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## WTO MEMBERS ADMONISH EU, US FOR DOMINATING WORK WITH BANANA BATTLE

WTO Members took the EU and U.S. to task last week as Members met in an emergency session on the EU-U.S. banana dispute. WTO Members criticised the EU for calling the emergency session in response to the U.S. decision on 3 March taking steps toward trade retaliation against EU exports in the dispute over the EU banana import regime. (See BRIDGES Weekly Trade News Digest Vol. 3, No. 9, 8 March 1999.) The U.S. was roundly criticised for taking the unilateral retaliatory action. Sources said the general mood amongst WTO Members was one of frustration with both the EU and U.S., and a collective call for the EU and U.S. to cease and desist in their all-consuming battle.

Canada's WTO Ambassador John Weeks reportedly admonished the EU and U.S., reminding them that the WTO did not belong solely to them. Moreover, Mr. Weeks said that trade between the EU and U.S. accounts for only five percent of all world trade, and that the WTO must be freed up to deal with trade issues related to the other 95 percent of trade taking place.

India's Ambassador to the WTO Srinivasan Narayanan accused the U.S. of putting its domestic concerns on a higher pedestal than WTO rules, and reiterated previous warnings that the WTO cannot survive under the weight of U.S. unilateralism. South Korea also decried the U.S. move to begin the retaliation process. Indonesia accused the United States of violating WTO dispute settlement provisions prohibiting any trade retaliation while arbitration proceedings were in progress.

Members endorsed a statement made by WTO Director General Renato Ruggiero, directed at both the EU and U.S. The statement said in part, "It is the users of the system who will put their credibility at stake if they don't act in conformity with the letter and the spirit of the system."

The EU and U.S. met informally last week to discuss a solution to the dispute, but were reportedly still far apart in negotiations. Both sides are awaiting a WTO arbitrators' decision regarding whether the revised EU banana import regime complies with a 1997 WTO ruling, and a parallel ruling on the appropriate value of U.S. retaliatory sanctions allowed should the panel find that the EU did not comply with the 1997 ruling.

Also last week, a top U.S. labour organisation official warned the Clinton Administration that prolonging the banana dispute could undermine U.S.-EU co-operation in efforts to introduce workers rights and environmental standards into the agendas of multilateral trade agreements "It seems unwise to jeopardise those [labour and environmental] efforts on behalf of such a peripheral agreement," AFL-CIO President John Sweeney said in a letter to the US Trade Representative.

"EU calls special session of WTO over sanctions," JOURNAL OF COMMERCE, 8 March 1999; "Les Européens mettent les Etats-Unis en position d'accusés à Genève," LA TRIBUNE, 8 March 1999; "WTO summons emergency meeting over banana dispute," FINANCIAL TIMES, 8 March 1999; "L'Europe mobilise l'OMC contre les Etats-Unis," LE TEMPS, 8 March 1999; "A Genève, l'Europe et les Etats-Unis campent sur leurs positions," LE TEMPS, 9 March 1999; "AFL-CIO questions Clinton Administration position in banana fight," INSIDE U.S. TRADE, 12 March 1999; "EU official predicts mixed arbitration ruling in WTO banana case; U.S.-EU talks continue," INTERNATIONAL TRADE REPORTER, 10 March 1999.

## **EU FARM MINISTERS APPROVE CAP REFORM PACKAGE**

EU Agriculture Ministers last week approved reforms to the EU Common Agricultural Policy (CAP) after 18 months of negotiations. The reforms cut support prices paid to beef farmers and cereal growers by 20 percent and cut support prices in certain dairy sectors by 15 percent, over a two to three year period. The payments will be replaced by direct payments to farmers. The deal goes to the European heads of state for approval on 24-25 March.

While only Portugal rejected the package outright none of the farm ministers seemed pleased with the reforms. The UK, Denmark, Sweden and Italy expressed concern over the delayed phase-in for reform to cereals and dairy. The French Agricultural Minister commented that farm ministers were handing European leaders a "poisoned present" and expressed doubt that the reforms would pass muster on 24-25 March.

The European Union (EU) is the world's biggest importer of agricultural goods and the second largest exporter, after the United States. With new WTO talks on agriculture looming, the EU had to take measures to address trade barriers sure to be attacked by the U.S. and the Cairns Group of agricultural exporting nations in the WTO. The EU also faced massive food overproduction if it did not reform its guaranteed pricing scheme. Further, as the EU considers expansion of its members to include agrarian economies such as Poland and Hungary, the need for CAP reform was highlighted. The cost of the CAP to EU economies has grown steadily, from US\$27 billion in 1990 to US\$45 billion in 1997, accounting for nearly half the EU budget.

Trade observers doubted the reforms would do much to help the EU in upcoming WTO talks on agriculture. "The price cuts are not sufficient. This deal is not even valid to cope with the last trade round, let alone the new one," one independent agricultural analyst noted.

EU Farm Commissioner Fischler gave a somewhat tepid defense of the reform package, saying it "represents our position in the WTO negotiations, which we will defend to the best of our abilities."

U.S. barley growers expressed outrage at the EU reform package, saying the reforms will continue to undermine U.S. and Canadian growers' competitiveness abroad. "If the EU continues to provide guaranteed prices, then they also must use tighter acreage controls to prevent further surplus production. Additionally they must dispose of their current grain stocks without government subsidies," National Barley Growers Association President Herb Karst said in a letter to U.S. Trade and Agriculture officials last week.

"Cowed," THE ECONOMIST, 13 March 1999; "EU farm reform, budget, WTO force change," DOW JONES, 9 March 1999; "Les 15 s'acheminent vers un accord sur une réforme allégée de la PAC," LA TRIBUNE, 10 March 1999; "EU approves farm spending plan," JOURNAL OF COMMERCE, 12 March 1999; "US Barley growers angry over EU subsidies," DOW JONES, 10 March 1999; "EU farm talks resume, potential deal emerges," REUTERS, 9 March 1999.

## **INDIA COMPLIES WITH WTO RULING ON TRIPS**

India's Parliament last week approved a patent regime bringing the country into compliance with a 1998 WTO ruling. The Parliament vote upholds an executive ordinance regarding intellectual property protection put forward in January (See BRIDGES Weekly Trade News Digest Vol 3, No 1 & 2: 18 January 1999). The regime establishes a mailbox system and exclusive marketing rights in compliance with the WTO ruling. The ordinance does amend the 1970 Patents Act to include product patents as well as process patents, but does not go as far as to include patent requirements on iterations of products.

Multinational pharmaceutical companies are especially keen for India to push through a strict product patent regime, calling such a regime key to future investment there. A product patent regime would include patents on iterations of products-- meaning a company could replicate a product with minor manufacturing variations. Domestic drug companies and consumer groups warn that a strict product patent regime could result in higher costs for medications in India. Sikander Bakht, Minister of Industry, said last week that India would "not bring product patents before 2005."

Meanwhile, divisions are growing within India over the use of genetically modified (GMO) cotton seed. The Delhi-based Research Foundation for Science, Technology and Ecology has filed suit against Monsanto (producer of Bollgard cotton, a strain genetically engineered to resist bollworm infestation) and the Indian government, alleging that current Bollgard field trials in India are illegal. The suit alleges that Monsanto violated existing biosafety laws by not securing the proper permission to plant Bollgard.

The suit calls for a five-year moratorium on GMOs, to allow time to evaluate the safety of GMO products in the environment. Monsanto officials commented that it "would be a sad day for India"

if a moratorium were imposed. Monsanto and GMO supporters inside India argue that products like Bollgard would help India increase agricultural production and in turn boost India's economic growth. Indian agricultural agencies are also working on GMO products for the Indian market.

However, sceptics note that without improvements to basic agricultural elements, GMO products will be of little value to poor Indian farmers. "They should have irrigation, power and fertilizer-even if you are going to give them Bollgard, it's not going to raise productivity," according to food policy analyst Devinder Sharma.

"India complies on patents laws," FINANCIAL TIMES, 11 March 1999. "India says it will let the market decide," FINANCIAL TIMES, 9 March 1999.

### **EU, US FIRED UP OVER JAPANESE FUEL EFFICIENCY PLANS. US QUESTION RICE IMPORTS AND APPLES FLOW**

The U.S. and EU have requested consultations with Japan over Japan's planned revisions to its fuel efficiency standards. Japan plans to implement changes to its energy conservation law by April and had notified WTO Members of this in January.

Japan's fuel consumption regime aims to cut fuel consumption levels by an average 22.8 percent by 2010. At issue is Japan's plan to divide cars into three weight classes, with cars in each class having to meet the pollution levels of the least polluting vehicles. The EU and U.S. argue that the plan targets EU and U.S. exports of medium and luxury car exports to Japan. In a separate but related matter, the EU and Japan remain at odds over Japan's plan to impose tougher controls on carbon dioxide emissions based on auto-weight which the EU says would also target EU medium and luxury car exports to Japan, while only lightly targeting lighter-weight Japanese cars which actually have a higher rate of fuel consumption.

Also last week, Japan's Ministry of Agriculture announced it would soon approve four additional varieties of U.S.-grown apples. The move comes after the WTO Appellate Body ruling, last month, that Japan's variety-by-variety testing guidelines of fruit imports violate international trade rules. (See BRIDGES Weekly Trade News Digest, Vol. 3 No 8, 1 March, 1999).

In other news, The U.S. trade agenda report published last week indicates the U.S. could bring a complaint to the WTO over proposed changes to Japan's rice import regime. The U.S. has criticised the Japanese regime for the methodology used by Japan to calculate import tariffs, which the U.S. said would make U.S. rice more expensive in Japan than most domestic rice. However, some U.S. rice farmers fear any move by the U.S. could jeopardise existing U.S. rice exports to Japan-which enjoy a 50 percent market share in Japan. The U.S. has until 21 March to file a complaint.

"Japan to outline new fuel efficiency law to EU, U.S.," KYODO NEWS INTERNATIONAL, 11 March 1999; "EU, US request talks on Japan's fuel efficiency law;" "New focus on U.S. conflicting demands in rice policy," KYODO NEWS INTERNATIONAL, 10 March 1999; "U.S. to protest Japan Fuel Efficiency rules to WTO," DOW JONES, 8 March 1999; "Japan to approve additional apple and cherry imports," KYODO NEWS INTERNATIONAL, 10 March 1999."

## **ASEAN AGREES TO TARIFF CUTS**

An informal meeting of Association of Southeast Asian Nations (ASEAN) ministers last week yielded an agreement on tariff cuts which ministers said would bring ASEAN closer to realising its goal of a regional free trade area encompassing more than 500 million people. Ministers approved a plan to reduce tariffs to below five percent on over 40,000 intra-ASEAN manufactured and agricultural imports. In addition the ASEAN Investment Area Council last week agreed to remove barriers to foreign investment in agriculture, manufacturing and fisheries by 2003, and agreed to work toward an agreement on 100-percent non-ASEAN ownership of enterprises. ASEAN ministers last week said ASEAN remains committed to trade liberalisation despite the economic crisis affecting the region. "We have all agreed to step up efforts to respond to the challenges of globalisation," Philippine Trade and Industry Secretary José Pardo said.

Meanwhile, the U.S. is still hoping to gain WTO consensus toward concluding a comprehensive accord on tariffs in advance of the Third WTO Ministerial scheduled for later this year. Included in the nine-sector package are telecommunications, environmental goods and services, forest and fishery products, chemicals, toys, jewellery, and the energy sector. Talks on the tariff pact originated at the regional 21-member Asia-Pacific Economic Co-operation (APEC) forum, but were stymied by Japan's refusal to make concessions in fisheries and forestry sector. (The multi-sector agreement ties one sector to another, so it could not be parcelled out.) Japan is reported to still have reservations over liberalising the forestry products sector. The EU last week signalled it would not back a tariff-accord this year, noting that talks for an accord could be incorporated into Millennium Round talks.

"ASEAN cuts deeper into trade, investment barriers," AGENCE FRANCE-PRESSE, 7 March 1999; "Ministers agree to manufacturing opening toward planned ASEAN Investment Area," INTERNATIONAL TRADE REPORTER, 10 March 1999; "US push continues for free trade pact," JOURNAL OF COMMERCE, 8 March 1999.

## **AROUND THE HIGH LEVEL SYMPOSIA: WTO AND ENVIRONMENT, LABOUR ISSUES**

As BRIDGES Weekly Trade News Digest goes to press, the WTO is holding its High Level Symposium on Trade and Environment. On 15 March, representatives of more than 40 civil society groups met with Klaus Toepfer, UNEP Executive Director. During the informal discussion, concern was raised in particular about the role and usefulness of a possible "World Environment Organisation", and the breakdown of the Biosafety Protocol negotiations in Colombia last month. Mr. Toepfer mentioned the paper UNEP has prepared on its Proposed Trade-related Activities, and the Draft Co-operation Agreement that UNEP is proposing be signed between UNEP and the WTO.

The World Wide Fund for Nature (WWF) last week called on the WTO to bring environment issues into the mainstream at the WTO, to give environmental issues a higher profile within the organisation. The WWF said also that the WTO must do more to facilitate market access for poor countries. The WWF made its comments in advance of the High Level Symposia on Trade and Environment (Geneva, 15-16 March) and on Trade and Development (Geneva, 17-18 March). "Popular protests against the institutions and policies of globalisation are growing in frequency"

Charles Arden-Clarke, Head of WWF's Trade and Investment Unit said last week. "In many cases this is precisely because application of WTO rules continues to have unintended negative environmental and social consequences." WWF urged the WTO to assess the environmental impact of WTO rules, integrate the WTO's activities with those of international environmental and developmental organisations and ensure market access for developing countries.

A number of environmental non-governmental organisations (NGOs) are expected to watch WTO Members closely at this week's symposium, hoping to gauge interest among members for a trade-and-environment agenda at the Third WTO Ministerial, scheduled for November 30 - December 3 in Seattle.

Several organisations concerned with social and environmental issues have submitted statements to the High Level Symposia. One statement signed by more than 35 NGOs says that the two High Level Symposia can provide an important multi-stakeholder platform to discuss new and urgently needed ways forward on the issues of trade, environment and sustainable development, and a valuable opportunity to reflect on the sustainability, equity and human rights challenges confronting the global trading system.

The International Confederation of Free Trade Unions, which represents 124 million workers from 143 countries, have also submitted a statement to the High Level Symposia, on Development, Environment and Trade, which says, inter alia, that it is "...essential for the future of any new trade negotiations for development, environment, gender, labour and social issues to be fully included when the decisions are taken at Seattle on the content of the new round. These WTO High-Level Symposia provide an excellent opportunity to debate constructive proposals for fully addressing these valid concerns in the run-up to Seattle and in the decisions adopted there."

Labour standards are expected to be a major issue in the High Level Symposium on Trade and Development, which starts on Wednesday.

Further information, as well as the documents referred to in this story, are available from the WTO website (<http://www.wto.org>), or from ICTSD.

BRIDGES Weekly Trade News Digest will carry full reports on the High Level Symposia in next week's issue.

"WWF urges WTO to focus on environment," AGENCE FRANCE-PRESSE, 11 March 1999; "WWF Urges Urgent WTO Reform," WWF PRESS RELEASE, 11 March 1999; ICTSD Internal Files.

## **IN BRIEF**

Asian countries next month are to open the first official information centre promoting Asian investment in Africa. The centre, funded by the UN Industrial Development Organisation (UNIDO), is part of the Agenda for Action initiative born out of last year's Second Tokyo International Conference on Investment in Africa, which had as one of its goals to halve African poverty levels by 2015. Observers note that the centre is also intended to expand the base of Asian investment in Africa beyond Japan. "New initiative bridges Asian businesses with Africa," IPS, 8 March 1999.

Over 150 Nordic NGOs have sent a joint open letter to the Governments of Sweden, Finland, Denmark and Norway to press for all possible future negotiations on a multilateral investment agreement to take place within the UN framework and to be based on UN conventions. ICTSD Internal Files.

## **WTO IN BRIEF**

In a position paper released last week, Japan said it would push for a 13-sector comprehensive trade accord from a three-year Millennium Trade Round. Japan also called for "a balance of obligations and rights" between agricultural exporting and importing countries within Millennium Round negotiations to protect Members' interests with respect to the protection of food staples, land, farm regions and the environment. "Japan to seek WTO package deal on 13-areas in 3 years," KYODO NEWS INTERNATIONAL, 9 March 1999.

Representatives from Via Campesina, a worldwide network of farmers, last week met in Thailand to brainstorm on strategies to address WTO free trade policies. The group was also expected to discuss ways to more effectively lobby governments and the International Monetary Fund to address the needs and problems of the world's poor. Established in 1993, Via Campesina aims to combine the bargaining power of farmers worldwide to fight the WTO's free trade policy. "Third world farmers meet on WTO policy," THE NATION (Thailand), 10 March 1999.

WTO General Council Chair Ali Said Mchumo of Tanzania last week told WTO Members' that Canada's Roy MacLaren should be eliminated from the race to replace outgoing WTO Director General (DG) Renato Ruggiero, reporting that "there is no possibility of promoting a consensus around [Mr. MacLaren's] candidature." If Canada and Mr. MacLaren accept that judgement, WTO Members will be left to reach consensus among the remaining three candidates- Morocco's Hassan Abouyoub, New Zealand's Michael Moore, and Thailand's Supachai Panitchpakdi. "WTO pares candidate list for top post," WALL STREET JOURNAL, 11 March 1999.

Kuwait last week indicated that it would ask the WTO to extend its 2000 deadline for Kuwait to comply with WTO customs regulations. According to a Kuwaiti customs official, Kuwait will seek an extension on customs conformity until 2003-04. Kuwait is working toward a common market with the Gulf States co-operation Council (GCC), comprising Qatar, Bahrain, Saudi Arabia, Kuwait and the United Arab Emirates, including an uniform customs regime. "Kuwait to ask WTO to extend its 2000 grace period," REUTERS, 10 March 1999

## **EVENTS & RESOURCES**

For a more complete list of events in coming months, please refer to ICTSD's web calendar at: <http://www.ictsd.org/html/calendar.htm>

- **WTO Meetings**

7-9 April: TEXTILES MONITORING BODY. For information contact Luis Ople, WTO, tel: (41-22) 739-5374.

14 April: WTO GENERAL COUNCIL MEETING. For information contact Nuch Nazeer, WTO, tel: (41-22) 739-5393.

19-20 April: WORKING GROUP ON THE INTERACTION BETWEEN TRADE AND COMPETITION POLICY. For information contact Hans-Peter Werner, WTO, tel: (41-22) 739-5286.

21-22 April: COUNCIL FOR TRIPS. For information contact Peter Ungphakorn, WTO, tel: (41-22) 739-5075.

### **Other Events**

15 March, Geneva: INTERNATIONAL TRADE AND SUSTAINABLE DEVELOPMENT IN THE FISHERIES SECTOR: COMPATIBILITY OR CONFLICT? From 17:45 - 19:45. Location: 69, rue de Lausanne, third floor, Geneva. Speakers include Mr. Thorger IBSEN (Ministry of Foreign Affairs of Iceland - Department of Environment) and Mr. Terry GARCIA (United States Department of Commerce - National Oceanic and Atmospheric Administration). For information contact Miguel Jiménez-Pont, ICTSD, tel: 917 8492, email: ictsd@ictsd.ch

16 March, Geneva: THE SOCIAL DIMENSION IN INTERNATIONAL TRADE RULES: PROBLEMS AND PROSPECTS. This event, organised in collaboration with the Institute of International Workers' Education, will take place from 13:45 to 15:45 in room 2 of the Geneva Executive Centre, 13, ch. des Anémones. Speakers: Carlos Lopez (Graduate Institute for International Studies) and Brewster Grace (Quaker United Nations Office). For information contact Miguel Jiménez-Pont, ICTSD, as above.

19 March, Geneva: WORKSHOP ON HUMAN RIGHTS-BASED APPROACHES TO TRADE AND INVESTMENT. This workshop will be facilitated by the UN Non-Governmental Liaison Service (NGLS). Location: Palais des Nations, rm. XXVII at 14:30. To register please contact NGLS no later than Wednesday 17 March. For more information contact Anne Kawuki, tel: (41-22) 917-2090, fax: 917-0049, e-mail: anne.kawuki@unctad.org

18-21 March, Geneva: STRATEGY SESSION ON HOW TO STOP THE WTO "MILLENNIUM ROUND." For information contact Olivier Hoedeman, Corporate Europe Observatory (CEO), tel/fax: (31-20) 618-0297, e-mail: paxaran@antenna.nl

24-26 March, Geneva: EXPERT MEETING ON INTERNATIONAL INVESTMENT AGREEMENTS: CONCEPTS ALLOWING FOR A CERTAIN FLEXIBILITY IN THE INTEREST OF PROMOTING GROWTH AND DEVELOPMENT. The meeting will open at the Palais des Nations at 10:00. It will be in pursuance of paragraph 89 (b) of "A Partnership for Growth and Development". The provisional agenda, together with the secretariat's annotations thereto, will be circulated as document TD/B/COM.2/EM.5/1. For more information or to register, contact the UNCTAD secretariat, Intergovernmental Support Services, Palais des Nations, CH-1211 Geneva 10, fax: (41-22) 907-0056, e-mail: correspondence@unctad.org

### **• RESOURCES**

ALL UNITED STATES ENVIRONMENTAL REGULATIONS ON CD ROM. All 24 Volumes of Title 40 (Environmental Regulations/EPA) of the U.S. Code of Federal Regulations have been updated to the latest 1998 revision levels. Title 40 CFR is available as part of an "All 50 U.S. CFRs on CD-ROM" offering. The CD-ROM has 5,000+ inline graphics, instant search/retrieval



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<http://www.env-sol.com/solutions/CFR.HTML>

INTERNATIONAL INVESTMENT AGREEMENTS AND CONCEPTS ALLOWING FOR FLEXIBILITY IN THE INTEREST OF PROMOTING GROWTH AND DEVELOPMENT. This report by the UN Conference on Trade and Development Secretariat (TD/B/COM.2/EM.5/2) aims at facilitating discussions around UNCTAD's 24- 26 March Expert Meeting on International Investment Agreements. The report is available in Arabic, Chinese, English, French, Spanish and Russian. To receive a copy contact the UNCTAD Secretariat, Intergovernmental Support Services, Palais des Nations, CH-1211 Geneva 10, fax: (41-22) 907-0056, e-mail: [correspondence@unctad.org](mailto:correspondence@unctad.org)

WEBSITE ON MULITFUNCTIONALITY. For those following the issue of multifunctional agriculture, the following website <http://www.landbruk.dep.no/multifunctionality/index.html> presented by the Norwegian Ministry of Agriculture provides a wealth of information and related documentation on multifunctionality.

THE HIGH-LEVEL SYMPOSIA ON TRADE AND ENVIRONMENT AND TRADE AND DEVELOPMENT hosted this week by the WTO are being aired online at <http://www.wto.org/wto/ibs/websym.htm>. To follow the proceedings, you will require the Realplayer 5.0 or G2 (download free at <http://www.real.com>) and a sound card. The symposia are being kept for reference on the WTO website (<http://www.wto.org>) after the meetings are concluded.

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