

## Table of Contents

- NEW FUND TO BOOST AFRICAN TRADE
- FARM ISSUES HEAT UP AROUND THE WORLD
- EC TO UNVEIL EU-US TRADE PROPOSAL
- ASEAN's TO TRADE IN OWN CURRENCIES; INDONESIA-IMF CONFRONT DIFFERENCES
- U.S. TOUGHENS FOOD IMPORT STANDARDS
- CHINA, TAIWAN CONTINUE MOVES TO WTO ACCESSION
- U.S. IMF FUNDING MAY BE LINKED TO LABOUR, ENVIRONMENTAL STANDARDS
- EVENTS/RESOURCES

### **NEW FUND TO BOOST AFRICAN TRADE**

Three Geneva-based multilateral organizations announced the launch of the Common Trust Fund to help African countries participate more effectively in the global trading system. The WTO, United Nations Conference on Trade and Development (UNCTAD) and the International Trade Center jointly launched March 1 a US\$10 million fund to assist Benin, Burkina Faso, Tanzania, Uganda, Cote d'Ivoire, Kenya and Ghana boost their global trade competitiveness. The funds will initially be used to help the seven sub-Saharan countries improve export capacities and bring national laws in line with WTO agreements, as well as fund general expenses such as trade information and quality management systems. Nine European countries and Japan have pledged funds toward this effort. The move comes as 5 months of rain is evaluated to have flattened the fragile economies of several African countries.

Meanwhile, it came as no surprise to learn that a group of textile associations in the U.S., Canada and the Mexico opposed the African trade bill passed in late February by the U.S. House Ways and Means Committee (see Bridges Weekly Trade News Digest, vol. 2, number 7).

"Multilateral agencies launch fund to boost African trade competitiveness," AGENCE FRANCE-PRESS, February 27, 1998; "Fund to aid African trade competitiveness," INTERNATIONAL TRADE REPRTER, March 3, 1998; "El Niño Rains Wash Out Fragile African Economies", INTERNATIONAL HERALD TRIBUNE, March 3, 1998; "N. American textile group opposes Africa trade bill", REUTERS, March 3, 1998.

### **FARM ISSUES HEAT UP AROUND THE WORLD**

Farm ministers from the 29 Organization for Economic Cooperation and Development (OECD) member states met last week in Paris to set new goals for farm trade liberalization in anticipation of global talks on agriculture to begin next year. However, discussions were reportedly stymied by a host of bilateral disagreements over farm issues. In addition, OECD members could not agree on the wording of a communiqué outlining trade demands. "There is a battle here between those who say the last trade deal (in 1994) went as far as we should go and you have the free-market camp who want to go further," one diplomat said.

A member of the latter group, the U.S., last week urged OECD members not to wait for a global agreement on agriculture to emerge before continuing tariff and subsidy reductions already underway. Developed nations agreed during the Uruguay Round of trade talks to reduce agricultural tariffs and subsidies by 2001. French beef producers are concerned that liberalization within the context of reforms of the EU common agricultural policy will put them in direct competition with Australian or South American beef producers, whose production costs are much lower than France's.

Meanwhile, countryside organisations across Europe are to press the European Commission for a huge increase in funding for environmentally friendly farming.

Elsewhere, farmers in Taiwan would prefer to wait as long as possible for agricultural liberalization there. Several thousand farmers responded to the immediate opening of its pork market to U.S. imports by hurling pig dung at U.S. offices in Taiwan. As part of its WTO entry-bid, Taiwan agreed to immediate access for U.S. pork to its market, as well as the opening up of its rice market. In Thailand, farmers staged a rowdy protest at the Agriculture Ministry in an attempt to pressure the government to speed up solving their problems which include forest and land disputes, the impact of dam projects, and debts and rights to farm land. The farmers argue that the government was not fair in spending trillions of baht to rescue ailing financial firms while farmers' debts totaling only 180 billion baht were ignored.

"OECD struggles to ignore farm feuds at trade talks," JOURNAL OF COMMERCE, March 6, 1998; "U.S. to press trade partners for no pause in agricultural cuts," REUTERS, March 3, 1998; "Asian and U.S. Farmers oppose Asian farm reform," WTO NEWS (IATP), March 3; "Agriculture - Chirac s'inquiète de la réforme de la politique agricole commune", LA TRIBUNE, March 2, 1998; March 6, 1998; "European Environmentalists Seek More Funds", FINANCIAL TIMES, March 3, 1998; "Farmers protest at ministry", BANGKOK POST, March 6, 1998.

## **EC TO UNVEIL EU-US TRADE PROPOSAL**

The European Commission (EC) last week began discussions on a proposal to eliminate or reduce a number of trade obstacles in place between the European Union and the United States. Both EU and U.S. officials deny that the so-called New Trans-Atlantic Marketplace proposal, drawn up by European Trade Commissioner Sir Leon Brittan, is a free-trade pact. Rather, the proposed changes would streamline trade relations between the two economic powers who already trade US\$272 billion in goods with each other annually.

This would be accomplished by eliminating the need for duplicate regulations and reduce the costs of exporting goods to each other. Sir Leon's proposal targets four main areas: free trade in services; removal of technical trade barriers; increased liberalization in government purchasing, intellectual property and investment; and the removal of industrial tariffs by 2010. The proposal does not cover agricultural tariffs and subsidies, which will be dealt with at the global level when talks begin for a WTO sponsored agreement on agriculture.

If the EC approves the proposal, it will next have to sell the idea to EU member states: a task proposal supporters hope will be complete in time for a scheduled EU-U.S. summit in May. That may prove difficult. France is leading the opposition to the proposal: one French official commented that "We have a lot of doubts about whether this is the way to improve relations with the U.S." The official noted further that EU-U.S. trade talks on the proposal may serve to highlight trade differences between them, such as the on-going dispute over the EU banana import regime, or the U.S. trade embargo against

Cuba and related legislation. Other critics wonder whether the measures put forward in Sir Leon's proposal wouldn't be better dealt with at the global level. U.S. officials cautiously welcome the proposal, although any initiative in the area of free trade is likely to face strong opposition from a vocal protectionist movement in the U.S. Congress.

In other news, the EC last week announced plans for fast-track negotiations on a free trade agreement with U.S. neighbour Mexico. The EU is Mexico's second largest trading partner after the U.S., and is eager to gain a stronger foothold in the US\$185 billion Mexican market. The free trade agreement would help diversify Mexico's trade base, at present dominated by trade with the U.S.

"UE/Etats-Unis: signification et contenu du marché transatlantique préconisé par Sir Leon Brittan, que la Commission discute ce mercredi," AGENCE EUROPE, March 3, 1998; "EU prepares for big push on U.S. trade relations," REUTERS, March 3, 1998; "EU panel seeks to boost U.S. trade," FINANCIAL TIMES, March 3, 1998; "EU plans swift trade pact with Mexico," REUTERS, March 4, 1998.

### **ASEAN'S TO TRADE IN OWN CURRENCIES; INDONESIA-IMF CONFRONT DIFFERENCES**

Finance ministers of the Association of South East Asian Nations (ASEAN) agreed March 1 to a plan to promote inter-regional trade by using regional currencies for trade payments rather than U.S. dollars. The plan was the brainchild of Malaysian Prime Minister Mahathir Mohamad, aimed at curbing the effect of currency devaluation on regional trade. ASEAN ministers did not approve a plan to share economic data with a surveillance secretariat that would gather comparable data from each member. Instead, ASEAN ministers agreed to warn member economies of worrisome trends. ASEAN has been criticized for its inability –some say unwillingness - to address regional problems with force, thus aggravating regional difficulties such as the collapse of its members' economies by adhering to a policy of "non-interference," which may be doing more harm than good.

Meanwhile, President Suharto of Indonesia is heading for a showdown with the IMF. Speaking last month to the Indonesian People's Consultative Assembly, President Suharto said IMF reforms had not worked so far and the country needs "a more correct alternative." The IMF must decide by March 15 whether to approve a US\$3 billion loan installment for Indonesia which so far has not moved on a number of pledges it made to secure an IMF US\$43 billion rescue package. These include Indonesia's failure to liberalize trade in all major food staples; failure to end a ban on crude palm oil exports; and the possible continuance of a monopoly on cloves after Indonesia agreed to its closure as part of the IMF agreement.

While not making the loan could lead Indonesia to further social strife, making the loan could undermine the IMF's ability to enforce its numerous reform agreements underway across the globe, including other Asian countries including Thailand and South Korea. Further, the Clinton Administration may pressure the IMF to take a tough stance with Indonesia, lest a compromise approach weaken chances for congressional approval of IMF funding. Indonesia and the IMF will continue to negotiate on the matter over the next week.

Critics charge that by forging the "reformer" role for itself, the IMF is abandoning its true role and interfering with nations' sovereignty. The IMF, critics say, is supposed to be the lender of last resort, with monies used to stop financial panic from spreading and causing a depression-like result. That being said, critics argue, IMF money should be available to governments immediately: a real emergency does not leave time for loans tied to the kind of reform the IMF is demanding.

"Currencies plan endorsed;" "Indonesia seeks 'alternative' to IMF reforms," FINANCIAL TIMES, March 2, 1998; "ASEAN's failures: the limits of politeness," THE ECONOMIST, February 28, 1998; "L'alternative de Suharto a la reforme du FMI," LE FIGARO, March 3, 1998; "Trying to do too much," FINANCIAL TIMES, March 5, 1998.

## **U.S. TOUGHENS FOOD IMPORT STANDARDS**

President Clinton last week announced a new push for food safety legislation, to criticism that tighter inspections on food imports are likely to have repercussions for its trade with other countries.

The new legislation will halt import of fruits and vegetables from countries found by U.S. authorities to have inadequate food safety standards, and could send U.S. Food and Drug Administration (FDA) inspectors into foreign countries to halt imports of unsafe fruits and vegetables. The U.S. imports about 40 percent of its vegetables and 13 percent of its fruit: the legislation will expand the number of U.S. inspectors examining imports and processing facilities as well as ban imports from producers whose facilities do not provide proper food safety controls.

The FDA says increased inspection will reduce the incidence of food-borne illnesses such as cyclospora. However, some observers say the Clinton Administration is sewing seeds for securing so-called fast-track legislation by squashing protectionist arguments that increased free trade means compromising food safety. "Food safety legislation should proceed on the basis of real science, not political science", said Kelly Johnston of the National Food Processors Association.

Responding to the Clinton announcement, Mexican trade official Luis Alacalle warned, "The U.S. needs to strike a balance between protecting the health of its citizens and measures that might become new trade barriers." Mexico exports over US\$4 billion in fruits and vegetables each year to the U.S. Other Latin American countries, such as Argentina, worry that should the U.S. inspectors reject shipments from Argentinean producers, it could box out Argentinean agricultural exports from other markets.

"Clinton to push for food safety legislation," REUTERS, March 3, 1998; "Clinton backs tougher FDA rules for fruit imports", REUTERS, March 4, 1998; "Mexico warns on U.S. food inspection plans," FINANCIAL TIMES, March 6, 1998.

## **CHINA, TAIWAN CONTINUE MOVES TO WTO ACCESSION**

WTO director-general Renato Ruggiero last week urged a quick completion to China's WTO accession bid. Mr. Ruggiero said both China and its trading partners should reach agreement as soon as possible, although it is agreed that no deal will be in place for the May 1998 ministerial conference in Geneva, the previously oft-cited target for China's accession. U.S. Commerce Secretary Daley also said that it is unlikely that an U.S.-China WTO deal would be reached in time for an U.S.-China summit scheduled for later this year, nor would a deal be reached simply to meet that summit date. Meanwhile, China continues trade links with Africa - a nearly 15 percent increase in Sino-Ghanaian trade was reported since 1995 - and economic reforms are being undertaken domestically in areas such as telecommunications, banking and textiles.

Taiwan last week met with EU trade officials in continued efforts to secure WTO membership. Taiwan reportedly agreed to reduce tariffs on industrial products and to implement liberalization in services

sectors. The two sides remain divided on reducing tariffs for compact cars and Taiwan's taxes on imported European liquors and tobacco. Only the EU and Switzerland remain on Taiwan's list of bilateral agreements to be concluded before moving forward with WTO membership: Taiwan has already concluded agreements with 24 other WTO member countries.

"WTO's Ruggiero urges accelerated China WTO talks," REUTERS, March 4, 1998; "Daley rules out summit deal with China on WTO issue," KYODO NEWS INTERNATIONAL, February 27, 1998; "Taiwan-EU trade talks have consensus but no deal," REUTERS, February 27, 1998; "U.S. to press trade partners for no pause in agricultural cuts," REUTERS, March 3, 1998; "Sino-Ghanaian Trade Reach \$US88.7", PANAFRICAN NEWS AGENCY, March 6, 1998; "Chinese Company Gets Zambia's Chambishi Mine", PANAFRICAN NEWS AGENCY, March 4, 1998; "Zhu Rongji veut alléger l'Etat chinois de 4 millions de bureaucrates", LA TRIBUNE, March 3, 1998; "Pékin au secours du secteur bancaire", FIGARO, March 3, 1998; "Pékin va recapitaliser ses grandes banques", LA TRIBUNE, March 3, 1998; "Beijing to Unveil Reform of Telephone Regulation", INTERNATIONAL HERALD TRIBUNE, March 4, 1998; "Massive Redundancies Planned in Troubled Textile Industry", KYODO NEWS INTERNATIONAL, February 28, 1998.

#### **U.S. IMF FUNDING MAY BE LINKED TO LABOUR, ENVIRONMENTAL STANDARDS**

Hopes for a quick trip to the bank were dashed last week as U.S. Congressional members called for extended debate on nearly US\$18 billion in funding for the International Monetary Fund (IMF). A key U.S. senator, Mitch McConnell, said the urgency for the funding had not been proven, although the senator was more positive about a US\$3.4 billion payment being made in the near future for an IMF emergency fund. The remaining balance will go through exhaustive debate, with many members demanding that the money be tied to reforms within the IMF. Democrats will demand that the IMF include improved labour standards and environmental protection laws as part of IMF policies toward developing countries. Demands also call for private sector investors and creditors to share more of the burden in the case of financial failures.

The U.S. contribution to the IMF is integral to the success of the IMF. Without it, other countries may withhold their contributions and bring on the demise of the fund.

"IMF cash rise gets a nod from the house," FINANCIAL TIMES, March 6, 1998; "Congress ends hopes of fast-track IMF funding," FINANCIAL TIMES, March 4, 1998.

#### **EVENTS/RESOURCES**

COMING TO GRIPS WITH ENVIRONMENT IN TRADE, 16 May, 1998: ICTSD, the World Conservation Union (IUCN) and the International Institute for Sustainable Development (IISD) will hold a one-day policy dialogue in Gland, (Switzerland) in order to examine national and international responsibilities for environment in the trade context, and to explore mechanisms for enhancing the coherence of environmental policy as it relates to trade. Klaus Topfer, new Executive Director of UNEP as well as the chairmen of WTO's General Council and the Committee on Trade and Environment will attend this dialogue with personalities from the academic and non-governmental communities from around the world. For further information and reports of the event contact ICTSD.

COMMITTEE ON NATURAL RESOURCES, POSTPONED: The Committee on Natural Resources was due to hold its fourth session at UN headquarters in New York from 10th - 19th March 1998, but the meeting has been postponed. For further information, contact [esa@un.org](mailto:esa@un.org)

ASEM AND THE CRISIS - PEOPLES REALITIES, PEOPLES RESPONSES: While leaders from Asian and European countries meet in London on 31st March - 1st April, for the Second Asia Europe Meeting (ASEM2), NGOs will hold a parallel event. ASEM2's main topic of discussion will be trade and investment and the parallel meeting, organised inter alia by the Catholic Institute for International Relations and the Transnational Institute with support from the Royal Commonwealth Society, will highlight the social impact of the crisis and raise alternatives. For more information or to participate, contact Andy Rutherford at One World Action on owa@gn.apc.org

WORKSHOP ON PARTICIPATORY NATURAL RESOURCE MANAGEMENT IN DEVELOPING COUNTRIES: This meeting will be held from 6 - 7 April in Oxford, UK. For more information contact Bhaskar Vira, Oxford; tel: +44 - 1865 - 2846; fax: +44 - 1865 - 2708; e-mail: Bhaskar.vira@mansfield.oxford.ac.uk

UN CHRONICLE WEB SITE: The UN Chronicle, a publication of the United Nations Department of Public Information, is now available on the Internet. The site contains details about individual issues with links to selected articles and images. The site can be accessed at: <http://www.un.org/pubs/chronicle>

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