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POSSIBLE NEW NAFTA CASE RAISES FEARS FOR CONSEQUENCES OF AN MAI

A U.S. company last month filed a "notice of intent" to file a case against Canada under the North American Free Trade Agreement (NAFTA), for a 1995-1997 Canadian ban on the export of polychlorinated biphenyls (PCB) waste. The company, identified in the press as S.D. Meyers--a firm specialising in the clean up of hazardous waste, is seeking at least US\$10 million in damages from Canada. The company argued in its notice of intent that had there been no ban in place, it could have imported PCB waste into the U.S. with the permission of the U.S. Environmental Protection Agency. Canada instituted the ban in November 1995 in order to evaluate whether PCB waste exports were being disposed of in an environmentally sound manner. Canada lifted the ban in February 1997; in July 1997 the U.S. banned imports of PCBs. The case would be filed under NAFTA Chapter 11, which allows an investor to pursue compensation if a government acts to directly or indirectly expropriate an investment in that country.

The S.D. Meyers' case is the third expropriations--also called "takings," case to be filed under NAFTA. Canada last month settled for US\$13 million a case with another U.S. firm seeking compensation for losses incurred under a Canadian ban on the fuel additive MMT. Another U.S.-based disposal firm has filed suit against Mexico, seeking US\$90 million in damages for Mexico's refusal to allow the company to operate a facility in a designated ecological zone. Concerned observers warn that NAFTA has set a dangerous precedent for future multilateral agreements like the hemispheric Free Trade Area of the Americas (FTAA) and the Multilateral Agreement on Investment (MAI). "Trade agreements will be used to subvert environmental goals, an occurrence that the U.S. government repeatedly denied would happen under NAFTA," said Lori Wallach, director of Public Citizen Global Trade Watch.

"Without NAFTA's strong provision on expropriation, [corporations] alone would be forced to assume the risks of investment and would [learn a] valuable lesson about conducting the proper

environmental assessments before committing significant resources to an investment," according to Michele Sforza, research director at Public Citizen. Critics argue the NAFTA provisions, and similar provisions being considered as part of MAI negotiations, undermine countries' health and environment regulations.

MAI negotiations are due to resume in October. FTAA negotiations on investment begin this month.

"Company to sue Canada over alleged breach of NAFTA rules," *INSIDE U.S. TRADE*, September 4, 1998; "U.S. company seeks compensation for losses due to Canadian PCB export ban," *INTERNATIONAL ENVIRONMENT REPORTER*, September 2, 1998; "Canada slapped with NAFTA lawsuit against another environmental law," *REUTERS*, August 31, 1998; "Corporations use trade pact to sue countries," *IPS*, September 4, 1998.

FTAA TALKS START

Talks for the Free Trade Area of the Americas (FTAA) got underway in Miami August 31 through September 2, tackling one of the most difficult areas first. Market access talks, covering customs issues, rules of origin, tariffs, non-tariff barriers, technical barriers to trade and safeguards are expected to be long and difficult. Negotiators emerged from last week's meeting optimistic about the direction of the talks. "We emerged from the meeting with a consensus on an intense work programme and that is, frankly, encouraging," according to an U.S. trade official. The next round of market access talks is scheduled for mid-November, and will most likely last six rather than three days in order to address sub-areas more in depth. The first round of agriculture talks was held September 3-4. Those talks are expected to heat up as the Southern Cone Common Market (MERCOSUR)--encompassing Brazil, Argentina, Uruguay and Paraguay, push for the U.S. and Canada to eliminate agricultural subsidies. Each of the remaining seven negotiating groups will also meet in September.

In October, the ad hoc committee on civil society participation will meet. In advance of that meeting, several U.S. business groups urged the Clinton Administration to keep the FTAA Civil Society Committee focused on issues "directly related" to trade. The business groups want to keep discussions on labour and the environment out of FTAA Civil Society talks, a move sharply criticised by the labour group AFL-CIO and U.S.-based Public Citizen. In comments filed with the U.S. Trade Representative (USTR), the AFL-CIO demanded equal access to the negotiating process as that enjoyed by U.S. business groups. Public Citizen had sharper words for the Administration, accusing USTR of "paying lip service" to the importance of public views. Public Citizen reminded the USTR of "the significant objections of both the American public and the U.S. Congress to the NAFTA/GATT-WTO model of economic globalisation," and recommended that FTAA negotiations should not go forward until meaningful public debate about U.S. trade and investment policy has taken place. Public Citizen said also that to continue FTAA negotiations at a time when U.S. trade and investment policy is in flux is unfair to hemispheric trading partners.

In other regional news, Central American and Dominican leaders again called on the U.S. to extend so-called NAFTA-parity to Caribbean nations as an intermediate step toward a FTAA. NAFTA-parity would extend the same preferential market access enjoyed by Mexico under NAFTA to Caribbean countries. Caribbean countries claim that NAFTA has caused textile and other manufacturers to move from the Caribbean to Mexico in order to gain better access to U.S. markets. A bill providing NAFTA-parity is pending in Congress.

"FTAA hemispheric trade meeting makes progress," JOURNAL OF COMMERCE, September 3, 1998; "First FTAA market access talks produce work program, few details;" "Public Citizen comments on FTAA Civil Society;" "Industry says FTAA civil society panel should not replace current process," INSIDE U.S. TRADE, September 4, 1998; "Negotiations begin on Free Trade Area of Americas;" "Central American leaders call for steps toward trade pact," REUTERS, August 31, 1998.

NAM SUMMIT: CALLS FOR FINANCIAL SCRUTINY

Leaders from 113 nations of the Non-Aligned Movement (NAM) last week held their 12th summit in Durban, South Africa. The message going into the summit was clear: the NAM must show its relevance for the next century as a champion of South-South understanding and North-South relationships, to show that its existence is not superfluous. "The Group of 77 (least developed countries) and NAM are following more or less the same agenda," said one observer. "The most sensible thing would be to say that one of these organisations has to go. . . This is a make or break conference for NAM. It either develops a fresh impetus or it fails."

The NAM was set up in 1961 to advance the interests of developing members, including 52 from Africa, 14 from Asia, 4 from Europe and 20 from Latin America and the Caribbean. The original intention of its members was to distinguish themselves from the 'aligned countries' that had sided either with the USSR or the U.S. during the Cold War. With the Cold War over, the NAM has a new rallying point in the economic crises in Asia and Russia, and economic uncertainty in many of its member- markets. NAM ministers last week called for a new economic agenda, including a swift review of the world financial system. According to the summit's closing documents, NAM leaders urged "the review of the world financial system with the objective of ensuring that short-term capital flows were supportive of expanding trade, employment and development." This would include a review of IMF and World Bank operations. South African Deputy President Thabo Mbeki further stressed the need for a review of the relationship between commodity-based developing economies and developed economies. "The world economy should be managed in a way that ensures the transfer of resources from those who have to those who do not. . . The stark reality is that the power to influence the markets lies exclusively in the hands of those who dominate these markets, which we [the NAM], even collectively, do not," Mr. Mbeki said.

NAM ministers agreed to push for a mechanism to control volatile capital flows. NAM leaders stressed the need to control the movement of short-term investment funds. Lack of international regulations for these types of fund has weakened economies. Mr. Mbeki expressed concern over "huge sums of short term money that moves up and down very rapidly and produces all manner of crises." South Africa's economy has suffered sharp declines in its stock and bond markets due to such movement of capital. NAM economists criticised the industrialised economies for failing to take up the issue of capital flows in a meaningful manner. "Unlike the increasing insistence by the North in every possible forum on the need for good governance in developing countries, the issues of global governance have hitherto not formed part of any agenda."

U.N. Secretary General Kofi Annan addressed NAM leaders, urging them to work together to address global concerns. "Our response to global economics must be global politics," Annan said. Annan called for "much faster and more resolute action to relieve the unsustainable debt burden currently borne by many developing countries, especially the poorest."

"Non-aligned nations seek defined role," FINANCIAL TIMES, September 3, 1998; "NAM delegates ponder third world economic outlook;" "S Africa urges progress in non-aligned states," REUTERS, August 31, 1998; "NAM countries decide to move quickly on new economic agenda," AGENCE FRANCE- PRESSE, September 1, 1998; "Economy dominant as non-aligned summit nears," REUTERS, September 1, 1998; "NAM must move with the times," IPS, September 1, 1998; "Mandela says African rebirth crucial for new world order;" "Annan urges developing nations to embrace good governance," PANAFRICAN NEWS AGENCY, September 2, 1998.

AFRICAN COUNTRIES PREPARE FOR LOME TALKS

Officials from the Southern African Development Community (SADC) met with Caribbean Community officials in an effort to strengthen South-South co-operation and economic ties. Discussions surrounded areas including trade and investment opportunities, including tourism. The Caribbean Community has been quite eager to forge a unified front with African nations as negotiations get underway later this month for a new Lome Convention, the trade and aid agreement between the EU and African, Pacific and Caribbean (ACP) countries. The EU wants to move from the traditional Lome format of negotiating with the ACP as a group and instead wants to negotiate separate regional agreements with groupings of ACP countries. Part of the EU strategy stems from the fact that special commodity protocols extended to ACP countries by the EU under Lome are now considered incompatible with WTO rules. Meanwhile in Geneva September 4-5, the Secretariat of the Global Coalition for Africa (GCA) held a workshop focused on forging an African position towards Lome negotiations. "The GCA believes that African countries must also address adequately, and urgently strengthen and develop expertise in trade policy and trade negotiations both at the country and subregional levels," according to a GCA statement.

At the sub-regional level, southern African countries are facing tough challenges. Most urgently, leaders of the 14-member SADC disagree over how to deal with military unrest in the Congo. South Africa, the region's biggest economy, wants to stay out of the Congo's troubles, while others have pledged Congo military support. However, many countries in the region depend economically on substantial foreign aid from the IMF and World Bank and other foreign donors: their involvement with Congo casts doubt on near-term IMF/World Bank financing and foreign investment flows.

Further aggravating southern African trade relations is the dominance of the South African economy, which accounts for almost 75 percent of the regional US\$127 billion market. Zimbabwe and Zambia have criticised South Africa's regional trade policies, accusing South Africa of holding off on opening up South African markets while aggressively opening up neighbouring economies. Further, as the EU and South Africa move toward a free trade agreement, SADC members fear South Africa will become a platform from which EU multinationals will take over SADC and other regional markets.

"Trade tensions send southern Africa regional link-up reeling," FINANCIAL TIMES, September 2, 1998; "Africa seeks stronger economic ties with the Caribbean;" "GCA sponsors workshop on new Lome Convention," PANAFRICAN NEWS AGENCY, September 2, 1998.

WEST AFRICA: FOCUS ON INDIGENOUS PEOPLES, CROP DIVERSIFICATION

The London-based International Alliance of Indigenous and Tribal Peoples of the Tropical Forests (IAITPTF), in collaboration with the Green Earth Organisation of Ghana and other groups are to

hold a conference September 7-12 in Accra focusing on ways to harmonise indigenous culture and forest preservation with industrialisation. According to organisers, the conference is intended to produce a document which would "serve as a reference point in our international negotiations on issues concerning our indigenous people." Alfred Ilenre, secretary-general of IAITPTF, noted that it would be impossible for African countries to effectively bring issues relevant to indigenous communities to the U.N. "when we do not have a common position on that issue as other U.N. member-countries have." Mr. Ilenre said further, "Most African countries are yet to adopt definite policies on forest preservation and indigenous peoples' interest though they feel deeply concerned about issues affecting indigenous people and poverty alleviation."

In related news, plans for a Chad-Cameroon oil pipeline are on hold pending better information on the social and environmental costs of the project. The World Bank, which is providing partial financing to the project, has proposed re-routing the pipeline to avoid a sensitive ecological area: its private-sector partners rejected the proposal as too costly at US\$50 million. The World Bank called for a hold on the project amid concerns that an indigenous regional development plan for pygmies and Bantu farmers had yet to be developed. The World Bank said the pipeline would disrupt the traditional migratory routes and grazing land for indigenous peoples in Chad and Cameroon. Security issues related to the civil war in Southern Chad further complicate the project. Both Chad and Cameroon anxiously hope the oil pipeline project will spark their struggling economies.

In other news, West African farmers have begun to turn toward aromatic plants as a way to diversify out of traditional and volatile cash crops. "Bananas, mangoes, cotton, oil palm, tea, coffee, cocoa and sesame are important sources of foreign exchange, but they are risky because of the shift in world prices," according to one crop specialist in Lome. Peasant groups and co-operatives grow the aromatic plants and extract the oils, selling the oils to other businesses, which then use the products in cosmetics, soft drinks and ice creams. At present, the sector lacks capacity. The Canadian-based International Development Research Centre (IDRC) in 1992 began a project to increase capacity at the small-enterprise level. West African countries import nearly all the natural essences used for manufacturing from Europe, Asia and North America. Togo alone imports about US\$1-1.5 million worth of aromatic products.

"Accra to host Pan-African conference on environment," PANAFRICAN NEWS AGENCY, September 3, 1998; "Oil pipeline project at crossroads," IPS, September 1, 1998; "Aromatic plants gain ground in West Africa," IPS, August 10, 1998.

EUROPEAN FOREST INDUSTRY TO DEVELOP ALTERNATIVE CERTIFICATION

European forest industry groups have aligned to forge an alternative sustainable forestry management scheme to compete with the global Forest Stewardship Council (FSC). Meeting last week in Helsinki, Finland, forest industry representatives from Austria, Finland, France, Germany and Norway agreed to develop the alternative certification scheme intended to be better suited to small-scale private foresters than FSC certification. Started in 1993 with strong support from environmental groups, the FSC is currently the only existing international forest certification scheme. "We want to stress that FSC [environmental] standards are acceptable to us," a spokesperson for the group said. The European industry groups said their certification scheme would be geared at better addressing European small-scale forestry needs. 12 million individuals or small businesses own about 3.7 billion acres of forests across Europe, with plots averaging about 30 acres. The European-industry group said the goal is to gain equal credibility to FSC with customers so that its certification can become a viable, competitive alternative to FSC certification.

BRIDGES Weekly Trade News Digest will report on the second session of the Intergovernmental Forum on Forests (IFF-2)(24 August - 4 September next week.

"European forest firms challenge forest stewardship council," ENS, August 28, 1998.

IN BRIEF - MAI TALKS TO RESUME; IRAN COMPLAINS ABOUT WTO BID; CALLS FOR SAPTA IMPROVEMENT

The next multilateral negotiating session for the Multilateral Agreement on Investment (MAI) will take place at OECD headquarters in Paris : the Negotiating Group on the Multilateral Agreement on Investment is scheduled to meet on 20-21 October, and the Technical Group on Country-Specific Exceptions on 22-23 October. Although things may seem to have been quieter lately on the MAI front, this is not so. A July briefing in Washington DC confirmed NGOs' hunch that MAI negotiations have taken place on a bilateral level since multilateral MAI talks were formally stalled in April. MAI negotiators from the U.S., EU and Canada have reportedly been meeting to discuss issues relating to the MAI, including exceptions. ® "MAI update and urgent action alert," GATT Watchdog, Globalisation Information Centre, 28 August 1998; ICTSD Internal Files.

On August 30, Bangladesh's Industry and Commerce Minister Tofael Ahmed urged South Asian Preferential Trade Agreement (SAPTA) members to make their agreement truly effective for members to reap the benefits. "In a true sense, so far we have not been able to implement the SAPTA," Ahmed said of the trade pact, which covers Bangladesh, India, Nepal, Pakistan, Sri Lanka, the Maldives and Bhutan. Ahmed made his remarks to members of the Foreign Investors Chamber of Commerce and Industries (FICCI). SAPTA was established in April 1993 and went into effect in December 1995. The main thrust of SAPTA was to increase both intra- regional and bilateral trade flows in South Asia, Ahmed said. "Bangladesh urges make SAPTA effective," Reuters, 30 August 1998.

An Iranian official accused the U.S. Tuesday of sabotaging Iran's efforts to join the World Trade Organisation. Mohammed Reza Nahavandian, deputy commerce minister and head of the Institute for Commercial Studies and Research, said it was imperative for Iran to join the WTO, according to Wednesday's Iran News. Nahavandian also said Iran could achieve its \$200 billion export target by 2021, if it could successfully change its export policies. He said this objective requires an increase in the volume of deposits and investments and a reduction in government involvement in the economy, along with a curb on inflation. He said Iran should harmonise its monetary, financial and economic policies with its export policies. ® "Iranian official: U.S. sabotaging effort to join WTO," DOW JONES, 2 September 1998.

EVENTS & RESOURCES

• EVENTS

GLOBAL ACCORDS FOR SUSTAINABLE DEVELOPMENT, 16-17 September 1998, Cambridge, USA. This symposium seeks to highlight the commonalities that cut across policy cleavages in the international community and to reinforce potentials for effective collaboration between industrial and developing countries. For information, contact: Elizabeth McLaughlin, tel: (1) 617 253 5263, fax: (1) 617 258 7989.

BUSINESS STRATEGY AND THE ENVIRONMENT, 17-18 September 1998, Leeds, England. This meeting will explore what industry is doing to improve its environmental performance, looking at strategic management in SMEs, stakeholder analysis, supply chain management, life cycle assessment, environmental management and environmental auditing. For information, contact: Conference Manager, ERP Environment, POP Box 75, Shipley, West Yorkshire, BD17 6EZ, UK, tel: (44) 1274 530 408, fax: (44) 1274 530 409.

NORTH AMERICAN WORKING GROUP ON ENVIRONMENTAL ENFORCEMENT & COMPLIANCE COOPERATION, 23 -25 September 1998, Montreal, Canada. For information, contact: Linda Duncan, tel: (1) 514 350 4334, email: lduncan@ccemtl.or.

CONFERENCE ON GENETICALLY MODIFIED ORGANISMS IN NORDIC HABITATS: SUSTAINABLE USE OR LOSS OF DIVERSITY?, 1-2 October 1998, Helsinki, Finland. For information, contact: Marja Ruohonen-Lehto, tel: (35) 89 4030 0541, email: marja.ruohonen-lehto@vyh.fi.

NORTH AMERICAN REGIONAL WORKSHOP ON UNDERLYING CAUSES OF DEFORESTATION, Winnipeg, Canada. This workshop will be held in late September or early October 1998 and is part of a joint NGO- government initiative contributing to the Intergovernmental Forum on Forests (IFF). It will yield case studies and recommendations to be presented at a global workshop in Costa Rica, 18-22 January 1999. For information, contact: Juliette Moussa, Biodiversity Action Network (BIONET), 1400 16th St. NW Suite 502, Washington DC, 20036, USA, tel: (1) 202 547 8902, fax: (1) 202 265 0222, e-mail: bionet@igc.org, web: www.igc.apc.org/bionet.

INTERNATIONAL CONFERENCE ON TROPICAL FORESTS AND CLIMATE CHANGE, 19-22 October 1998, Manila, the Philippines. For information, contact: Environmental Forestry Program, UPLB College of Forestry, 4031 College, Laguna, the Philippines, tel: (63) 49 536 2342, fax: (63) 49 536 2341; e-mail: Rdl@mudspring.uplb.edu.ph.

GREEN GOODS 5: ECO-LABELLING FOR A SUSTAINABLE FUTURE, 26-28 October 1998, Berlin, Germany. This OECD-organised event will focus on the concerns and needs of developing countries. For information, contact: Green Goods 5, OECD, 2 rue André-Pascal, 75775 Paris Cedex 16, France; email: GreenGoods.Conference@oecd.org, web: www.oecd.org/env/divppc.htm.

RESOURCES

"The Struggle for Accountability: The World Bank, NGOs and Grassroots Movements," edited by Jonathan A. Fox and L. David Brown, Cambridge, MA: MIT Press. This book by the Institute for Development Research (IDR) will be published in September 1998. It is the first comprehensive analysis of the debate between the World Bank and its NGO and grassroots critics. It combines the perspectives of scholars and NGO strategists to evaluate a broad spectrum of advocacy campaigns. To order, call (800) 356 0343 (US & Canada) or (1) 617 625 8569, or contact: MIT Press, Five Cambridge Center, Cambridge, MA 02142-1493, USA, web: www-mitpress.mit.edu.

"Food Security and Nutrition: The Global Challenge," edited by Uwe Kracht and Manfred Schulz, October 1998, 692 pp. This book is a response to recent advances in the understanding and conceptualisation of food security and nutrition problems and their underlying food and non-food causes. In it, over 40 experts and leading authorities from academic and development institutions,

multilateral and bilateral aid agencies and non-governmental organisations take a fresh analytical look at world hunger and the strategies to eliminate it. Available from: LIT Publishers, Dieckstr. 73, D-48145 Münster, Germany, fax: (49) 251 234 598, email: hopf@lit-verlag.de.

"Sustainable Agriculture Resource and Information Directory," published by the Energy and Sustainable Agriculture Program (EASP) of the Minnesota Department of Agriculture (ESAP), 1998, 35 pp. This directory lists sustainable agriculture organisations in Minnesota and around the world, ESAP publications and recommended resources for sustainable agriculture. Available from: Minnesota Department of Agriculture, Energy and Sustainable Agriculture Program, 90 West Plato Boulevard, St. Paul, MN, 55107, USA, tel: (1) 651 296 7673, fax: (1) 651 297 7678, email: prescott.bergh@state.mn.us.

"World Resources: A Guide to the Global Environment 1998-1999," Washington DC: World Resources Institute, 1998, 359 pp. This guide focuses on environmental change and human health. It examines such issues as food production, world hunger, coffee production and deforestation and includes data tables of relevant information for most countries of the world. Available from: World Resources Institute, 1709 New York Ave., NW, Washington DC, 20006, USA, fax: (1) 202 347 2796, email: philip@wri.org, web www.wri.org/wri.

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