



INTERNATIONAL CENTRE FOR  
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DEVELOPMENT

BRIDGES

# Weekly Trade News Digest

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### EU: CAP REFORM MUST KEEP IN MIND EFFECTS ON DEVELOPING COUNTRIES

While EU members haggle between themselves over the terms of a revised EU Common Agriculture Policy (CAP), European non-governmental organisations (NGOs) warn that the EU must not craft its reforms in a vacuum of EU-interests: EU members must consider the effects of its agricultural policies on developing economies.

EU agriculture policy makers "have [failed] to incorporate a development perspective into their policy planning and formulation processes," according to the Brussels-based NGO Liaison Committee. The European Commission last week agreed to a compromise in CAP reform, which would place a target level of spending around US\$46 billion (US\$1.13 = 1.00 Euro) annual. Proposed CAP reforms also call for price supports to be replaced with direct payments to farmers: the EU holds that such payments fall under the minimally trade distorting or "green box" category in the WTO.

The NGO Liaison Committee last month said they remain concerned that CAP reform relies on an export orientation, allowing EU producers to maintain an unfair competitive advantage in farm exports. "Through an export oriented policy, the EU indirectly supports the trend for developing countries to neglect their self-sufficiency in staple foods," said the Liaison Committee.

The Committee noted also that the EU export orientation "will increasingly place small scale producers in developing countries in direct competition with northern agri-business," putting producers in poor countries at "an unfair competitive disadvantage."



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The European Union (EU) is the world's biggest importer of agricultural goods and the second largest exporter, after the United States. With WTO talks on agriculture looming, the EU must take

measures to address trade barriers sure to be attacked by the U.S. and the Cairns Group of agricultural exporting nations. Further, as the EU considers expansion of its members to include agrarian economies such as Poland and Hungary, the need for CAP reform is highlighted. The cost of the CAP to EU economies has grown steadily, from US\$27 billion in 1990 to US\$42 billion in 1997, accounting for nearly a third of the EU budget.

"EUROPE-DEVELOPMENT: Agricultural Reforms Dangerous for the South," IPS, January 31, 1999; "Bringing the bargaining down to earth," EUROPEAN VOICE, February 4-10, 1999; "La France propose une réforme de la politique agricole commune," LE MONDE, February 3, 1999; "PAC-Paris propose de réduire les dépenses agricoles européennes," LA TRIBUNE, February 3, 1999.

### **WTO MEMBERS RAISE POSSIBLE NEW ISSUES FOR MILLENNIUM ROUND**

WTO Members met again in informal session on 2 February in the context of the Special Session of the General Council (SS-GC), preparing for the Third Ministerial Meeting which will take place in the U.S. at the end of this year. Different delegations presented the new issues - beyond those already mandated by the Built-in Agenda, at the end of the Uruguay Round - that they would like to see on the agenda of the "Millennium Round" of multilateral trade negotiations which will be launched by the Third Ministerial.

Some countries such as India and Egypt still oppose introducing new issues on to the agenda of the Millennium Round, India saying that with the Built-in Agenda issues of agriculture and services, the round will be as comprehensive as it should get. Yet several WTO Members - such as Japan, the EC and most East European countries - expressed their preference for the forthcoming trade negotiations to be a "comprehensive round" (i.e. covering a large enough number of trade sectors for States to make cross-sectoral trade-offs). Canada has suggested that issues be "clustered" to allow packages of early results to emerge. The U.S. has also advocated an "early harvest" approach, of concluding negotiations in each sector as soon as it is complete.

New issues mentioned at last week's meeting included industrial tariffs, e-commerce, regional agreements, labour standards, and the environment. India also submitted a detailed paper on TRIPs.

States who expressed an interest in negotiating on industrial tariffs include the EU, U.S., Japan, Hungary (speaking on behalf of Eastern European countries), Chile, New Zealand, Australia and Korea. New Zealand as Chair of APEC for 1999 drew attention to the paper it has tabled on its "accelerated tariff liberalisation initiative."

Hong Kong China and Hungary (on behalf of Eastern European countries) mentioned e-commerce. Japan and Korea raised their wish for there to be negotiations on regional trade agreements. The U.S., EU and Canada said that they want the Millennium Round to look at labour standards. Cuba, India, Pakistan, Egypt, Malaysia and Nigeria opposed this, saying that the First Ministerial Meeting in Singapore had already dealt with the issue.

Several WTO Members welcomed the High-Level Symposium on Trade and the Environment (HLS-TE). Amongst these, Hungary (on behalf of several Eastern European countries) said it believes that the multilateral trading system has the capacity to deal with environmental considerations and "enhance its contribution to the promotion of sustainable development." Canada

hoped that the HLS-TE "will provide useful insights as to the interface between trade and environment considerations in the upcoming WTO negotiations. Our initial view is that it would be best to "mainstream" trade and environment concerns across relevant negotiations." Canada encouraged WTO Members to integrate policy formation between trade/economic and environment ministries.

Also, in the context of trade and environment, Japan recognised the need "for the WTO to respond appropriately to the various voices of civil society." The U.S. and Canada mentioned need for improving relations with civil society. The U.S. raised the issues of transparency, document derestriction and WTO-NGO relations in some detail (the U.S. communication - WT/GC/W/139 - is available via the WTO document dissemination facility at [www.wto.org/wto/ddf/ep/public.html](http://www.wto.org/wto/ddf/ep/public.html)).

Last week WTO Members also discussed the organisation of future work in the lead-up to the Ministerial. John Weekes, Chair of the General Council is expected to submit a factual paper to the SS-GC on 25-26 February, to which the Secretariat will append a checklist of issues raised by delegations over the last few months. The calendar for the second phase of Ministerial preparations (see also BRIDGES Weekly Trade News Digest, Vol. 2, No. 49, December 21, 1998) will probably be agreed on at the 25-26 February SS-GC. The second phase of preparations will last from March until the WTO's summer break at the end of July, by which time it is expected that the scope and objectives of the new round will have been defined. The draft Ministerial Declaration must be ready by early November.

For a more detailed report of this and last week's informal meetings of the SS-GC, see BRIDGES Between Trade and Sustainable Development, Vol. 3, No. 1 (January-February 1999, forthcoming).

"International: Millennium Round," OXFORD ANALYTICA, February 1, 1999; "Developing countries reject U.S. trade-labour link," REUTERS, February 2, 1999; "U.S. lays out two controversial goals for next WTO Ministerial," INSIDE U.S. TRADE, February 5, 1999; ICTSD Internal Files.

## **DISPUTE SETTLEMENT BODY MEETS WITHOUT BANANAS**

The work of the WTO's Dispute Settlement Body had been so bogged down in banana-related issues in recent weeks that the other issues on its agenda had been left aside. It thus convened on 1 February to deal with the non-banana points on its agenda. At this meeting, the DSB set up three new panels: on the complaint by the EU about Canada's patent protection of pharmaceutical goods, on complaints by Japan and the EU against Canada for its auto import tariffs, and on the EU complaint over the U.S.' 1916 Anti-Dumping Act.

The DSB last week also received the first formal request by the EC for a panel to be set up to decide on the legality of U.S. countervailing duties on steel, and heard reports on the status of the implementation of WTO decisions in the case of India's patent protection of pharmaceuticals and that of the EC's ban on hormone-treated beef. The EU said it has launched a new scientific study aimed at determining whether its ban on hormone-treated beef imports is justified. The EU said however that its study would not be completed by the May 13 WTO deadline for compliance with a 1997 ruling against its ban. The EU requested U.S. and Canadian data on risks associated with growth hormones in an effort to expedite completion of the study. Meanwhile, the Clinton

Administration is reportedly preparing a retaliation list against EU exports that the U.S. would implement should the EU indeed meet the May 13 deadline.

Regarding implementation of the Appellate Body decision in the shrimp-turtle case (See BRIDGES Weekly Trade News Digest, Vol.2, No. 39, October 12, 1998). India last week proposed a time-frame of 13 months from the date of the adoption of the Appellate Body report, to comply with the ruling. The U.S. subsequently confirmed this time-limit.

Also at the 1 February DSB meeting, a number of Latin American countries - including Bolivia, El Salvador and Venezuela - complained that the procedure Brazil had chosen to follow in requesting consultations on preferential treatment by the EC of coffee from Andean Pact and CARICOM countries excluded the possibility of third party interventions by concerned Latin American countries (See WTO In Brief, BRIDGES Weekly Trade News Digest, Vol. 2, No 48, December 14, 1998).

"Hormones add to WTO pressures," FINANCIAL TIMES, February 2, 1999; "WTO sets up panel on Canada's patent protection of pharmaceutical goods," AFP, February 1, 1999; "WTO to form panel on Canada's auto import tariff," KYODO, February 1, 1999; "WTO agrees to probe U.S. anti-dumping laws," DOW JONES, February 1, 1999; "Parties in WTO shrimp-turtle case settle on 13 month compliance period," AFP, February 1, 1999; "U.S. preparing retaliation list against EU in beef hormone case," February 5, 1999; ICTSD Internal Files.

## **EU-S. AFRICA REACH COMPROMISE IN FREE TRADE TALKS**

EU and South African negotiators late last month reached a compromise in bilateral free trade talks bringing the two sides closer to implementing an agreement covering 90 percent of the US\$20 billion in annual trade between the EU and South Africa.

Talks between S. Africa and the EU have been underway for almost four years: the EU is keen to conclude an agreement before S. Africa's presidential election in April 1999. The two sides had been stymied around market access for wines and spirits, and agricultural products. Portugal and Spain were strongly opposed to allowing market access for fortified wines that South Africa has historically termed "port" and "sherry." The compromise reached January 29 provides a five to eight year period during which S. Africa will phase out the use of "port" and "sherry," on its spirits exports worldwide, with a 12-year interim period for the use of the terms "port" and "sherry" by S. African spirit producers for the domestic market. In addition, the EU agreed to eliminate duties on imports of S. African wine.

The other highly sensitive area of discussions was around agriculture. The EU showed intense reluctance toward opening its market up to cheap S. African farm exports. Farm exports account for almost half of all South African agricultural exports to the EU. Under the agreement 72 percent of agricultural trade between the two sides is to be liberalised (as soon as January 2000), excluding about 300 "highly sensitive" goods the EU refused to liberalise, including sugar and cereals.

The European Commission (EC) still must give unanimous approval to the deal- the EC is scheduled to meet on the agreement February 22. The spirits compromise still faces some opposition by Spain, whose wine producers are demanding exclusive use of the term sherry.

S. Africa's cabinet approved the agreement last week. Economists within S. Africa noted the agreement would be favourable for S. Africa for the most part- boosting trade between S. Africa and the EU. Critics warn that the agreement could negatively impact S. Africa's manufacturing sector, which would face increased competition from EU imports.

It is unclear what impact the S. Africa- EU agreement would have on the Southern African Customs Union (SACU), to which the agreement also applies. SACU is comprised of South Africa, Botswana, Lesotho, Namibia and Swaziland. South Africa is the group's most dynamic economy and as such drives the trade structure of the group. Increased competition from EU imports on the S. African market could undermine SACU's smaller members' position with S. Africa, and/or the free trade agreement could aggravate the anti-export bias S. Africa has been accused of imposing on SACU's smaller members' industries.

"EU and South Africa close to trade deal," FINANCIAL TIMES, January 30, 1999; "South Africa welcomes EU trade deal," REUTERS, February 2, 1999; "Focus-S. Africa trade deal still faces EU scrutiny," REUTERS, February 3, 1999; "In Brief," EUROPEAN VOICE, February 4-10, 1999; "EU and South Africa Finally Conclude Trade Agreement," PANAFRICAN NEWS AGENCY, February 2, 1999.

## **SOUTH ASIA TO SPEAK WITH ONE VOICE ON GLOBAL TRADE**

South Asian Association for Regional Co-operation (SAARC) commerce ministers met last week in Dhaka, where they agreed to forge a common stand on major global trade issues in advance of the Third WTO Ministerial (to be held November 30-December 2, 1999 in Seattle, Washington). The ministers said the common stance is necessary to ensure that regional interests are "well protected." SAARC accounts for less than one percent of world trade, although it ranks fourth in population globally.

Last week also marked the first SAARC Economic Co-operation Conference, attended by SAARC commerce ministers and regional business leaders. Regional business leaders at the conference called for the dismantling of all non-tariff barriers to trade for SAARC intra-regional trade. SAARC intra-regional trade accounts for only three percent of all South Asian trade, which business leaders said was too low to give increased regional economic co-operation momentum. The business leaders called for zero tariffs on all "primary products," including forestry, agricultural and horticultural products. The least developed SAARC countries (Bangladesh, Bhutan, the Maldives and Nepal) would be allowed to apply a 10 percent tariff on goods for a five-year period.

Meanwhile, Asia Pacific Economic Forum (APEC) ministers are to begin meeting today (February 8) in New Zealand. Topics to be discussed at the two-day meeting include work on mutual recognition agreements in the food, telecommunications, and automotive sectors. New Zealand holds the rotating chair of APEC this year.

The 21-member APEC forum last year voted to take discussions on regional trade liberalisation to the WTO. APEC was to forge a free trade pact in at least 9 of 15 sectors by 1999, but failed to reach agreement and thus moved discussions to the WTO, opening up negotiations on nine sectors of trade to global participation. Observers noted that the failure to reach agreement on free trade within APEC and APEC's failure to take significant action with respect to the Asian financial crisis calls into question the forum's credibility and left many observers calling for its dissolution.

"Senior APEC officials to meet as trade doubts rise," REUTERS, February 5, 1999; "Business leaders call for removing trade barriers in South Asia," AGENCE FRANCE-PRESSE, February 5, 1999; "SAARC states to take united stance on major trade issues," AGENCE FRANCE-PRESSE, February 5, 1999.

## **USDA HOLDS HEARING ON ARGENTINE CITRUS IMPORTS**

The U.S. Department of Agriculture Animal and Plant Health Inspection Service (Aphis) today (February 8) will conclude two days of hearings on whether to ease import restrictions on Argentine citrus products. At issue is lifting a ban on imports of oranges, grapefruit and lemons from a region of northwestern Argentina-- on the basis that Argentina can prove it can adequately suppress diseases and pests known to the region via its post-harvest treatment of the citrus products.

Argentina is the world's second largest exporter of lemons. An estimated 5,000 to 25,000 metric tons of citrus product - mostly lemons -- could be imported into the U.S. market if the ban is lifted. U.S. citrus growers are opposed to lifting the ban, arguing that the imports threaten U.S. citrus crops. Further, opponents to lifting the ban question Aphis methodology and logic - claiming that the move could open the U.S. to action at the WTO because it would not treat countries equally.

Aphis traditionally blocks all fruit and vegetable imports from areas known to be infested with plant diseases or pests. The new so-called systems approach, and the basis for allowing the Argentine imports, would be to implement a process under which fruit and vegetables would be allowed if it can be proven that the plant pests and diseases could be sufficiently suppressed.

Increasingly, phytosanitary standards are at the centre of trade disputes. Over the past two years, the Department of Agriculture has moved on some traditionally thorny cases involving pest infestation and imported fruit from countries of growing regional trade importance.

"US finds slow progress in reform global of health/protectionism rules;" "US looks to ease ban on fruit imports," JOURNAL OF COMMERCE, February 5, 1999.

## **ALTERNATIVE AFRICA TRADE BILL CALLS FOR DEBT RELIEF**

The U.S. House Ways & Means trade subcommittee last week voted unanimously to move the Africa Growth & Opportunity Act (AGOA) forward. The full Ways & Means Committee could vote on the bill as early as this week, where it is expected to receive full approval. It would then move to the full House of Representatives and then to the Senate for a vote. The bill promotes trade, investment, and increased development in Africa, and aims to de-emphasise aid as the only means of cash flow from the U.S. to the region. If voted into law, the bill could increase sub-Saharan Africa's share of U.S. clothing imports from US\$200 million to between US\$1 to US\$2 billion annual.

Meanwhile, Congressman Jesse Jackson, Jr. (D-Illinois) this week will introduce an alternative Africa trade bill - the Hope for Africa Act, focusing on debt relief and increased aid for sub-Saharan Africa. (Mr. Jackson drafted the bill in partnership with Lori Wallach, director of Public Citizen's Global Trade Watch.) Under Mr. Jackson's proposal, \$230 billion in African external debt would be cancelled. Mr. Jackson's plan also calls for China's textile quota to be transferred to African

countries- with strict protections against transshipment. Mr. Jackson criticised the pending AGOA, warning it would aid multinational firms more than African workers. The Hope for Africa Act also includes strong labour and environmental provisions.

An African Growth & Opportunity Act passed the U.S. House last year, but failed to get through the Senate where it faced opposition from senators eager to protect U.S. textile interests. Textiles-state senators argued the bill would lead to lost jobs for U.S. textile workers and leave the door open to transshipments of Asian textiles through Africa. The bill was killed after provisions were introduced requiring African textiles and apparels be made with U.S. fabric. There is reported to be more Senate support for the AGOA this year.

Mr. Jackson charged that "economic neo-colonialism" was behind the pending AGOA and said it would be better to have no bill at all than to have the AGOOA pass Congress. Congressional Black Caucus Dean Charles Rangel (D-New York) admonished Mr. Jackson for this charge, noting that the AGOA had the support of 40 African ambassadors to the U.S.

"House starts action on Africa bill with subcommittee mark-up," *INSIDE US TRADE*, February 5, 1999; "Jackson offers his own bill on Africa trade," *JOURNAL OF COMMERCE*, February 5, 1999; "Africa trade bill proposed in US," *FINANCIAL TIMES*, February 3, 1999; "U.S. House Subcommittee approves Africa trade bill," *DOW JONES*, February 3, 1999; "Africa trade bill off to fast start," *IPS*, February 5, 1999.

## **IN BRIEF**

UN Secretary General Kofi Annan last week urged multinational firms to "uphold human rights and decent labour and environmental standards directly, by your own conduct and your own business," when operating and investing in poor countries. Mr. Annan noted that without a strong commitment from multinationals to adhere to core standards it would become increasingly difficult to make a persuasive case for more open markets. "DEVELOPMENT: UN Chief Wants Global Pact with Business Leaders," *IPS*, January 31, 1999; "Annan urges firms to enforce values," *INTERNATIONAL HERALD TRIBUNE*, February 1, 1999.

At the World Economic Forum held in Davos, Switzerland, Egypt's President Hosni Mubarak said the current globalisation model has thus far failed to serve the world's poor and should be rethought. Also at Davos, demonstrators protested against "the concentration of power and wealth in the hands of a few," fostered by globalisation. The Davos forum is an annual meeting of government and business leaders held each year celebrating the virtues of globalisation. "Rubin Issues Warning at World Forum," *ASSOCIATED PRESS*, January 30, 1999; "Egypt Leader Criticises Free Market," *ASSOCIATED PRESS*, January 31, 1999.

In a landmark seed piracy case that could determine how much influence biotechnology companies have over global food supply, Monsanto is suing a Canadian farmer for allegedly replanting a Monsanto seed variety for a subsequent year's crop. Observers note that Monsanto's policy could threaten farmers worldwide who depend on saved seed. Monsanto argues that its no-replanting policy must be enforced so it can recoup the millions of dollars it invested in developing higher yield and pest-resistant seed varieties. The farmer argues that he never bought Monsanto seed product, and blames any existence of Monsanto product on his land to cross-pollination from



neighbouring farms. "Farmers accused of piracy in a landmark gene case," THE WASHINGTON POST, February 3, 1999.

The Committee on Agriculture (COA) at the UN Food and Agriculture Organisation last month reported that a balanced approach must be adopted to the use of biotechnology in developing countries, saying biotechnology research and policy should also address the needs of the poor who depend on agriculture. The COA said also that the growing demand worldwide for organically produced food presents lucrative export opportunities for organic growers in developing countries. The FAO said developing countries should promote organic certification agencies so to build consumer confidence. "La FAO est réservée sur l'usage des biotechnologies dans le tiers-monde," LE MONDE, February 1, 1999.

## **WTO IN BRIEF**

A group of 14 small WTO Members last week announced they would hold a meeting May 28 in Budapest, Hungary to urge support for a new comprehensive global trade round. The group said it would attempt to reconcile differences between its members in advance of the Third WTO Ministerial scheduled for late November. Included in the group are Singapore, Morocco, Switzerland, Hungary, Uruguay, Argentina, Thailand and the Czech Republic. "Smaller WTO countries to hold trade talks in Hungary," REUTERS, February 2, 1999.

## **EVENTS & RESOURCES**

### **• EVENTS**

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#event>

### **WTO Meetings**

11 February 1999: Dispute Settlement Body informal meeting to discuss the ongoing review of the Dispute Settlement Understanding. For information contact Nuch Nazeer, WTO, tel: (41-22) 739-5393.

17 February 1999: Dispute Settlement Body. For information contact Nuch Nazeer as above.

1 March 1999: Sub-Committee on Least Developed Countries. For information contact Lucie Giraud, WTO, tel: (41-22) 739-5075.

2 March 1999: Committee on Trade and Development. For information contact Lucie Giraud, as above.

### **Other Events**

22-26 February 1999, New York: U.N. COMMISSION ON SUSTAINABLE DEVELOPMENT AD HOC OPEN-ENDED WORKING GROUP ON TOURISM AND CONSUMPTION AND

PRODUCTION PATTERNS. For information contact the CSD Secretariat, 2 United Nations Plaza, New York NY 10017, U.S.A., fax: (1-212) 963- 4260.

23-26 March 1999: ECONOMIC SOVEREIGNTY IN A GLOBALISING WORLD: CREATING PEOPLE-CENTRED ECONOMICS FOR THE 21ST CENTURY. Organised by FOCUS On The Global South. For information contact Geoffrey Keele at tel: (66-2) 218-7363, e-mail: [g.keele@focusweb.org](mailto:g.keele@focusweb.org)

- **RESOURCES**

THE AGRIBUSINESS EXAMINER. A weekly e-mail newsletter that monitors corporate agribusiness from a public perspective. The 20 January issue examines the possible U.S./European trade war over banana exports. It also reports on Chiquita's past and present business practices. Free; however, donations are encouraged. To subscribe, send your name and e-mail address to The Agribusiness Examiner, A.V. Krebs, P.O. Box 2201, Everett, Washington, U.S. 98203-0201, e-mail: [avkrebs@earhlink.net](mailto:avkrebs@earhlink.net)

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