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### **SOCIAL LABELING PROPOSED AT ILO ANNUAL MEETING**

On June 8th, at the 85th annual meeting of the International Labour Organisation in Geneva, ILO Director General Michel Hansenne presented for debate a "global social labeling" proposal that would inform buyers about the labor conditions of production. Hansenne stressed that labeling is merely informational and not synonymous with the binding "social clause" rejected by the World Trade Organization at its December 1996 trade Ministerial in Singapore. Such a "social clause," Hansenne told 3,000 delegates from 174 countries, "would subordinate the circulation of goods and services to following certain social norms."

Developing countries, including China, India, Pakistan, Egypt, Brazil, Indonesia and the Philippines, reject the "social labeling" proposals as "a disguised social clause" whose purpose is to use labor standards for trade protectionism. Seventeen developing countries are drafting a counter-proposal to "social labeling." These countries argue that the international inspections of labor conditions required to receive an ILO approval of a product run counter to the purpose for which the ILO was created.

Hansenne said that support for the "social labeling" project would mean a renewal of the commitments ILO member states made upon joining the organization. The first stage of the ILO plan to defend social norms in trade would be the adoption by all member states of seven ILO conventions on which a "social label" would be based, even for those countries which had not yet ratified the individual conventions.

"La OIT Quiere Una 'Etiqueta Social' Para Los Paises Que Respeten Las Normas Laborales," EL PAIS (Madrid), June 9, 1997; "OIT: La Bataille Sur Les Normes Sociales Pour Accompagner La Mondialisation Rebondit," LES ECHOS; June 9, 1997; "Mondialisation: L'OIT Lance Sa Contre-Offensive," FIGARO, June 3, 1997.

### **ASEAN EXPANDS**

The Association of Southeast Asian Nations (ASEAN) agreed on May 31 to admit Cambodia, Laos and Myanmar into the Asian Free Trade Area (AFTA), bringing the total membership of the 30 year old

association to ten. The expansion brings to fruition the ASEAN goal of "One Southeast Asia under ASEAN by the year 2000," an initiative launched at ASEAN's 1995 Bangkok ministerial meeting. Trade between ASEAN countries has grown significantly since 1992- from \$27 billion to \$70 billion in 1997. Cambodia, Laos and Myanmar have until 2008 to comply with AFTA's tariff reduction schedule, bringing the tariffs on a large portion of goods traded between ASEAN countries to between 0-5 per cent. Cambodia is expected to face the most difficulty with the reduction program, as 72 per cent of its revenues are derived from customs taxes. The incorporation of three impoverished countries may complicate ASEAN's ambitious free trade agenda, but at the same time should benefit the development of the poorer countries. Overall, the expansion is said to promise greater regional stability.

Accusations of human rights abuses made the Myanmar application for ASEAN membership the most controversial. Its admission was seen as a rebuff to the U.S., which in April announced a ban on new investment in Myanmar because of severe repression by Rangoon's military government. The Clinton administration urged ASEAN to delay the admission of Myanmar until reforms had been made.

"Association Agrees to Burma's Membership," FINANCIAL TIMES, June 2, 1997; "ASEAN Ministers Endorse Early Timetable For Early Membership of Burma, Laos, Cambodia," INTERNATIONAL TRADE REPORTER, June 4, 1997; "Defyin Critics, ASEAN opts for regional stability," IPS, June 3, 1997.

## **SPOTLIGHT ON LDCS**

The European Union agreed last week to provide better market access for the world's poorest countries. The EU initiative calls for improved market access for Least Developed Countries (LDC) via the harmonization of preferential treatment under the EU's Generalized System of Preferences (GSP) and the Lome Convention on trade relations with African, Caribbean and Pacific (ACP) least developed countries. The EU is also considering duty-free access for almost all products imported from LDCs. The EU and all other industrialized nations committed to incorporating LDCs into the global trading system at the 1996 Singapore Ministerial Conference.

In Bangladesh, economists and development specialists met last week to identify ways to improve LDC integration into the world trading system. "Our mission is a response to the cry for help from LDCs who want to know how they can react to the fast changing world trade climate," Senior Economist Khalil Rahman of UNCTAD said. The meeting, lead by UNCTAD, included representatives from the WTO, the Division of Technical Cooperation Coordination, the United Nations Development Program and the Economic and Social Commission for Asia and the Pacific (ESCAP). The group gathered in response to recommendations made at the WTO Ministerial Conference in December, calling for actions to help the 48 LDCs improve their ability to take advantage of opportunities within the WTO. Bangladesh's commerce secretary commented last week that only one per cent of foreign direct investment went to LDCs in 1996, and that "In conferences we cannot play a meaningful role and as a result our comparative advantages are undermined and growth in trade is heavily weighed toward developed countries."

The EU and Bangladesh initiatives point toward the High Level Meeting on Integrated Initiatives on Least Developed Countries' Trade Development scheduled for 27-28 October 1997. The Meeting will be co-hosted by the WTO, UNCTAD and the International Trade Centre (ITC) and will focus on capacity building and market access.

"EU Countries Agree To Offer Improved Market Access To LDCs," INTERNATIONAL TRADE REPORTER, June 4, 1997; "Trade Experts Hear Least Developed Countries Call," FINANCIAL TIMES, June 4, 1997.

### **WESTERN HEMISPHERE TRADE STIRS**

With talks for a Free Trade Area of the Americas (FTAA) set to begin in 1998, trade experts are already predicting intense opposition to the agreement from the U.S. business community. Under FTAA, U.S. businesses are likely to face increased competition from Brazilian firms in consumer durables, capital goods and intermediary components. "I predict more intense debate [than NAFTA] over trade with Brazil because some U.S. companies will lose," Raul Hinojosa Ojeda, director of the Center for North American Integration and Development said last week at a trade seminar in Los Angeles. At present, Mexico accounts for 50% of U.S. trade with Latin America: Under FTAA, trade with Mexico is likely to be supplanted by trade with Brazil. The key difference in trade with Brazil and Mexico is that 70% of the manufactured goods exported to the U.S. from Mexico are produced by U.S. subsidiaries, whereas 70% of Brazilian exports to the U.S. are produced by Brazilian-owned companies. While natural advantages in some Latin American countries complement those of the U.S., Brazil and the U.S. each have advanced manufacturing sectors that could go head-to-head under FTAA. Cooperation between the two countries is key to bringing FTAA to fruition. The current relationship between the U.S. and Brazil is characterized by mistrust- as Brazil jockeys for position as a global power in the 21<sup>st</sup> century and the U.S. tries to keep a length ahead. "Until the United States and Brazil see eye to eye," Mr. Hinojosa said, "we're just dancing around the FTAA."

Meanwhile, concern about rising anti-NAFTA sentiment in the U.S. has become an issue in the current Mexican legislative campaign. Mexican authorities are not enthusiastic about expanding NAFTA to include other nations in the hemisphere. However, political analysts in Mexico say the U.S. is preparing protectionist pressure, and will be increasing efforts to demonize Mexico and NAFTA, so as to impede expansion on all levels. The attacks on Mexico will likely focus on uncontrolled migration, high-level corruption, drug-trafficking and fraud. A free trade agreement between Mexico and Panama is foreseen for August, and there has been talk about Panama signing a similar accord with MERCOSUR and Central America.

"Closer Ties Between Brazil, US Key To Free Trade in Americas," JOURNAL OF COMMERCE, May 30, 1997; "Trouble Looms For NAFTA Expansion Plans," IPS, June 5, 1997; "Progreso en TLC con Mexico," La Prensa, May 28, 1997.

### **WTO WORKING GROUP ON INVESTMENT**

The WTO working group on trade and investment, created at the 1996 Singapore Ministerial Conference, held its first meeting last week in Geneva. The group identified four broad areas for future discussion including: the implications of investment on development and economic growth; the relationship between the economy and trade and investment; a stock-taking analysis of existing international instruments on investment; and various possible issues for future consideration. A North-South disagreement over the scope of the group's work emerged as the U.S. and EU urged to look first at how investment policies such as foreign direct investment can affect world trade. The Association of Southeast Asian Nations (ASEAN), represented by Indonesia, contended that the working group should focus on how developing countries stand to benefit from investment. India and Tanzania concurred, saying that development issues should play a part in all aspects of WTO work on investment. The group adopted a program of work calling for the development issue to be revisited at its next meeting in

September. The WTO and United Nations Committee on Trade And Development (UNCTAD) are preparing a joint paper on the issue for the meeting. Representatives from UNCTAD, the World Bank and the Organization for Economic Co-Operation and Development reported on their organizations' work related to trade and investment. In addition to development issues, the working group will address macroeconomic issues related to trade and investment, existing rules on investment in the WTO and other trade organizations, and identify "common features, differences and possible gaps" in current international investment pacts. The working group will also address the relationship between "international cooperation on investment policy and international cooperation on competition policy."

"WTO Investment Group Begins Work Emphasizing Development Issues," INSIDE U.S. TRADE, June 6, 1997; "New Trade/Investment Group Stumbles on Scope of Work Dispute," INTERNATIONAL TRADE REPORTER, June 4, 1997.

### **TEXTILE DISPUTE STILL UN-HEMMED**

The ongoing EU-U.S. dispute over textile rules of origin dropped another stitch last week as talks between the two sides failed to settle the key issue in their disagreement. The U.S. refuses to alter its rule of origin for printed and dyed cotton fabric, saying the EU has not proven any trade damage. 1996 U.S. rules of origin consider, for labeling purposes, the country of origin for a finished product- e.g. a silk scarf, the country which produced the raw material used in the textile product. In April, the U.S. offered to change its marking requirement for silk scarves so not to be labeled a product of China. The next time the two sides meet will likely be the week of July 14 at formal WTO consultations. The EU requested the formal consultations in late May saying its cotton fabric exports have been adversely affected by the U.S. rules of origin.

"U.S., EU Fail To Settle Key Issue In Textile Rules Of Origin Dispute," INSIDE U.S. TRADE, June 6, 1997.

### **AFRICA ON THE MOVE**

African finance ministers and bankers met last week at the annual African Development Bank (ADB) meeting to discuss plans to increase private investment in the region. Last year, the number of African countries where economic growth outstripped population growth rose to 41, doubling the number in the early 1990s. Major reforms in recent years include opening of economies, liberalizing trade, restoring macroeconomic stability and selling state owned companies. Although reforms have increased foreign direct investment, Africa's share of developing country inflows remains low at an average of 5%. The prospects for the future look good, headed off by the U.S. who promised last week to direct trade and investment towards African countries committed to economic reform. Specifically, U.S. Deputy Treasury Secretary Lawrence Summers spoke of the U.S. Overseas Private Investment Corporation initiative to launch a \$150 million fund for equity investment.

"L'Afrique veut mobiliser les investisseurs prives," LA TRIBUNE, May 30, 1997; "African nations push change to woo capital," WALL STREET JOURNAL EUROPE, June 2, 1997; "U.S. promises investment to reward Africa reforms," REUTERS, May 29, 1997.

### **EVENTS/RESOURCES**

Good Corporate Citizenship--Realizing Environmental and Competitive Advantage: July 28-August 2, 1997, Washington D.C. Sponsored by the Center for International Environmental Law. For more

information contact Gabriel Eckstein, Ph: +01/202/274/4003; Fax: +01/202/274/4130; E-mail: <<ECKSTEIN@wcl.american.edu>>.

Asia Pacific Economic Cooperation (APEC) Environment Ministerial Web Site has been launched at <<<http://www.ec.gc.ca/apecmeet/>>>.

The quarterly newsletter of the South Asia Watch on Trade, Economics and Environment (SAWTEE) highlights current issues and events of interest in these areas throughout the region. Available from SAWTEE: P.O. Box 8304, Bijuli Bazar, Kathmandu, Nepal; Ph: 9771 220 033; Fax: 9971 226088; E-mail: [fppic@fppipc.wlink.com.np](mailto:fppic@fppipc.wlink.com.np).

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BRIDGES Weekly Trade News Digest is published by the International Centre for Trade and Sustainable Development and edited by the Institute for Agriculture and Trade Policy. We encourage the reproduction of BRIDGES. Comments and suggestions are welcome and should be directed to: Ricardo Melendez-Ortiz, Executive Director, ICTSD, Geneva Executive Center, 13 chemin des Anemones, 1219 Chatelaine, Geneva, Switzerland; email: [ictsd@iprolink.ch](mailto:ictsd@iprolink.ch); voice: (41-22) 979-9492; fax: (41-22) 979-9093.<BR>

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