'" FINANCIAL TIMES, August 14, 1998.

IN BRIEF

Taiwan-WTO

The U.S. August 7 reached a formal agreement with Taiwan in that nation's bid for WTO membership. The two sides announced a preliminary agreement in February but took the last six months to finalise details on agricultural products. Taiwan has yet to conclude agreements with Canada and Hong Kong in its accession Bid. Last month Taiwan concluded an agreement with the EU. Although both the U.S. and EU agreements are seen as major steps forward in the accession process, the biggest obstacle to Taiwan's accession is China, which considers Taiwan a renegade province and has demanded that China must be admitted to the WTO before Taiwan.

"U.S., Taiwan formally complete WTO work on market accession package," INTERNATIONAL TRADE REPORTER, August 12, 1998.

Shrimp-Turtle Update

Following the release of the Shrimp-Turtle Panel Report in April, the U.S. notified the WTO of its intention to appeal on July 13. As such, the WTO Appellate Body ruling on the controversial shrimp-turtle dispute between the U.S. and Pakistan, Thailand, Malaysia and India is expected in late September or early October. A number of amicus briefs have been submitted to the Appellate Body. Some have been attached to the U.S. submission while others have been submitted directly to the WTO. Organisations that have provided amicus briefs include the World Wildlife Federation (WWF), Earth Justice, and the Center for International Environmental Law (CIEL). The amicus briefs focus on two central points: first, that the Panel erred in its interpretation of "unjustifiable" discrimination on international trade; and second, that the WTO should retain the discretion to accept amicus briefs pursuant to Article 13 of the Dispute Settlement Understanding.

ICTSD Sources.

Anti-Corruption Convention

The Convention on Combating Bribery of Foreign Officials in International Business Transactions moved closer to operationalisation earlier this month as it received approval by the U.S. Senate on a unanimous vote. The agreement—so far ratified only by the U.S.—commits the world's major industrialised countries to enact laws prohibiting local companies from paying bribes to foreign governments. The forthcoming U.S. legislation will grant the U.S. Justice Department new powers to both pursue corruption and antitrust cases against foreign companies that operate on U.S. soil and to prosecute American companies and their subsidiaries that make unlawful payments outside of the U.S. There is still much scepticism regarding whether the 1997 Convention will be ratified by the 32 other Organisation for Economic Co-operation and Development (OECD) signatories. The agreement cannot take effect until it has been ratified by all signatories.

"Bribery pact could hit international trade," WALL STREET JOURNAL, August 3, 1998.

EVENTS/RESOURCES

• EVENTS

ICTSD MEETING ON REGIONAL AGREEMENTS, TRADE AND SUSTAINABILITY: ICTSD is convening this international conference in Geneva on September 28-29 1998, the first in an annual series of conferences focusing on regional integration approaches to addressing trade liberalisation and sustainable development. It will be an opportunity for policy-makers and civil society representatives to exchange information and compare experiences on the sustainability objectives and performance of regional integration schemes; the management of sustainable development determinants at the regional level; and their relation to multilateral concerns and the global environment. For information contact Miguel Jimenez-Pont at tel: (41 22) 917 84 78; fax 917 8093; email ictsd@iprolink.ch

ENVIRONMENTAL RESPONSIBILITY IN WORLD TRADE: The British Council will hold this conference from 6-9 September 1998. The conference will provide senior figures in government, business and civil society with an update on prospects for environmentally responsible international trade, and will consider what policies and practices may be introduced to exploit these. For information contact the British Council; tel.: (44 1865) 316 636; fax: 557368; e-mail: international.seminars@britcoun.org; Internet: <http://www.britcoun.org/seminars/>

FOURTH INTERNATIONAL CONFERENCE ON GREENHOUSE GAS CONTROL TECHNOLOGIES (GHGT-4): This conference will be held from 30 August - 2 September 1998 in Interlaken, Switzerland. For information contact: Dr. Baldur Eliasson, Head, Energy and Global Change, ABB Corporate Research Ltd., Baden-Dättwil, Switzerland.; tel.: (41 56)486 80 31; fax: 493 45 69 e-mail: baldur.eliasson@cherc.abb.ch

DIPLOMATIC CONFERENCE FOR ADOPTION OF THE PIC CONVENTION: The Diplomatic Conference for the Adoption of an International Legally Binding Instrument for the Application of the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade is scheduled for September in Rotterdam, the Netherlands. For more information contact: UNEP Chemicals (IRPTC), tel: (41 22) 917 8111; fax: (41 22) 797 3460; e-mail: jwillis@unep.ch; Internet: <http://irptc.unep.ch/pic/> or contact: FAO, tel.: (39 6) 5705 3441; fax: (39 6) 5705 6347; email: niek.vandergraaff@fao.org; Internet: <http://www.fao.org/ag/agp/agpp/pesticide/pic/pichome.htm>

• RESOURCES

The Commission for Environmental Cooperation (CEC) has launched a new Transboundary Agreements Infobase, which gives Internet users free and unrestricted access to agreements and treaties on transboundary environmental cooperation in North America. The Infobase is part of the CEC's efforts to provide information that promotes North American cooperation on environmental issues that affect the entire region. This new resource can be accessed at: <http://www.cec.org/infobases/agreements/>. The CEC welcomes your feedback, as well as

specific updates and corrections, on the database. Please send comments or questions to: Marcos Silva, Network and Information Services Manager, email: msilva@ccemtl.org

"The limits and promise of environmental conflict prevention: The case of the GEF." *Journal of Peace Research*, 1998, Vol. 35, No. 3, pp.363-380. R.A. Payne (US) argues that sustainable development practices should be embraced not only to forestall environmental destruction and resource exhaustion, but also to prevent conflicts apparently triggered by these causes. Environmentally-caused conflicts are perhaps most likely to erupt in the world's poorest states, which are least capable of pursuing sustainable development without substantial external aid. The global assistance burden is felt primarily by multilateral development agencies, such as the World Bank, which distributes more than USD 20 billion annually. The article explores whether the GEF can be expected to identify and fund significant environmental projects in conflict-prone regions. It also examines the policies of GEF decision-making, with an emphasis on transparency, accountability and participation.

"Preserving natural capital in a world of uncertainty and scarce financial resources." *International Journal of Sustainable Development and World Ecology*, 1998, Vol. 5, No. 1, pp. 27-42. E. Neumayer (England) argues that natural capital should be preserved because it exhibits features that distinguish it from all other kinds of capital. The notorious prevalence of risk, uncertainty and ignorance makes it difficult, however, to state which parts of it should be preserved. Both the 'precautionary principle' and the concept of 'safe minimum standards' are rather elusive, especially on the question of costs. It is argued here that while there is some scope for policies that are good for the environment and for economic development at the same time, the relationship between the environment and the economy is likely to remain one of fundamental trade-off.

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Comments and suggestions are welcome and should be directed to: Ricardo Meléndez-Ortiz, Executive Director, ICTSD, Geneva Executive Center, 13 chemin des Anémones, 1219 Châtelaine, Geneva, Switzerland; email: ictsd@iprolink.ch; voice: (41-22) 979-9492; fax: (41-22) 979-9093. BRIDGES Weekly Trade News Digest© can be found at the ICTSD web page: <http://www.ictsd.org/html/mailbox.htm>.

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