



INTERNATIONAL CENTRE FOR
TRADE AND SUSTAINABLE
DEVELOPMENT

BRIDGES

Weekly Trade News Digest

March 1st, 1999

Volume 3, N°8

TABLE OF CONTENTS

- Biosafety Talks Break Down
- General Council Confirms Work Programme Leading to Third Ministerial
- NGOs Criticise EC Assessment of Social Impacts of Trade
- MERCOSUR, Andean Pact Work Toward Merger
- WTO Upholds Ruling Against Japan Fruit Testing Requirements
- EU Calls For Duty Free Access For LDCs
- Slow Progress At CAP Reform Talks
- ITC Plans Export Village Initiative For India
- In Brief
- WTO In Brief
- Events & Resources

BIOSAFETY TALKS BREAK DOWN

Talks for an international biosafety protocol broke down last week in Cartagena, Colombia as negotiators clashed over trade in genetically modified organisms (GMOs). Delegates last week elected to suspend the Extraordinary Session of the Conference of the Parties to the Convention on Biological Diversity (CBD), rather than have the conference end without reaching an agreement. Delegates agreed to use discussions started at Cartagena as the basis for further work toward an agreement. The move effectively delays adoption of a biosafety protocol for at least a year.

The Cartagena meet pitted the EU and South countries on one side and the U.S., Canada, Australia, Argentina, Chile and Uruguay - the so-called Miami Group of GMO exporting nations - on the other. The Miami Group, led by the U.S., refused to include the concept of the precautionary principle within the protocol. The principle, often used in environmental policy, is a principle used to allow preventive measures when scientific evidence is lacking. For example, this principle was used by France to justify its ban on genetically modified seeds and feedstuffs, the source of a trade dispute between the U.S. and France.

Further, the U.S. demanded that the biosafety protocol not be allowed to supersede countries' WTO obligations. The Miami Group also opposed subjecting commodities such as genetically modified corn and soya beans to the "advanced informed agreement" (AIA) procedure.

The Miami Group opposed as well extending the protocol beyond GMOs that would be planted in the environment, which would exclude GMO derivatives including pharmaceuticals, vaccines and

processed food. Colombian delegate Rodrigo Artunduaga noted that to exclude derivatives "would leave out more than 90 percent of transgenics, and would render the rest of the provisions useless."

Delegates and environmental groups expressed outrage toward the intransigence of the Miami Group members in the negotiations and the unwavering U.S. defence of multinational biotechnology firms' interests. "From the start, the biotechnology industry, protected by the United States and other industrialised countries, demonstrated what was confirmed here: the Miami Group never wanted a Biosafety Protocol, but rather a free trade treaty," said Third World Network attorney Chee Yoke Lang.

The environmental group Greenpeace called on countries to continue biosafety negotiations without the U.S., since it is not a party to the CBD. The next meeting on the Biosafety Protocol must take place sometime before the May 2000 conference of the parties to the CBD, to be held in Nairobi.

"Environment: New Delay for Biosafety Protocol," IPS, 25 February 1999; "BioSafety Protocol Talks Fail," ENS, 24 February 1999; "Growing pains: why hopes for global biotech treaty withered," INTERNATIONAL HERALD TRIBUNE, 25 February 1999; "UN GM food talks undermined," FINANCIAL TIMES, 26 February 1999; "Le commerce mondial des OGM échappe à une réglementation internationale," LE MONDE, 26 February 1999; "Genetically modified free trade," THE ECONOMIST, 20 February 1999.

GENERAL COUNCIL CONFIRMS WORK PROGRAMME LEADING TO THIRD MINISTERIAL

Meeting in Special Session last week, the WTO General Council confirmed its work programme for the next few months. The Special Session of the General Council is charged with preparing the Third WTO Ministerial Meeting, which will be held in Seattle, U.S.A, from 30 November - 3 December 1999.

Last week's General Council Special Session was essentially organisational, and revealed no surprises: the second phase of Ministerial preparations will continue until the WTO's summer break (in August) (see BRIDGES Weekly Trade News Digest, Vol. 2, No 49, 21 December, 1998) essentially as planned in the Geneva Ministerial Declaration adopted last May. During the coming months therefore Members will make proposals on the basis of which a draft Ministerial Declaration can be elaborated. To this end, WTO Members will continue meeting in Informal Intersessional Meetings to be held approximately once a month, the next such meeting being expected towards the end of March.

BRIDGES Weekly Trade News Digest will keep readers informed of developments in the process of preparing the next Ministerial Meeting.

ICTSD Internal Files.

NGOS CRITICISE EC ASSESSMENT OF SOCIAL IMPACTS OF TRADE

In response to demands from European NGOs and civil society groups that the environmental, social and developmental effects of trade liberalisation be studied, Sir Leon Brittan announced last November that he would commission a sustainability impact assessment (SIA) of the proposed forthcoming round of multilateral trade negotiations in the WTO.

The sustainability study will be divided into two parts. In the first phase, the scope and method for the study will be defined. In the second phase, the defined methodology will be the basis for a broad qualitative assessment of the sustainability impact of the new round and offer ideas on how to maximise the positive impacts of the expected trade liberalisation.

It has not yet been decided who will carry out the study - the contract is open to tender, the deadline for receipt of applications by the Commission being March 22, 1999.

While Brittan's announcement in November led many civil society groups to expect that the European Commission (EC) study would also examine the negative impacts of trade liberalisation, hopes were dashed during a NGO-EC meeting with Robert Madelin in January, when he confirmed statements that the SIA would not examine the effects of the Uruguay Round, rather, it would focus on the positive synergies between trade liberalisation and sustainable development in a future trade round.

Concern over the Commission's narrow focus i.e. the positive synergies between trade and sustainable development as detailed in a Commission paper published in December, entitled 'Win-Win situations at the Trade, Environment and Development Interface,' and the instrumental use by the Commission of the SIA i.e. using the SIA to promote the EU's negotiating position, has prompted a number of civil society groups led by WWF-International, to submit a collective letter of protest to high-level Commission Officials. This letter will also be sent to top officials in other organisations such as the WTO, UNCTAD and the OECD.

For more information about the civil society protest letter or to receive a copy of the letter, contact Mireille Perrin; Trade and Investment Officer, WWF International; e-mail: mperrin@wwfnet.org

ICTSD Internal Files.

MERCOSUR, ANDEAN PACT WORK TOWARD MERGER

Business leaders from the EU and Southern Cone Common Market (Mercosur) last week called for the creation of an EU-Mercosur free trade zone. Meeting at the Mercosur-EU Business Forum, business leaders issued a declaration calling on their governments to "facilitate trade and investment liberalisation between the EU and Mercosur. . . as a first step toward a free trade zone." Mercosur comprises Argentina, Brazil, Uruguay and Paraguay; Bolivia and Chile are associate members of the bloc.

Brazil has insisted that before talks proceed for a free trade area between the EU and Mercosur, EU barriers to Mercosur agricultural exports must be resolved. At the opening session of the EU-Mercosur Business Forum last week, Brazilian President Fernando Henrique Cardoso criticised the

EU for its protectionist agricultural policy and accused the EU of spending enormous sums each year "to keep agriculture from being exposed to the rules of competition." An EU official acknowledged that agriculture must be part of any free trade agreement between the two sides. "If a free trade zone is to be realised, agriculture must be taken into account, as no sector can be excluded under WTO rules," said Martin Bangemann, EU Industry Commissioner. An EU-Mercosur Summit is scheduled for 28-29 June in Rio de Janeiro.

Meanwhile, Mercosur and the Andean Pact (Bolivia, Colombia, Ecuador and Venezuela) are scurrying to meet a 31 March deadline for concluding an agreement that would merge the two groupings into one South American Free Trade Area. A combined Mercosur-Andean grouping would establish a common market with 300 million consumers with an annual economy of US\$1.3 trillion dollars. The recent currency devaluation in Brazil, South America's largest economy, is likely to further encourage Mercosur and Andean Pact countries toward concluding an agreement. Observers note that a combined Mercosur-Andean grouping would be the best defence against a regional economic crisis.

In an agreement reached late last month Brazil agreed to suspend government export incentive program for goods shipped to the MERCOSUR nations. Relations within Mercosur have been strained since Brazil's currency devaluation in January. Economists warned of temporary trade barriers being erected within the block to protect against cheap Brazilian exports.

"MERCOSUR leaders stress unity in face of Brazil's economic crisis," INTERNATIONAL TRADE REPORT, 24 February 1999; "Cardoso criticises EU for "protectionist" farm trade barriers," AGENCE FRANCE-PRESSE, 22 February 1999; "Mercosur, Andean nations gear up for trade block merger," AGENCE FRANCE-PRESSE, 24 February 1999; "Brazil concedes to Argentine demand, suspends export financing programme," INTERNATIONAL TRADE REPORT, 17 February 1999.

WTO UPHOLDS RULING AGAINST JAPAN FRUIT TESTING REQUIREMENTS

The WTO's Appellate Body February 22 upheld an earlier Dispute Settlement Body (DSB) ruling that Japan's quarantine testing of fruit imports violates international trade rules. The DSB ruled in October 1998 that Japan's variety-by-variety testing requirements for apples, nectarines, cherries and walnuts violate the Sanitary and Phytosanitary Measures (SPS) Agreement (See BRIDGES Weekly Trade News Digest Vol. 2, No 42, 2 November 1998.)

In its report, the Appellate Body upheld the DSB ruling that Japan's testing regime for apples, nectarines, cherries and walnuts is not based on sufficient scientific evidence. The Appellate Body also upheld the DSB finding that Japan did not fulfil its requirements under Article 5.7 of the SPS, which defines how WTO Members may use provisional measures in the absence of sufficient scientific evidence. The Appellate Body upheld the DSB finding that Japan did not fulfil its obligation under Article 5.7 to "seek to obtain" additional information on which to base additional risk assessments.

The U.S. brought the case to the WTO, arguing that Japan's testing requirements delayed by up to two years introduction of new varieties of agricultural imports. Japan requires each new variety of fruits to be tested separately before being cleared for import. Japan has defended its testing regime

by arguing that variety-by-variety inspection of the agricultural products is necessary to protect against the spread of the codling moth pest in Japan.

The full report is available on the WTO Website at <http://www.wto.org/wto/dispute/distab.htm>

"Japan loses final ruling on apple trade dispute at WTO," KYODO NEWS INTERNATIONAL, 22 February 1999; "WTO rules against Japan's restrictive fruit quarantine," JOURNAL OF COMMERCE, 23 February 1999; "WTO ruling supports US apple exporters complaint vs Japan," DOW JONES, 23 February 1999; "US wins case against Japan on fruit testing: Barshefsky," AGENCE FRANCE-PRESSE, 22 February 1999.

EU CALLS FOR DUTY FREE ACCESS FOR LDCs

At a meeting of the WTO General Council last week, the EU urged industrialised countries to follow its lead and extend duty-free access for "essentially all" imports from the world's poorest countries.

An EU official noted that 99 percent of imports from the 48 least developed countries enjoyed tariff-free access to the EU. "We call on other developed countries to commit similar tariff free treatment not later than the Third Ministerial Meeting," according to an EU paper issued last week. "And the more advanced developing economies could also consider making a contribution."

"It is difficult to justify that in 1999 that [developed countries] maintain tariff levels of 30 to 40 percent on textiles and clothing," an EU official told WTO members last week. (Many developing economies rely heavily on textile and apparels for their export revenues.)

The EU last week also reiterated its position that the next round of trade talks - usually referred to as the Millennium Round, should be comprehensive in approach, as opposed to concluding agreements sector-by-sector. Japan and Canada have previously expressed support for a comprehensive approach to the Millennium Round.

The EU is working to lessen resistance towards a new round by many developing countries which remain sceptical about globalisation's benefits to the developing world and, further, want to ensure that developed countries fully implement Uruguay Round commitments before forging ahead with a new round. The Group of 15 (G-15) developing countries last month warned developed countries that "[T]he lack of implementation or non-fulfilment of obligations of the Uruguay Round Agreements by developed countries can not be used by them as bargaining instruments for obtaining further concessions from developing countries," the G-15 said in a 12 February communiqué.

"EU urges duty free treatment for poor countries," REUTERS, 26 February 1999; "EU to press case for poor," FINANCIAL TIMES, 26 February 1999; "EU urges tariff-free export treatment for world's poorest countries," AGENCE FRANCE-PRESSE, 26 February 1999; "G-15 warns WTO against making new demands on old commitments," INSIDE US TRADE, 26 February 1999.

SLOW PROGRESS AT CAP REFORM TALKS

EU Agriculture Ministers last week made little progress toward agreeing on reforms to the EU's Common Agriculture Policy (CAP). Agriculture Ministers are to resume talks again Tuesday (2 March) in Brussels. Germany and France remained at odds over so-called co-financing of farm supports. France is opposed to a German proposal to make national governments share the cost of supporting their farmers, versus payments coming directly from the EU. EU leaders have set a deadline for 25 March to agree to a CAP reform package.

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 which would draw in 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 half of the EU budget. Farming accounts for five percent of EU employment, and less than two percent of GDP.

Both the EU Agriculture Minister and EU Trade Commissioner have stressed the need to make the EU farm sector and the CAP more competitive within the context of the WTO. For example, WTO provisions for so-called blue-box subsidies (deficiency payments by which farmers' incomes are supplemented to make up for low market prices) are set to expire in 2003, and the mood among most WTO Members means the subsidies are unlikely to be renewed. The proposed CAP reforms would result in lower EU intervention prices for agricultural goods, and subsequently to lower EU export subsidies.

While EU Agriculture Ministers met in Brussels last week more than 40,000 farmers marched on Brussels to protest the proposed reforms. Leaders of European farm organisations claimed that the proposed reforms would put the EU at a disadvantage to the U.S. at WTO talks on agriculture. "The U.S. provided \$6 billion in emergency aid to farmers last November," said Luc Guyau, Secretary General of Europe's largest farm lobby association, COPA. "This shows that the U.S. provides subsidies when its farmers need them. This money comes at the same time the U.S. is trying to push reforms on the rest of the world."

"40,000 farmers march on Brussels, attack EU agricultural reform proposals," INTERNATIONAL TRADE REPORTER, 24 February 1999; "OMC: l'échéance de la 'clause de paix,'" LE FIGARO, 23 February 1999; "EU farm policy, '60s concept gone to seed in the '90s," INTERNATIONAL HERALD TRIBUNE, 25 February 1999; "Against the grain," THE ECONOMIST, 20 February 1999; "Les quatre dossiers de la reforme agricole," LA TRIBUNE, 22 February 1999; "EU: leaders fail to agree on reform," FINANCIAL TIMES, 27 February 1999.

ITC PLANS EXPORT VILLAGE INITIATIVE FOR INDIA

The International Trade Centre - a joint initiative of the WTO and the UN Conference on Trade and Development (UNCTAD), plans to establish so-called export-production villages (EPV) in one or more poor Indian states. The EPVs will focus on the production of traditional handicrafts, handloom silk fabrics and agricultural products such as processed foods. The Indian EPV program would be

fashioned after successful export-oriented poverty alleviation projects already underway in Ghana, Ecuador and Sri Lanka.

The Indian program will be launched in connection with a parallel initiative focused on Trade-related Entrepreneurship Development (TREAD) for women in India. The development plan would be implemented through existing non-governmental organisations, which would work with constituencies to develop products for export. The export-production villages would be akin to artists' co-operatives wherein the shareholders in the export companies would be the producer-members. The EPV initiative for India is expected to launch in June 1999.

"WTO hits on novel scheme to reduce rural poverty in India," ECONOMIC TIMES (India), 25 February 1999.

IN BRIEF

Zimbabwe and Namibia last month were granted permission - under the Convention on International Trade in Endangered Species of Fauna and Flora (CITES), to sell a limited amount of ivory (33.8 tonnes combined) to Japan beginning 18 March. In June 1997 CITES agreed to allow limited, experimental international commercial trade in ivory from the two countries after sufficient monitoring mechanisms were in place. (See BRIDGES Weekly Trade News Digest Vol. 1, No 21, 23 June 1997.) "Reprise du négoce de l'ivoire," LE FIGARO, 16 February 1999.

Since liberalising its trade policies in 1992, Nepal's exports have grown 59% but the nation's trade gap has widened by 178% over the same period. Heavy reliance on one or two markets, lack of export diversification, and inability to attract foreign investment have all contributed to this gap. Nepal's export and import tariffs are among the lowest in the developing world. "Feature: Nepal strains to make wheels of trade turn," REUTERS, 17 February 1999.

WTO IN BRIEF

WTO Members last week targeted 12 March as the date by which it should reach consensus on a new WTO Director-General (DG). The new date marks the third deadline for selecting a new DG - Members have twice before missed the deadline unable to reach consensus. Renato Ruggiero, the current Director-General, is to step down 30 April. "WTO members set new target date for Director General selection," INSIDE US TRADE, 26 February 1999.

In related news, William Rossier of Switzerland is expected to report as early as 1 March to WTO Members on the current level of support for each of the four DG candidates. Reports place Mr. Supachai as the leader with the most first choice votes, while Mr. Moore is said to have the most second choice votes. Because the decision is one of consensus, it is conceivable that the popular second or third choice candidate could capture the post. "Trade: WTO head selection process becoming messier, SUNS, 24 February 1999; "Cacaphonie des Quinze à l'OMC," LE FIGARO, 23 February 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>

WTO Meetings

2 March 1999: Special Dispute Settlement Body For information contact Nuch Nazeer, WTO, tel: (41-22) 739-5393.

22-23 March 1999: Council for Trade in Services. For information contact Nuch Nazeer, WTO, as above.

23 March 1999: Council for Trade in Goods. For information contact Nuch Nazeer, WTO, as above.

Other Events

3 March 1999, Brussels: EC-NGO MEETING ON TRADE AND DEVELOPMENT ISSUES IN THE WTO. In addition to presentations by DG I and DG VIII, issues to be discussed include an agenda for the new round, Least-Developed Countries, Coherence and Capacity-Building, and the process from now until the third WTO Ministerial Meeting in late 1999. For information contact Helen Beckman at the European Commission, tel: (32-2) 299-1081, fax: 299-0900, e-mail: helen.beckman@dgl.cec.be

16-17 April 1999, Cambridge, U.K.: NEW FRONTIERS OF INTERNATIONAL LAW: THE LAW AND PRACTICE OF THE WTO. Conference organised by the Lauterpacht Research Centre for International Law and the British Branch of the International Law Association. Fees range from £50 to £250. For information contact Glen Howard, Lauterpacht Research Centre for International Law, 5 Cranmer Road, Cambridge, CB3 9BL, U.K., tel: (44-1223) 335-358, fax: 300-406, e-mail: gh10008@hermes.cam.ac.uk.

4-6 May 1999, Washington DC: IEA INTERNATIONAL WORKSHOP ON TECHNOLOGIES TO REDUCE GREENHOUSE GAS EMISSIONS. Workshop co-sponsored by the International Energy Agency and the U.S. Department of Energy. For more information contact John Newman, IEA, tel: (33-1) 4057-6715, fax: 4057-6749, e-mail: john.newman@iea.org or Jeffery Dowd, U.S. Department of Energy; tel: (1-202) 586-7258, fax: 586-4447, e-mail: jeff.dowd@hq.doe.gov

21-25 June 1999, Dundee, Scotland: GLOBAL ISSUES FOR MINING DEVELOPMENT: INDUSTRY CONSOLIDATION, THE ENVIRONMENT, HUMAN RIGHTS AND COMMUNITY PARTICIPATION. Hosted by the Centre for Energy, Petroleum and Mineral Law and Policy, University of Dundee. Fee - £975. For information, contact University of Dundee, DD1 4HN, Scotland, UK, tel: (44-1382) 344-300, fax: 322-578, e-mail: cpmlp@dundee.ac.uk

Call For Participation

Friends of the Earth Middle East is developing a network of concerned organisations and individuals to become aware of and involved in monitoring the Euro-Med Partnership and the proposed Mediterranean Free Trade Zone (MFTZ). The first edition of the MFTZ Environment Monitor-- available shortly--will provide a more in-depth background on the Euro-Med Process, its environmental implications, and who's already active in addressing these issues. For information, or to participate in the network, contact FoEME, PO Box 55302, E. Jerusalem 97400, tel: (972-2) 532-4667/73, fax: 532-4692, e-mail: mftz@foeme.org, web: www.foeme.org

• RESOURCES

INDICATORS OF EFFECTIVE ENVIRONMENTAL ENFORCEMENT. By the Commission on Environmental Co-operation (CEC). This paper sets out a framework to evaluate progress in enforcement of national environmental legislation in NAAEC member-countries. For more information see the CEC website at <http://www.cec.org/> or contact Gregg Block, CEC, Montreal, tel: (1-514) 350- 4300.

INDIA & THE WTO: A MONTHLY NEWSLETTER OF THE MINISTRY OF COMMERCE, INDIA. Vol. 1 No. 1 (January 1999) is now available at <http://www.nic.in/commin/wto-index.html>. The newsletter is intended to contribute to the Ministry of Commerce's ongoing exercise to involve greater numbers people in a national debate on issues of multilateral trade.

GLOBALIZING PHILIPPINE MINING. By Antonio Tujan, Jr. and Ros-B Guzman. 214 pp. This book examines the social, environmental, and financial implications of mining and addresses the question of whether there can be environment-friendly, people-friendly large-scale mining. Cost: US\$12.00 (including postage and handling). To order contact Reach Expansion Department, IBON Foundation, Inc. Rm. 303, SCC Bldg. 4427 Int. Old Sta. Mesa, Manila 1008, Philippines, tel: (63-2) 713-2737, fax:(63-2) 716-0108, web: <http://www.ibon.org> Orders placed on or before 3 May 1999 will receive a copy of the IBON Special Release issue dated January 1999 entitled "The Continuing Struggle Against TNC Mining" FOR FREE.

BRIDGES Weekly Trade News Digest© is published by the International Centre for Trade and Sustainable Development with support from the Institute for Agriculture and Trade Policy. Editor: Caroline Dommen, ICTSD, Geneva Executive Center, 13 ch. des Anémones, 1219 Geneva, Switzerland; email: cdommen@ictsd.ch; tel: (41-22) 917 8497; fax: (41-22) 917 8093. Executive Director: Ricardo Meléndez-Ortiz, address as above, email: rmelendez@ictsd.ch.

Excerpts from BRIDGES Weekly Trade News Digest© may be used in other publications with appropriate citation. Comments and suggestions are welcome and should be directed to the editor.

To subscribe send email to: majordomo@igc.org. Leave the subject line blank. In the body of the message say: subscribe tradedev. BRIDGES Weekly Trade News Digest© can be found at the ICTSD web page: <http://www.ictsd.org>