

Table of Contents

- EU FACES DIFFERENCES AT HOME OVER PROPOSED TRANSATLANTIC TRADE AGREEMENT
- MEXICO SOUR OVER U.S. SUGAR PURCHASE
- EU TO PURSUE NEW RISK STUDIES FOR HORMONE TREATED BEEF
- ACCESSION UPDATE: U.S. REJECTS CHINA'S OFFER ON INDUSTRIAL TARIFFS
- INDIA TAKES RENEWED LOOK AT INTELLECTUAL PROPERTY LAWS
- MERCOSUR: MENEM PROPOSES COMMON CURRENCY
- WTO RULES U.S. SHRIMP BAN VIOLATES INTERNATIONAL TRADE RULES
- EVENTS/RESOURCES

EU FACES DIFFERENCES AT HOME OVER PROPOSED TRANSATLANTIC TRADE AGREEMENT

The European Commission last week approved a proposal for freer trade between the U.S. and EU. The so-called New Transatlantic Marketplace could be worth an additional US\$166.5 billion a year to EU gross domestic product from an already robust trade partnership. The plan, drawn up by EU trade commissioner Sir Leon Brittan, would remove technical barriers to trade and further liberalize investment, government procurement and intellectual property.

Just out of the starting gate, the proposal faces strong opposition from France. French President Jacques Chirac said the New Transatlantic Marketplace proposal goes against the vital interests of his country. French Prime Minister Lionel Jospin went further, saying that Paris had not been consulted about the initiative and that the proposal would result in American encroachment on European market positions in the communications, agriculture and intellectual creativity sectors. A spokesman for Sir Leon denied Mr. Jospin's claim that France had not been consulted on the proposal.

German Foreign Minister Klaus Kunkel was positive about the initiative. In a statement issued last week, Mr. Kunkel said the initiative comes "at the right time, especially now, when Germany and Europe urgently need more economic growth and employment."

"Brussels agrees plan for EU-U.S. free trade area," FINANCIAL TIMES, March 12, 1998; "Paris rejects EU plan for trade pact," INTERNATIONAL HERALD TRIBUNE, March 13, 1998.

MEXICO SOUR OVER U.S. SUGAR PURCHASE

The Mexican government last week signalled its intention to pursue arbitration under the North American Free Trade Agreement (NAFTA) dispute settlement provisions following a U.S. decision not to import an additional 25,000 tons of Mexican sugar. Mexico contends that the U.S. agreed under NAFTA to grant preferential access to its market for Mexican sugar. The U.S. has said it will meet its needs for an additional 200,000 metric tons of sugar with imports from other WTO members. Mexico argues the U.S. move is a violation of its NAFTA commitments.

The U.S. decision to look elsewhere for its sugar needs is the latest move in a tit-for-tat sweetener war with Mexico. Mexico imposed higher import tariffs on U.S. corn syrup in 1997, responding to what Mexico saw as a disproportionate growth in U.S. high-fructose corn syrup exports to Mexico versus stagnant Mexican sugar exports to the U.S. The U.S. brought a pending complaint on the corn syrup case to the WTO. American trade official Peter Scher said the decision to split its 200,000-ton sugar buy among 40 countries other than Mexico was designed to send a message to its NAFTA partner. "Those tariffs and trade barriers undercut any interest the U.S. has in helping Mexico get additional access to the U.S. market," Mr. Scher said.

"Mexico accuses U.S. of violating NAFTA in sugar exports," AGENCE FRANCE-PRESSE, March 13, 1998;
"USTR's Scher says Mexico corn syrup barriers "unacceptable," DOW JONES, March 12, 1998.

EU TO PURSUE NEW RISK STUDIES FOR HORMONE TREATED BEEF

When the WTO Dispute Resolution Body (DSB) met this past weekend, the EU was scheduled to report on its implementation plans for a DSB ruling on the EU import ban on beef treated with growth hormones. EU sources reported that the EU would inform the DSB of its intention to carry out four new risk assessment studies on beef treated with growth hormones. The EU was expected as well to announce that the ban would be maintained while the risk assessments are conducted.

The EU plan is sure to enrage the U.S., which brought the complaint against the EU ban to the WTO. U.S. Trade Representative Charlene Barshefsky said last month that the U.S. would not "put up with" the EU maintaining the ban while new risk assessments are conducted. "Europe has done risk assessments on the issue over five years and has yet, within their own scientific community, to come up with credible evidence of risk," Ms. Barshefsky said. The U.S. cattle industry estimates that the EU ban on hormone-treated beef costs U.S. producers US\$250 million annually in lost trade. At the same time, informed sources say, the EU will have a difficult time showing risk, due in part to the U.S. failure thus far to share scientific information on the growth hormone melengestrol acetate.

U.S. Secretary of Agriculture Dan Glickman also condemned the EU's treatment of the WTO ruling on Monday. "Today's announcement that the EU intends to conduct yet another risk assessment is nothing more than a delaying tactic and a blatant misrepresentation of the findings of the (WTO) Appellate Body," Glickman said.

Following the DSB ruling on the EU ban in January, both the U.S. and EU claimed victory. The U.S. read the ruling to mean the ban would soon be lifted for lack of scientific evidence proving a health risk. The EU interpreted the ruling to mean that they only needed to provide a scientific assessment that proves a risk to humans from eating beef treated with growth hormones. Further, the ruling upheld the EU right to set its own consumer protection standards above international standards. The EU holds that additional risk-study is within the scope of responses to the WTO ruling.

In other EU news, the European Court of Justice last week annulled the 1994 framework agreement on banana imports between the EU and Costa Rica, Colombia, Nicaragua and Venezuela. The Court ruled the agreement was discriminatory because it exempted banana marketers from African, Caribbean and Pacific countries and EU dependencies from the licensing scheme in place for bananas from other regions. The decision will have little impact because the WTO ruled in September 1997 that the broad EU banana import regime violated international trading rules. In response, the EU has set out reform its banana regime, which will concurrently address the points ruled on by the European Court of Justice.

"EU to launch new studies of hormone-treated beef;" " European Court annuls banana agreement," REUTERS, March 10, 1998; "EU to reveal few details of plans to comply with hormone panel," INSIDE U.S. TRADE, March 13, 1998; "UE: annulation d'un accord sur la banane," LE FIGARO, March 11, 1998.

ACCESSION UPDATE: U.S. REJECTS CHINA'S OFFER ON INDUSTRIAL TARIFFS

Deputy U.S. Trade Representative Richard Fischer last week said the U.S. had rejected a new Chinese offer for industrial tariff reductions. Mr. Fischer met with Chinese trade officials in Beijing last week as part of a broader tour of Asia. He said Chinese trade officials were informed of the U.S. position that the offer was insufficient and does not live up to commitments made last year by Chinese trade minister Wu Li.

In November 1997, Ms. Wu promised that China would reduce tariffs on many goods to an average of 10 percent by 2000, and possibly limit tariff peaks to a minimum. The offer China presented to U.S. officials in early March, according to Mr. Fischer, was insufficient in terms of what items would be included in the tariff reduction plan and did not offer specific information on tariff peaks.

Mr. Fischer commented that "We have a long way to go on the road to WTO accession for China." Mr. Fischer said the U.S. was looking to the offer on industrial tariffs as a "measure of the seriousness" with which China is approaching its WTO accession bid. China said it will submit a new offer soon, but did not specify a date.

China and the U.S. remain far apart on a few issues at this point, including market access for agriculture and China's refusal to join the government procurement agreement. Mr. Fisher reported that the issue of Taiwan's accession was discussed: Mr. Fischer noted that Taiwan and China's accession bids would proceed each at their own pace. Taiwan concluded its market access with the U.S. last month, raising the possibility of becoming a WTO member before China.

China considers Taiwan a renegade province and said it will not stand for Taiwan's admission in advance of its own. Informed sources speculate that the U.S. and Taiwan have reached an agreement that Taiwan will not press the issue of early accession, thereby avoiding an explosive political battle.

In a parallel story, in an effort to boost its bid for WTO accession, China last week announced it would not devalue its currency. Economists had speculated that China would devalue the yuan in order to keep its exports competitive with cheap exports coming out of Southeast Asian countries hit hard by financial crises. Long Yongtu, China's chief negotiator for WTO accession said that China would not devalue the yuan to show it is a "responsible" member of the global community, even though the move could result in decreased exports.

"We hope that this decision will help the international trade community increase their awareness of China's attitude and image in international trade and affairs. In this sense it will contribute to the process of negotiations on China's accession to the WTO," Mr. Long said.

Skeptical economists wonder if China's decision not to devalue the yuan is less good will than good economics: devaluation would put pressure on Hong Kong's currency, considered a cornerstone of regional economic stability. It is unclear what effect the flow of cheap exports out of Southeast Asian

nations will have on China's exports, but Chinese officials have predicted that trade growth in 1998 may be half of that in 1997.

"Fisher says China's WTO offer falls short of earlier promises," INSIDE U.S. TRADE, March 13, 1998;
"China hopes devaluation stance will boost application for WTO," FINANCIAL TIMES.

INDIA TAKES RENEWED LOOK AT INTELLECTUAL PROPERTY LAWS

The recent case of U.S. firm Ricetec patenting a so-called "Basmati" rice--a long-grained aromatic rice thought to be unique to only certain regions of India and Pakistan--has brought new calls for comprehensive intellectual property and biodiversity laws in India. Legislation proponents say protecting the names of such products as Darjeeling tea and Alphonso mangoes or any one of the 5,000 flowering plants unique to India requires a long-term strategy. "Strength respects strength," Raghunath Mashelkar, director of India's Council for Scientific and Industrial Research. "How long can we fight these cases one by one? There is a need for policy and proper intellectual property regulations." As for the global patent regime under the WTO, an Indian university official noted "Personally I feel it is extremely unjust because the developing countries are not organized the way Americans are."

A biodiversity law currently under development in India would protect its biological resources from falling prey to patent seekers and multinational firms which have long profited off India's vast genetic resources without paying for them. In an industry worth an estimated US\$200 billion annually, the cost to India is great. The proposed biodiversity law would establish a National Biodiversity Board that would regulate the use of India's biological resources. A community biodiversity register would record knowledge derived from folk traditions and ancient practices dating back thousands of years.

Meanwhile, in response to a report that more than 100 poor Indian cotton farmers have committed suicide since December over crop failures, Dr. Henry Miller, Senior Research Fellow at the U.S.-based Hoover Institution criticized India for discriminatory policy towards new biotechnology. Dr. Miller argued that bureaucratic barriers to introducing genetically modified varieties of cotton and other crops contributes significantly to farmers' inability to ward off infestations of plant pests leading to plant failures. Dr. Miller writes in The Wall Street Journal that if Indian policy did not discourage the development of biotechnology, the misuse of pesticides and insect infestation that caused so much damage to the farmers' cotton fields could have been averted. Genetically modified strains of cotton and other plants have the potential to increase crop yields and replace many chemical pesticides. Dr. Miller noted that new biotechnology is merely a refinement of earlier hybridization practices, carrying less risk because it is now possible to transfer one or a few DNA with desired characteristics versus the historically haphazard transfer methods.

"India girds to defend its biodiversity," REUTERS, March 11, 1998; "India's deadly bureaucracy," WALL STREET JOURNAL, March 10, 1998.

MERCOSUR: MENEM PROPOSES COMMON CURRENCY

Argentine President Carlos Menem, who currently holds the rotating presidency of the Southern Cone Common Market (MERCOSUR), plans to propose the adoption of a single currency for the trade bloc when MERCOSUR leaders meet in June. The idea was first conceived in December 1997 as a response to worldwide market instability brought on by the Asian financial crises. "The basic idea is to show the world that MERCOSUR is a political entity destined to respond to international crises through the

deepening of its integration," according to Jorge Castro, Argentine Secretary of Strategic Planning. MERCOSUR comprises Argentina, Brazil, Uruguay and Paraguay. Chile and Bolivia are associate members.

Fundacion Capital, a Buenos Aires-based think tank, recently issued a policy paper outlining a single currency program. Fundacion Capital director Carlos Perez spoke last week about the need for a single MERCOSUR currency, saying, "We have to be honest about what the rest of the world is saying. Asia's been hit, and we have to see what can immediately be done so the world doesn't continue to look at us like we're next on the list."

The Fundacion Capital paper said that before a single currency could be implemented, MERCOSUR economies would need to converge on macroeconomic issues by establishing guidelines on fiscal, inflationary and regulatory policies. Opponents to a single currency say convergence is not feasible, calling current Brazilian fiscal policy "terrifying."

In other news, an Argentine official announced last week that Argentina and Brazil have negotiated with hemispheric officials for the MERCOSUR trade bloc to continue in existence even after a proposed Free Trade Area of the Americas (FTAA) is created in 2005. MERCOSUR is positioning itself as the economic force to be reckoned with in the next century, despite possible U.S. dominance of the FTAA. Towards this, MERCOSUR will also sign a free trade pact with South America's other trade bloc, the Andean Pact, in the next few weeks.

MERCOSUR associate-member Bolivia hopes to climb out of poverty by increasing trade with the trade bloc. As part of its membership accord, Bolivia will eliminate duties and tariffs on 90 percent of goods traded with MERCOSUR over the next ten years. Bolivia is the poorest country in South America. With a gross domestic product of only US\$7.5 billion, it ranks last in terms of per-capita GDP, life expectancy, adult literacy, and basic purchasing power, according to the United Nations Development Program.

Increased trade with MERCOSUR could signal new life for Bolivia's economy. This year, Bolivia's trade with the bloc is US\$450 million annually. By 1999, trade could double as natural gas exports increase to Brazil. Natural gas exports are expected to fuel the Bolivian economy in the next century as it develops itself as a regional gas distribution center. Its relationship with MERCOSUR also gives Bolivian agribusiness, manufacturing and mining firms access to a larger market. More importantly, Bolivian businesses hope the MERCOSUR partnership will bring increased U.S. investment.

"Argentina's Menem to propose single currency for MERCOSUR," INTERNATIONAL TRADE REPORTER, March 11, 1998; "Mercosur union to survive Americas free trade pact," REUTERS, March 12, 1998; "Poorest Latin nation hopes trade-bloc tie lures investment," JOURNAL OF COMMERCE, March 9, 1998.

WTO RULES U.S. SHRIMP BAN VIOLATES INTERNATIONAL TRADE RULES

At the World Trade Organization early this month, a confidential interim panel ruled that the U.S. ban on wild shrimp imports caught without the use of so-called turtle excluder devices (TEDs) violates international trade rules. (TEDs allow sea turtles to escape from nets cast to harvest shrimp.) If upheld by a final WTO panel, the ruling would force the U.S. to lift the discriminatory measure, based on its Endangered Species Act, and which requires that all imported shrimp be certified as caught with this particular method of TEDs to protect sea turtles.

Thailand and Malaysia brought the case to the WTO after the U.S. instituted the ban in 1996, and were later joined by Pakistan and India. The ban is widely seen by many countries in the trade system as an application by the United States of domestic environmental laws outside its borders. The U.S. maintains that the protection of the environment--and especially of endangered species such as the sea turtle--is a global concern.

The basis of the complaint is that the U.S. ban affects trade of significance to the four Asian countries by violating a number of articles in the General Agreement on Tariffs and Trade (GATT). Specifically, the complainants hold that the U.S. embargo violates GATT Article I, which establishes the most-favored nation principle; Article IX, which prohibits quantitative restrictions or trade prohibitions other than duties and taxes; and Article XIII wherein restrictions on certain imports cannot be applied selectively to some WTO members and not to others. The U.S. argues that its ban has sense as a necessary means to protect a global common and therefore falls into a category of measures exempted from those specific WTO disciplines and principles.

While Thailand had the ban lifted by the U.S. in 1996 after ensuring that its fleet was equipped with TEDs, it has stayed in the case to defend the principle that one nation's values and laws should not be extended and applied to others.

The reasoning of the Panel findings is said to support multilateral solutions to global environmental issues.

"WTO interim panel rules against U.S. embargo aimed at saving sea turtles," INSIDE U.S. TRADE, March 13, 1998.

EVENTS/RESOURCES

RECENT SPEECHES AVAILABLE ON THE INTERNET: 10 March: Statement by Mr. Klaus Töpfer, Executive Director, United Nations Environment Programme (UNEP) to the Second Meeting of the High Level Committee of Ministers and Officials. Can be found at: <http://www.unep.org/whatsnew> ; 17 March: address by WTO Director-General Renato Ruggiero at the WTO's Symposium entitled "Strengthening Complementarities: Trade, Environment and Sustainable Development". "The Coming Challenge: Global Sustainable Development for the 21st Century". Can be found at: <http://www.wto.org/wto/speeches/press97.htm>.

WORLD TRADE ORGANIZATION UPCOMING EVENTS. March 19-20: Committee on Trade and Environment; March 19-20: Committee on Agriculture; March 20, 23: Committee on Rules of Origin; March 25: Dispute Settlement Body; March 26: Committee on Market Access. For more information contact WTO information via email at enquiries@wto.org.

AGRICULTURAL STATISTICS 2000: An international conference on agricultural statistics will be held in Washington, D.C. from 18-20 March 1998. The Conference is sponsored by the International Statistical Institute (ISI) and hosted by the National Agricultural Statistics Service of the U.S. Department of Agriculture (USDA/NASS), Agricultural Statistics 2000, which will focus on current and future needs for agricultural statistics in developed, emerging market and developing countries, as well as the requirements for statistical and technological development to meet those needs. For information, contact program chair: Fred Vogel, USDA/NASS, Room 5801 South Building, 1400 Independence Ave SW, Washington, D.C. 20250-2000; e-mail: fvogel@nass.usda.gov; tel: (1-202) 720-3896; fax: 690-1311.

ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC (ESCAP): ESCAP will hold its fifty-fourth session in Bangkok, Thailand in March/April 1998. For more information contact ESCAP, Rajdamnern Ave., Bangkok 10200, Thailand; e-mail: unisbkk.unescap@un.org; Internet: <http://www.unescap.org/>

INVITED EXPERTS MEETING ON EMISSIONS TRADING IN THE US: This meeting, convened by the Center for Clean Air Policy, will be held from 19 – 20 March 1998 in Washington, DC, US. For more information contact Tim Hargrave at CCAP; tel: (1-202) 408-9260; e-mail: tim.hargrave@ccap.org.

UNCTAD/ICC PRESS RELEASE: "Multinational Corporations' Investment plans for East and Southeast Asia". The United Nations Conference on Trade and Development (UNCTAD) and the International Chamber of Commerce (ICC) will release the results of a joint survey showing the implications of the financial crisis in East and South East Asia for foreign direct investment flows to and within the region. The survey covers some 500 of the world's largest multinational companies, and represents a critical litmus test of medium and long-term intentions. The results of the survey will be disclosed at a joint press conference on Wednesday 18 March at 9.30 am local time (8.30 am GMT) in Geneva, Switzerland. A press release and background note will be available at the time of the press conference. For more information, contact: the UNCTAD Press Unit, Telephone: (41-22) 907 58 16/5725/5828; fax: 907 00 43; e-mail: press@unctad.org.

GLOBE '98 ENVIRONMENTAL INTERNATIONAL TRADESHOW AND CONFERENCE: This event for businesses will next be held 18 - 20 March 1998 at the Vancouver Trade and Convention Centre. More than 12,000 participants will attend from 50 countries to see some 400 companies exhibit their new technologies and eco-processes. The Globe '98 session will be opened by Canada's Environment Minister, Hon. Christine Stewart. The federal Minister of Industry, Hon. John Manley, will be a guest luncheon speaker. Other major business speakers include Larence Washington, VP Dow Chemical, Per Grunewald, VP Electrolux, Sweden, and John Roberts, VP Noranda Forest Inc. Contact: John Wiebe, Chair, Globe Foundation, #504 -999 Canada Place, Vancouver, B.C.; +1 (604) 775-1994; fax +1 (604) 666- 8123, e-mail: info@globe.apfnet.org; Internet: <http://www.globe.ca>.

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