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MAI MEETING IN PARIS TO DETERMINE AGREEMENT'S FUTURE

The Organization for Economic Cooperation and Development (OECD) will hold a high-level meeting this week in Paris to discuss the Multilateral Agreement on Investment (MAI), a global accord aimed at boosting international investment flows. Negotiations for the MAI have been underway since September 1995 and are scheduled to conclude by the 1998 OECD ministerial in April. The U.S. is expected this week to ask that talks be extended past the April deadline.

The Clinton Administration contends that the content of an agreement concluded by April will not deliver a significant reduction in barriers to U.S. investment, since a number of countries are seeking broad exemptions from the agreement which the U.S. says will dilute the quality of the MAI. There is also reported to be a fair amount of in-fighting at the Clinton Administration between the United States Trade Representative and the State Department over how the MAI negotiations have been handled. The U.S. Treasury department, which heads the American negotiating team, is reported to be attempting to gain a political agreement in April to lock down the provisions on which there is already consensus.

MAI negotiations were previously extended in 1997. The request for a delay in signing the MAI will come as no surprise to OECD negotiators nor non-governmental groups involved in shaping the agreement. Negotiating parties claim that progress needs to be made on a number of issues, such as how to address expropriated property, before a MAI can be fully concluded.

Also unresolved for MAI negotiators is how to address the issues of labor and environment. The MAI faces opposition from a number of public-interest groups worldwide as well as several European governments who are arguing that the agreement undermines the ability of governments to improve human rights, labor and environmental standards.

Chairman Engering said that a compromise might be achieved within the MAI through a binding provision preventing countries from lowering labor and environmental standards in order to attract investment. Mexico and Australia are opposed to such a measure. Consensus on this issue may be achieved by limiting the provision to project-specific application, rather than dictating a country's entire labor and environmental legislation.

A coalition of 40 Canadian public-interest groups opposed to the MAI told the Canadian government February 3 that the MAI should not be concluded until full consideration is given to the agreement's

impact on developing countries. In a letter to Canadian Prime Minister Jean Chretien, the coalition wrote, "We maintain that, in accordance with the United Nations' Charter on the Economic Rights and Duties of Nation States, governments have the right and responsibility to regulate foreign investment in ways that serve the national development priorities."

The coalition pointed to "chaotic international investment and currency speculation" as having devastated a number of Asian economies, and argued that the proposed MAI does nothing to correct the situation. The group called for a global treaty to regulate capital that more closely adheres to the principles laid out in the UN charter. The coalition included the Council of Canadians, the Canadian Labor Congress, the Sierra Club of Canada and the Canadian Health Coalition.

"U.S. poised to seek extension of deadline for OECD investment pact," INSIDE U.S. TRADE, February 13, 1998; "U.S. other nations to meet on ending barriers to cross-border capital flows," JOURNAL OF COMMERCE, February 9, 1998; "MAI urged to respect developing nations' rights," INTERNATIONAL TRADE REPORTER, February 11, 1998.

DIFFERENCES EMERGE OVER WTO MINISTERIAL AGENDA

Developed and developing countries appear to be split over the agenda for the May WTO ministerial meeting to be held in Geneva. Developed countries want to use the ministerial to more formally plan on how to move forward with the so-called "built-in agenda," the WTO work plan implementing the agreements signed at the close of the Uruguay Round in 1994-1995. This includes launching further liberalization initiatives in the agricultural and services sectors, for which talks are expected to begin in 1999 and 2000, respectively.

For their part, developing countries such as India and Pakistan want the ministerial to review implementation of the Uruguay Round agreement thus far. India argues that the agreement has not been implemented equally, and poorer countries are suffering. Pakistan, Tanzania and Uganda have supported this position. Developing countries point out that developed countries pushed hard to conclude agreements in telecommunications and financial services, since many businesses in developed countries stand to benefit from such agreements. Meanwhile, agreements important to the developing world such as the Agreement on Textiles and Clothing and the Agreement on Agriculture, which would have significant impact on developing economies, have been paid scant attention.

In other news, Hong Kong last week donated US\$1.25 million dollars to the WTO trust fund to be used for technical assistance to the least developed countries. At least part of the money will be used to improve computer and Internet links between WTO headquarters in Geneva and the capital cities of developing countries.

"Rift appears over WTO agenda for ministerial meeting in May;" "Hong Kong to give \$1.25 million to assist poorer WTO members," INTERNATIONAL TRADE REPORTER, February 11, 1998; "Hong Kong hands over 1.25 million dollars to poorest WTO members," AGENCE FRANCE-PRESS, February 6, 1998.

U.S., TRADING PARTNERS REACH TUNA-DOLPHIN AGREEMENT

The U.S. last week reached an agreement with 12 of its trading partners on protecting dolphins in the eastern tropical pacific. A State Department official said last week that the agreement will enable the

U.S. to lift a ban on yellowfin tuna imports for any country that ratifies the agreement, adding that the agreement will not enter into force unless at least four countries ratify it. Participating in the negotiations with the U.S. were Belize, Colombia, Costa Rica, Ecuador, El Salvador, France, Japan, Mexico, Panama, Spain, Vanuatu and Venezuela. Officials expect the agreement to be ratified by June.

The U.S. in 1992 imposed an embargo on yellowfin exports harvested with purse seine nets, a method that has resulted in increased dolphin mortality since its introduction in 1957. The agreement concluded last week implements the so-called Panama Declaration, originally drawn up in 1995. Under the Panama Declaration, countries agree to collectively keep annual dolphin mortality resulting from purse seine fishery for yellowfin tuna below 5,000 for the tropical Pacific Ocean.

The most difficult issue for negotiators was how to assign dolphin mortality allowances for individual fishing vessels. Negotiators agreed to allow each country to allocate mortality limits to its vessels, and included incentives geared toward minimizing dolphin mortality. The agreement does impose an upper limit of 94 as the number of dolphin mortalities any one vessel may be allowed. Annual renewal of mortality allowances will take into account the previous year's performance, e.g. a vessel with a low kill rate will be allocated a higher allowance, and a vessel with a higher kill rate will be given a lesser mortality allowance.

Environmental groups including Earth Island Institute, the Humane Society and the Sierra Club are expected to make a legal challenge to the agreement on the basis that it does not meet conditions outlined in U.S. legislation passed in August 1997. The law calls for a continuous reduction in the dolphin mortality rate, to optimally achieve a zero mortality rate per year. It also calls for a legally binding agreement. The environmental groups argue that the agreement reached last week sets a permanent cap on dolphin mortality at 5,000, with no formal plan for reducing the cap. They also contend that there is no mechanism for legally enforcing the ban.

"Agreement reached to end longstanding tuna-dolphin dispute," U.S. INFORMATION AGENCY, February 9, 1998; "U.S., fishing nations take step toward ending U.S. tuna embargo," INSIDE U.S. TRADE, February 13, 1998.

ILO CONTENDS WITH DISAGREEMENTS OVER WORKERS' RIGHTS

The International Labor Organization (ILO) continues its efforts to build universal support for fundamental workers' rights. When a serious division between developed and developing countries emerged over trade and labor linkage at the Singapore ministerial, WTO ministers agreed that the ILO was best equipped to deal with labor issues. Fifteen months later the ILO is working hard to bridge the North-South division over the ILO "Declaration on Fundamental Workers Rights."

The Declaration encompasses the core conventions on workers rights, including progressive elimination of child labor, prohibition of slave labor, the prohibition of discriminatory employment practices, freedom of association, and workers' right to organize and bargain collectively. The thorny issue of whether the Declaration should include trade linkages has provoked a North-South division. "There is now universal acceptance that [the fundamental rights of workers] are valid everywhere for all societies. But the difference is whether they should be enforceable in any way through trade sanctions," ILO assistant director-general Ali Taqi said last week.

A number of developing countries charge that trade and labor linkages are a protectionist mechanism employed by developed economies to squash any competitive advantage which developing nations might have through their labour practices. Without trade linkages and the ability to authorize sanctions, however, the ILO Declaration lacks the teeth needed to ensure enforcement. The ILO hopes to bridge the North-South gap by its general conference in June when governments, trade unions and employers meet in Geneva.

Britain last week came under fire from trade and labor groups for saying it would not support the inclusion of social clauses in international trade agreements. Lord Clinton Davies, a Department of Trade and Industry official, told a London conference last week that "[Britain] cannot risk setting back progress by sending the wrong message to developing countries. If I felt there was a real chance of getting the governments of developing countries on our side on this I would be prepared to change my mind." Lord Davies said Britain did not want to be perceived by developing countries as constructing protectionist devices against them, and so would not pursue trade and labor linkages in international agreements. Lord Davies will urge the EU to reaffirm its commitment to the ILO's role in dealing with labor issues.

In a positive development for the ILO, 31 Pakistani manufacturers of soccer balls have agreed to allow inspections of their processing facilities by the International Labor Organization (ILO) to assess the use of child labor. Consumer campaigns against the use of child-labor in Europe and the U.S. led all the major global sporting goods brands, such as Nike, Adidas, Brine, Lotto, and Umbro to pledge that they would only purchase soccer balls from Pakistani firms that allow the ILO to monitor their production. A total of 58 sporting goods brands have joined the campaign. The ILO will also register individual stitchers and stitching centers: to date the ILO has registered 269 stitching centers as complying with international conventions on the use of child labor. Pakistan produces two-thirds of all hand-stitched soccer balls, worth US\$1 billion a year to Pakistani exporters.

"ILO confident differences over labor standards can be resolved," AGENCE FRANCE-PRESS, February 11, 1998; "UK under fire on labor standards," FINANCIAL TIMES, February 10, 1998; "Pakistan keeps sharp eye on export flow," JOURNAL OF COMMERCE, February 11, 1998.

EU MEMBER STATES CRITICIZE COMMISSION BANANA PROPOSAL

The European Commission (EC) proposal for revising its controversial banana import regime came under fire from EU member states last week. A number of member states criticized the proposal for including quantitative restraints on banana imports, arguing that the proposal is not consistent with WTO rules. The EC maintains that the proposal complies with WTO rules.

The Commission is revising its import regime in response to a WTO ruling last year which found its system of preferential market access for banana imports from four Latin American countries and former African, Caribbean and Pacific (ACP) colonies to be discriminatory. The United States brought the complaint to the WTO, joined by Ecuador, Guatemala, Honduras and Mexico. The EU has committed to implementing a new banana import regime by January 1, 1999.

The United States is pressing for a tariff system that does not include quantitative restrictions but that assesses higher tariffs on Latin American bananas than on ACP imports. Sweden and Germany echoed the U.S. position last week at a meeting of the EC Special Committee on Agriculture. The two countries are major importers of Latin American bananas. The Netherlands, Belgium, Luxembourg and Italy offered support for the tariff-only scheme, but have not ruled out other possible solutions.

The United Kingdom, Ireland and Denmark are reported to back the current EC proposal, with minor changes. France, Spain and Portugal are opposed to the current proposal because it does not compensate EU growers in Martinique or the Canary Islands for preferences lost under the proposed regime.

The U.S., Ecuador, Honduras, Guatemala and Mexico issued a joint statement February 5 criticizing the EC proposal. Panama signed on to the statement as well. The G-6 statement calls the EC proposal clearly incompatible with WTO rules with regard to the proposed separate tariff rate quotas for ACP and Latin American bananas. The paper also criticizes the EC proposal for providing ACP countries with an increased market share over its historical export levels.

"EU members attack Commission banana proposal to settle fight;" "G-6 statement on EU banana proposal," INSIDE U.S. TRADE, February 13, 1998.

BRAZIL DEMANDS FARM DEAL FOR FTAA

Brazil last week restated its position that a hemispheric free trade agreement will not be negotiated unless the U.S. offers significant concessions in the agricultural sector. Meeting last week in Costa Rica as part of the Preparation Committee for the Free Trade Area of the Americas (FTAA), Brazil was adamant with the 34 trade ministers present that agricultural trade must be the "main subject" in FTAA talks. Brazil is a large producer of agricultural goods and, along with other Latin American countries, wants the U.S. to eliminate non-tariff trade barriers on farm imports. "Without agriculture, there won't be no FTAA," the Brazilian trade representative said.

Meanwhile, the Clinton Administration last week said through its press secretary that it is unlikely Congress will vote on fast track legislation by April, when FTAA talks are to begin. Without fast track, the U.S. is thought to be largely unable to meaningfully negotiate in FTAA talks. The Brazilian trade representative said last week that the fast track situation leaves Brazil uncomfortable. "We are not content, we are not happy with this situation," he said.

"Brazil says no Americas trade pact without farm deal," REUTERS, February 11, 1998.

EVENTS/RESOURCES

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 focusing on regional integration approaches to addressing the issues of trade liberalization 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.

WTO MEETINGS: February 16-18; February 20: Committee on Regional Trade Agreements. February 18: Committee on Government Procurement. February 19: GENERAL COUNCIL. February 19-20: Working Group on Transparency in Government Procurement. For more information, contact Peter Pedersen, External Relations Officer, tel: (41-22) 739 58 48; fax: (41-22) 739 57 77.

INTERNATIONAL CONFERENCE ON MEDICINAL PLANTS CONSERVATION, UTILISATION, TRADE AND CULTURAL TRADITIONS: Foundation for Revitalization of Local Health Traditions. February 16-20, Bangalore, India. The conference is expected to cover a number of areas related to medicinal plant conservation, utilization, and trade including plant domestication and cultivation, small enterprise development, contributions of indigenous knowledge systems, and traditional knowledge and resource rights. It will include invited and contributed papers, poster sessions, as well as visits to local sites of related interest. For more information, tel: 91-80-333-6909, fax: 91-80-333-4167, email: darshan@frlht.ernet.in

HIGH-LEVEL MAI MEETING: A High-Level meeting on the Multilateral Agreement on Investment (MAI) will take place on 16-17 February to give political impetus for the completion of the negotiations. The Chairman of the MAI Negotiating Group, Mr. Frans Engering, will brief journalists on the results of that meeting and on the current state of play of negotiations on 17 February at 6.15 p.m. at OECD headquarters. For more information contact the OECD Communications Division at news.contact@oecd.org

MAI INFORMATIONAL BOOKLETS: Ruth Caplan of the Alliance for Democracy has coordinated the production of informational booklets about the MAI. With input from Public Citizen, Friends of the Earth, AFL-CIO and several other NGOs, this 3-color cover/24-page/business envelope-sized booklet portrays worldwide concerns about the effects of the proposed Agreement. The back cover will list sponsoring organizations and have space for organizational contact information. For more information, please contact Ruth directly at rcaplan@igc.org if you are interested in previewing the booklet online or ordering a quantity of booklets.

NORTH-SOUTH CENTER PUBLICATION: "Generating Savings for Latin American Development". Edited by Robert Grosse. November 1997, ca. 196 pages, ISBN: 1-57454-044-0, LC: 97-21496, paper/\$24.95/£19.95. How can savings be generated and mobilized to support Latin American development into the twenty-first century? This underlying question is analyzed in detail for the region and for several individual countries. The volume's authors examine the contribution of savings to the process of capital formation, the relationship between domestic savings and domestic investment, and the effects of foreign investment upon savings and capital investment in the region. Lynne Rienner Publishers, Inc., is the exclusive distributor of books published by the North-South Center Press, University of Miami. For more information, tel: (1-303) 444-6684; fax: 444-0824.

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