

### Table of Contents

- NO MAI BY MAY
- ASIAN PRODUCERS LOOK TO G-7 WHILE EFFECTS OF CRISIS EXPAND
- ACP NATIONS FACE NEW LOME FRAMEWORK
- INDIA AND U.S. AT ODDS OVER INTELLECTUAL PROPERTY
- UPDATE: WTO ACCESSION BIDS
- EU GIVES OKAY TO GENETICALLY MODIFIED MAIZE
- AFRICAN COUNTRIES SUPPORT EU BANANA PROPOSAL
- LIMITED PROGRESS IN FTAA PREPARATIONS
- EVENTS/RESOURCES

### **NO MAI BY MAY**

The Multilateral Agreement on Investment (MAI), currently being negotiated in the Organization for Economic Cooperation and Development (OECD), is bogged down by significant differences amongst OECD members and will not be ready for adoption by the announced deadline of late April. A meeting in Paris last week highlighted the fact that instead of leading to consensus, negotiations on the MAI had revealed wide divergences of opinion between the OECD's 29 member States. The original May 1997 deadline for adoption of a text has already been extended once.

Negotiations on the MAI, which was said to be intended to boost international investment flows by strengthening legal protection of foreign investments and removing market barriers, were launched in 1995. It is uncertain now whether talks will result in any agreement at all. Frans Engering, Chair of the talks, said that if there is no further significant progress by the annual OECD ministerial meeting in April, members may well decide to abandon the attempt altogether.

Observers suspect that in announcing that not enough progress has been made for it to endorse a draft agreement by April, the U.S., who initiated the talks, is really seeking a pretext to drop the project. Observers believe that the talks may be transferred to the WTO or other economic agencies in search of a more appropriate forum. Others point out that fierce worldwide competition for capital means that countries which discriminate unfairly against foreign investors risk severe market sanctions - in itself a powerful incentive for host governments to toe the line.

A number of significant issues need to be resolved to unblock the current MAI impasse. The EU rejects the principle of the U.S. D'Amato and Helms-Burton laws which allow the United States to punish foreign companies for investing in Cuba, Iran or Libya. Environmental and labor issues have been controversial in these negotiations as well, and while some delegations now agree that they should be included, others remain resolutely hostile to this. France and Canada have been pushing for a "cultural exception" to protect their arts and media sectors. The U.S. opposes preferential treatment for intra-EU investment.

Many developing countries have branded MAI negotiations an exercise in neo-imperialism. As reported in Bridges Weekly Trade News Digest last week, many public interest groups are also opposed to the

MAI on the grounds that it could undermine protection for human rights, environmental and labour standards in addition to having negative impacts on developing countries. The issue is not preserving the current un-regulated environment for foreign investment but rather to seek a sound, comprehensive regulatory framework that addresses the issues of concern.

"Trop de bisbilles à l'OCDE pour avoir un 'ami'", Libération, February 11, 1998; "OECD abandons hope of concluding investment deal by deadline", Agence France presse, February 17, 1998; "Bye-bye MAI", Financial Times, February 19, 1998.

### **ASIAN PRODUCERS LOOK TO G-7 WHILE EFFECTS OF CRISIS EXPAND**

The Group of Seven industrialized countries (G-7) last weekend were set to launch an initiative geared toward making billions of dollars of short-term trade credit available to troubled Asian economies. The G-7 and 10 other governments were expected to pledge between US\$10 and 15 billion dollars toward this effort. Short-term credit is vital to businesses trying to obtain letters of credit in Indonesia, Thailand and South Korea: many foreign banks refuse to accept letters of credit issued by the regional banks which are crunched for capital and weighed down by bad debt. Without the letters of credit, producers can neither import raw materials nor obtain the working capital necessary to export their finished goods.

Elsewhere in Asia, the Philippine government last week announced it would tighten anti-dumping measures in order to ebb the flow of cheap foreign imports into the country. "There have been growing reports of dumping violations mainly from S. Korea, Thailand, and China," a government official said. Among the products targeted for a closer look are tin plate from S. Korea, soap-making chemicals from China and PVC flooring from Thailand. For its part, S. Korea is reported to have relaxed its labor laws in favor of more part-time work rules, making it ostensibly easier for struggling employers to dismiss full-time workers.

Meanwhile, driven by increased deficits with Japan and China and cheaper exports from Asia, The U.S. 1997 trade deficit hit its highest level since 1988. Japan is also feeling the effects of the region's crisis. As its exports to the rest of Asia plummeted, Japan recorded its first deficit to the region in eight years. This points to the extent to which financial problems in the region are suppressing demand and making Japanese goods less competitive in South-East Asian markets. Nevertheless, Japan's trade surplus rose to \$US3 billion in January--up 66 percent from a year earlier despite warnings from the U.S. that Japan not attempt to export its way out of its troubles.

The U.S. goods deficit with China increased nearly 26 percent in 1997, to US\$49.7 billion. This trend is expected to slow significantly: China has refused to devalue its currency and its exports are expected to become less competitive with other Asian exports. However, much of the transfer of US trade dollars away from China is expected to go to Japan. Analysts forecast the U.S. trade deficit with Japan to increase by an astounding US\$20 billion in 1998.

"Export agencies to spur trade financing," FINANCIAL TIMES, February 20, 1998; "1997 trade deficit hit 9-year high," JOURNAL OF COMMERCE, February 20, 1998, "Philippines toughens anti-dumping measures," PHILIPPINE STAR (MANILA), February 16, 1998; "Lee: La Coree du Sud est malade," TRIBUNE DE GENEVE, February 19, 1998; "Asian crisis hits US and Japanese trade," FINANCIAL TIMES, February 20, 1998.

### **ACP NATIONS FACE NEW LOME FRAMEWORK**

A fundamental shift in EU-African, Caribbean and Pacific (ACP) relations is in store as the European Commission (EC) prepares for talks on the next Lome convention, scheduled to begin this fall. The EU is targeting a post-Lome V revision of trade relations, moving away from preferential trade agreements towards a series of free trade pacts. The EU will probably keep preferential access for ACP imports of sugar, bananas and beef under Lome V, and then seek to integrate those commodities into regional economic agreements in the next century. The shift is intended to help ACP countries become more competitive in the global trading environment so as to attract greater foreign investment.

The EU is proposing a phase-in approach to free trade, developing regional "economic partnership" pacts with separate regions corresponding to the level of development in each region. In addition, the EU intends to consider human rights and government administration factors when forging agreements.

Said the EU's development commissioner Joao de Deus Pinheiro, "It is absolutely necessary to change if we want to end the marginalization of the ACP countries." However, ACP countries are wary of EU attempts to negotiate separate regional agreements, fearing they will weaken the collective strength the 71 ACP countries currently enjoy.

In a former speech to the United Nations Conference on Trade and Development (UNCTAD), former Prime Minister of France and President of the Committee of Development and Cooperation of the European Parliament Michel Rocard laid out the European Parliament's vision of what the new arrangement would be like. Drawing attention to the international trade regime overseen by the WTO which apparently opposes the granting of asymmetrical trade preferences such as those enshrined in Lome IV, Mr. Rocard noted that the waiver allowing ACP preferences expires in 2000. To soften the blow, he said, "The EU will want to negotiate as detailed and as long as possible a transition period with the WTO".

Mr. Rocard dismissed any expectations of an increase in the present aid allocation, emphasizing that it would be a major achievement even to maintain current levels of assistance.

"EU trade: commission to renegotiate Lome," ECONOMIST INTELLIGENCE UNIT, February 18, 1998.  
Michel Rocard: Speech to UNCTAD, no date available.

## **INDIA AND U.S. AT ODDS OVER INTELLECTUAL PROPERTY**

Disagreement emerged at the February 13 meeting of the WTO Dispute Settlement Body (DSB) between India and the U.S. over how long India should be afforded to bring its intellectual property laws in line with WTO rules. A 1997 DSB ruling found that India failed to comply with the WTO agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs). The agreement required that developing countries without patent protection for pharmaceutical and agricultural chemicals set up a "mailbox" system for receiving patent applications during the interim period before adequate intellectual property laws were instituted: mailbox systems were to be in place by January 1, 1995. The WTO found that India had failed to set up a mailbox by means of enacting legislation to that end.

Srinivasan Narayanan, India's Ambassador to the WTO, told the DSB February 13 that India needed until at least June 1999 to comply with the WTO ruling. Mr. Narayanan said that India accepted the DSB decision, but that it needed "a reasonable amount of time" to set up an appropriate mailbox system.

The U.S. immediately rejected the request, saying that India was already three years behind in complying with TRIPs and therefore had no basis for seeking more time.

India and the U.S. have until March 2 to reach an agreement on the implementation period. WTO members adopted the DSB ruling January 16: under WTO rules, India has 45 days from the date of adoption to report as to when implementation of the ruling will take place. If the U.S. and India cannot agree by March 2, an arbitrator will be appointed.

In other TRIPs-related news, the Indian government last week said it would ask the U.S. to revoke a patent on Basmati rice issued last September to Texas-based Ricetec. India has formed a technical committee including officials from the departments of agriculture, industry and commerce with the task of getting the patent revoked immediately. "Patenting Basmati in the U.S. is like snatching away our history and culture," sources said. India's main contention is that the traditional Indian name 'Basmati' is employed for a very specific variety of rice grown in a specific geographic area: Punjab, Haryana and Uttar Pradesh.

With a U.S. patent, Ricetec will be able to label its aromatic rice 'Basmati' both within the U.S. and on its exported product. The U.S. imports 45,000 tons of Basmati rice from India annually, representing 10 percent of all Basmati exports from India. The Ricetec patent also threatens the (Indian) Basmati market position in the vital European and West Asian markets.

India's Associated Chambers of Commerce (ASSOCHAM) said the patent violates the geographical indication clause under TRIPs; however, India never enacted its Geographic Appellation Bill.

"U.S., India spar again on protection of U.S. drug, farm chemical patents," INTERNATIONAL TRADE REPORTER, February 18, 1998; "U.S. says no to India on mailbox facility." THE ECONOMIC TIMES (MUMBAI); "Battle for Basmati: U.S. co seizes patent, India rears up for fight," THE ECONOMIC TIMES (MUMBAI), February 18, 1998.

#### **UPDATE: WTO ACCESSION BIDS**

China last week promised to submit a detailed line-by-line offer on tariff reductions as part of its application for WTO membership. European Union trade commissioner Sir Leon Brittan has pushed China to cut many tariffs to an average of 15 percent, in line with Chinese President Jiang Zemin's pledge to do so by 2000. This next round of cuts would follow a reduction in October 1997 when the average tariffs were cut from 23 to 17 percent.

The WTO General Council last week approved Laos as a candidate for admission into the World Trade Organization. Laos, which had been hit hard by the Asian financial crises, instituted a number of reforms in response to International Monetary Fund advice. As a result, Laos has seen economic growth over six percent in 1996-1997, and brought inflation down from 30 percent to 16 percent currently. Current per capita income of 370 dollars is expected to increase to 540 dollars in 2000.

An urgent push for WTO membership is reported to be underway by Russia. President Boris Yeltsin has told his cabinet that he wants Russia to join the WTO by the end of 1998. Foreign Trade Minister Mikhail Fradkov reported that Russia loses between US\$500 million and US\$1 billion annually due to various restrictions in place by other countries against Russian exports. WTO membership could help stem those losses.

Russian officials also said that joining the WTO does not mean it will immediately stop protecting its domestic market—import restrictions would be phased out over a five to seven year period as part of its WTO membership.

"China maps tariff cuts for WTO," INTERNATIONAL HERALD TRIBUNE, February 18, 1998; "Laos to kick off World Trade Organization membership process;" "Russia seeks quick entry into WTO," REUTERS, February 19, 1998.

## **EU GIVES OKAY TO GENETICALLY MODIFIED MAIZE**

The European Commission's Scientific Committee on Plants (SCP) February 12 approved for import three strains of genetically altered corn grown in the U.S. The SCP approved strains developed by Monsanto, AgrEvo and Novartis. A genetically modified rapeseed patented by AgrEvo was also approved.

"The committee concluded that there is no evidence that the placing on the market of three modified maizes and the modified rape would cause adverse effects on human and animal health and on the environment," a Commission statement said.

The move by the SCP brings U.S. exports of genetically modified corn one step closer to the lucrative European market. However, the SCP finding must pass through a committee of EU state representatives March 12 before any of the varieties can be sold in the EU.

Assistant U.S. Trade Representative Peter Scher welcomed the SCP decision, but not without a dose of skepticism. "We now have the EU's own scientific committee saying there is no scientific basis to prevent the approval of these products. This is obviously good news, but I want to say that I've learned with the EU...not to count my blessings until it is signed, sealed and delivered, and corn is actually for sale in Europe."

European consumer and environmental groups have been campaigning to keep genetically modified organisms (GMOs) out of the EU food chain. Luxembourg and Austria have maintained a ban on genetically modified corn imports even after the European Commission approved the Bt corn for use in the EU. Anticipated EU regulations on labeling products that contain GMOs have been on hold pending SCP studies on GMOs.

In a parallel story, Greenpeace last week filed suit against the French government over the government's decision to allow Novartis' Bt maize to be grown on approximately 30,000 hectares in France. The Bt maize contains a "built-in" insecticide that is intended to resist pests and reduce the need for applied pesticides. Greenpeace argues that the French government's Committee on Prevention and Precaution advised the government not to allow the growing of any crops containing antibiotic resistance genes. A Greenpeace spokesperson last week said that the French decision to allow Bt maize "has opened the floodgate for large-scale dissemination and planting of genetically altered crops into European ecosystems against the clear majority of European consumers."

"EU science body approves three strains of genetically altered corn," INSIDE US TRADE February 20, 1998; "Greenpeace sues French government to stop growing of first GE-crop in Europe," GENETIC ENGINEERING PRESS RELEASE, February 19, 1998.

## **AFRICAN COUNTRIES SUPPORT EU BANANA PROPOSAL**

While European Union member states debate proposed revisions to the EU banana import regime, two African exporters last week said they welcomed the proposal put forward last month by the European Commission. Officials from Cameroon and Cote d'Ivoire banana associations said the proposal will protect the livelihood of African, Caribbean and Pacific (ACP) banana producers, who rely heavily, if not solely, on the European market.

Cameroon and Cote d'Ivoire each export about 180,000 tons of bananas each year, most of which goes to the EU. Bananas represent Cameroon's second largest export and Cote d'Ivoire's third largest. An official with the Cote d'Ivoire fruit exporters association said the banana industry is a vital source of employment for some of the most politically unstable regions in both Cote d'Ivoire and Cameroon.

Luc Mbarga Atangana, secretary of the Cameroon Banana Association, said it is essential that proposed EU financial aid to diversify exports and improve efficiencies of ACP banana production must be dispersed fairly between ACP countries. This comment is likely a response to proposals that aid be reserved for only the poorest ACP nations.

The European Commission was charged with reforming the EU banana import regime after a 1997 WTO ruling found the regime of preferences to certain Latin American producers and ACP countries in violation of world trading rules. The Commission's reform proposal is proving no less controversial than the regime it is intended to replace: it calls for changing the system for allocating import licenses, but still maintains a tariff rate quota system favorable to ACP imports. The proposal has been heavily criticized by the group of five countries which brought the complaint to the WTO: the U.S., Ecuador, Mexico, Guatemala and Honduras, who say the proposal is not compatible with the WTO ruling. Led by Germany, a number of European countries also oppose the proposal saying that it will keep banana prices for European consumers too high. France, Spain and Greece argue that the proposal does not go far enough to protect ACP producers.

EU agricultural ministers are set to reconvene on the banana issue next month.

"Cameroon and Ivory Coast welcome EU banana import proposals," BLOOMBERG, February 13, 1998;  
"Les negociations sur la banana stagne," LE JOURNAL DE GENEVE, February 18, 1998.

#### **LIMITED PROGRESS IN FTAA PREPARATIONS**

Hemispheric trade vice ministers left a number of issues unresolved after meeting in Costa Rica earlier this month to prepare for Free Trade Area of the Americas (FTAA) talks, set to launch in Santiago, Chile in April. A key issue that emerged when ministers met was over the Southern Cone Common Market's (MERCOSUR) push for a separate negotiating group on agriculture. The U.S. and a number of Central American and Caribbean countries argue that more significant breakthroughs can be made in agriculture if it is considered as part of a broader market access negotiating group.

The U.S. met frustration on a number of key issues. Trade vice ministers rejected U.S. demands that FTAA include trade rules that exceed obligations in the WTO. Vice ministers supported draft provisions put forward by Costa Rica that aim at creating trade rules within FTAA that are "consistent" with WTO rules. A U.S. proposal to incorporate labor and environment issues into trade negotiations via dedicated study groups was rejected. MERCOSUR made it clear months ago that labor and environment linkages to trade will not be considered within FTAA.

The trade vice ministers did agree to set up a "consultative" group on small economies that will ensure that issues of concern to smaller economies are addressed within the separate negotiating groups.

The vice ministers could not reach agreement on a U.S. demand for a separate negotiating group for intellectual property. Also unresolved is the issue of where the FTAA talks will take place; thus far Miami and Rio de Janeiro are the front-runners in the contest to play host city. Vice ministers did agree that talks would be held in just one city rather than in multiple locations. Trade vice ministers will reconvene March 19 to resolve outstanding issues.

Meanwhile, Latin American officials are taking great pains to emphasize that FTAA talks can and will proceed without U.S. President Clinton obtaining so-called fast track negotiating authority. Enrique Iglesias, president of the Inter-American Development Bank, echoed the opinion of Latin American leaders saying last week that "...it is extremely important that the meeting in Santiago make it clear that the negotiations are launched. We're not talking about ideas; we're talking about facts. Latin America is a very important market for the United States."

"Senior officials reject U.S. proposals for draft FTAA declaration," INSIDE U.S. TRADE, February 20, 1998; "Vice ministers need additional meeting to reach consensus on FTAA issues;" ""FTAA process can move forward despite U.S.' lack of fast track, Iglesias says," INTERNATIONAL TRADE REPORTER, February 18, 1998.

## **EVENTS/RESOURCES**

**COMMISSION ON SUSTAINABLE DEVELOPMENT:** The Commission on Sustainable Development (CSD) Intersessional will be held from 23 February - 6 March 1998 at UN Headquarters in New York. The Intersessional will deal with Industry and Sustainable Development and Freshwater. Both groups will include focused consideration of matters of technology transfer as they relate to the theme under discussion as well as provide for an integrated consideration of other relevant means of implementation, particularly finance. Each will also take consideration of the two overarching issues of poverty and changing consumption and production patterns.

**UNCTAD-EARTH COUNCIL EMISSIONS TRADING POLICY FORUM:** The UNCTAD - Earth Council Emissions Trading Policy Forum will be held from 25-26 February 1998 in London, UK. For more information contact: Frank Joshua, UNCTAD; e-mail: [frank.joshua@unctad.org](mailto:frank.joshua@unctad.org).

**INTERNATIONAL CONFERENCE OF THE EUROPEAN SOCIETY FOR ECOLOGICAL ECONOMICS:** The Second International Conference of the European Society for Ecological Economics will be held at the University of Geneva, Switzerland, from 5 - 6 March 1998. The topic is "Ecological Economics and Development." For information contact: Roderick Lawrence, Centre Universitaire d'Ecologie Humaine, University of Geneva, 102 Bld Carl-Vogt, CH-1211 Geneva 4, Switzerland; fax: +41 22 705 81 73; e-mail: [lawrence@uni2a.unige.ch](mailto:lawrence@uni2a.unige.ch)

**WORLD TRADE ORGANIZATION:** From 17 - 18 March 1998, the WTO Committee on Trade and Environment (CTE) will convene a second NGO Symposium in Geneva: Strengthening Complementarities between Trade, Environment and Sustainable Development (for coverage of the first WTO NGO Symposium, held in March 1997, see <http://www.iisd.ca/linkages/sd>). Participants and speakers have been invited from the private sector, research and academic institutes, environment and development

NGOs. The Symposium will address three broad themes: identifying institutional links in the trade-environment-sustainable development nexus; deepening understanding of the economic links between trade liberalization and the environment; and examining the issue of legal compatibility between international trade and environmental policies. For further information contact Scott Vaughan at the WTO Secretariat, Environment Division: tel. +41- 22-739-5091; fax: + 41-22-739-5620; e-mail: [webmaster@wto.org](mailto:webmaster@wto.org); Internet: <http://www.wto.org>.

The Second Ministerial Conference of the WTO/50th Anniversary Celebrations-NGO Participation: Arrangements are currently being made for registration of representatives of Non-Governmental Organizations wishing to come to Geneva to attend the second Ministerial Conference of the WTO and the 50th Anniversary celebrations (18-20 May 1998). Facilities will be made available, for the Conference and the 50th Anniversary celebrations, to the NGOs concerned with matters related to those of the WTO, as stipulated in Article V of the WTO. These NGOs are invited to request a registration form. Only requests accompanied by a description of the nature of the NGO's activities and how they relate to WTO matters will be considered. Requests should be addressed to: External Relations Division, World Trade Organization, Centre William Rappard, Rue de Lausanne 154, 1211 Geneva 21, Switzerland. The Registration form should be returned as soon as possible to the WTO External Relations Division and not later than 31 March 1998. Upon confirmation of registration, badges will be made available in Geneva for entrance to the Plenary Sessions, entrance to the conference rooms made available for NGO meetings, and participation in social events.

NEW PUBLICATION: The WTO and International Trade Regulation (Yearbook of the WTLA). Edited by Philip Ruttley, Iain Macvay and Carol George. In response to the creation of the WTO dispute settlement system, the World Trade Law Association was established in April 1997 to provide lawyers working in this field with a forum for discussion and research on the impact of the WTO on international trade. Issues covered in this publication include: Dispute Settlement; Environment; Agriculture; Intellectual Property; and Rules of Origin. Can be ordered from Cameron May Ltd. 69-71 Bondway, London SW8 1SQ, tel: (44 0) 171 582 7567; fax 171 793 8353; email: [nickmay@cameronmay.com](mailto:nickmay@cameronmay.com). Cost: \$US 100.00

NEW PUBLICATION: The Africa Competitiveness Report seek to identify and measure the underlying factors that will contribute to high rates of economic growth in Africa in the medium term (a time horizon of about five years). As in the Global Competitiveness Report, these factors will be quantified and then combined into an Index of Competitiveness for 23 African countries. In addition to the Index, four main themes will be explored in-depth in essay form: SADC: the role of regional integration in promoting Southern African growth; the potential for increasing the manufacturing exports of African economies; prospects for foreign direct investment inflows to Africa; and Africa's medium-term growth prospects. For more information contact: World Economic Forum, 53 chemin des Hauts-Crêts, 1223 Cologny/Geneva, Switzerland. Phone: (41 22) 869 1212; Fax: (41 22) 786 2744; email: [contact@weforum.org](mailto:contact@weforum.org)

NEW PUBLICATIONS: NAC, the Canadian National Action Committee on the Status of Women, has released a series of documents and primers that provide a gender-based approach to issues in international trade. To get copies, please contact the executive director Sandra Carnegie-Douglas at [nacexc@web.net](mailto:nacexc@web.net). You can also view them in the archives of the discussion list PAR-L by sending the command GET PAR-L LOG 199802B to PAR-L-SERVER@unb.ca.

---



BRIDGES Weekly Trade News Digest is published by the International Centre for Trade and Sustainable Development and edited by the Institute for Agriculture and Trade Policy. Excerpts from BRIDGES Weekly Trade News Digest© may be used in other publications with appropriate citation. Comments and suggestions are welcome and should be directed to: Ricardo Melendez-Ortiz: <http://www.ictsd.org/forms/mailbox.htm>, Executive Director, ICTSD, Geneva Executive Center, 13 chemin des Anémones, 1219 Chatelaine, Geneva, Switzerland; email: [ictsd@iprolink.ch](mailto: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>

-----