
BRIDGES - Vol. 1, Number 2   February 10, 1997

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RESOURCES

ECO TRADE MANUAL: ENVIRONMENTAL CHALLENGES FOR EXPORTERS TO THE EURO-PEAN UNION—Reports on the current situation and developments in the European Union, including sustainable development policies and commitments; provides analysis on current regulations and provides general guidelines on product and process orientation. Also outlines trade incentives and contains valuable contact information for government agencies and NGOs. Available free to exporters in developing countries. Contact John Peter Devogel, Center for the Promotion of Imports from Developing Countries(CBI), PO Box 30009, 3001 DA, Rotterdam, Netherlands. Ph: +31/10/201/3434; Fax: +31/10/411/4081.

GREENBUS DATABASE: Also from CBI, this is a new database for specialist advisors in the areas of environment, trade, technology and development issues. Contains information on cleaner technologies, management standards, trends and international agreements. Available by annual subscription for Dfl 800 ($500 U.S.) per year, plus an initial registration fee (Dfl 100, $65U.S.). Contact GreenBus, CBI, P.O. Box 600, 2900 AP Capelle a/d IJssel, The Netherlands. Email: GREENBUS@WORLDACCESS.NL.

TRADE AND DEVELOPMENT: CONFLICT OR COMPATIBILITY, Conference April 11, 1997, Royal Institute of International Affairs, London. Keynote speakers include Rt. Hon. Sir Leon Brittan, Ambassador Juan Carlos Sanches Arnau and James Cameron. Will include sessions on trade and environment, the impacts of trade related environmental measures and resolving trade and environmental disputes. Contact Sharon Moore, The Conference Unit, The Royal Institute of International Affairs, 10 St. James's Square, London SW1Y 4LE, UK. Ph: +44/171/957/5700; Fax: +44/171/321/2045; E-mail: 106170.1200@compuserve.com.

ZAMBIA WANTS INVESTMENT TO REPLACE AID

Zambia's Finance Minister Ronal Penza announced the 1997 budget with the stated goal of reducing the country's dependency on donor aid. "We want donor support to be replaced by private investment," stated Minister Penza at a press conference. He expected bilateral contributions of about $39 million, plus the World Bank is expected to provide about $123 million in balance of payment supports.

Financial Times, February 3,1997.

DUTCH GRANT TO WTO

The Dutch government made a grant of 4 million gilders to the WTO's Trust Fund for Technical Cooperation to support training activities for developing countries and economies in transition.

Press Release, January 27, 1997, Information and Media Relations Division, World Trade Organization, 154, rue de Lausanne, CH-1211 Geneva, 21, Switzerland; 41-22-739-5007, fax: 41-22-7395458.

NEW LOGGING CHARGES AGAINST CAMBODIA, THAILAND

The London-based group Global Witness said a January investigation showed that while Cambodia's borders were now supposedly closed to log exports, exports of cut timber were continuing. The group presented evidence that the Cambodian government was allowing the military to illegally profit from timber sales. Cambodia had instituted a ban on the export of fresh-cut logs in May 1995 in response to international pressure. However, documents signed by Cambodia's co-prime ministers in February 1996 gave the country's army permission to seize and sell 30,000 cubic meters of logs, in order to finance a military offensive against the Khmer Rouge. Global Witness criticized the Thai government for acquiescence in the Cambodian timber trade. The group accused the Thai Prime Minister Chavalit Yongchaiyudh and his predecessor of receiving kick-backs from local logging companies in exchange for allowing them to continue exporting illegally cut logs from Cambodia.

Global Witness says that Cambodia's forest cover has declined from 70% of land area in the early 1970s to 30-35% today. Phnom Penh had promised, amid international criticism of its logging policies led by Global Witness, to implement a forestry management program drawn up by the World Bank, the U.N. Food and Agriculture Organization and the U.N. Development Program. Failure to implement the recommendations resulted in the International Monetary Fund decision in November to continue delaying loan disbursements to Cambodia until progress on the commitments are made.

"New Logging Charges Leveled Against Cambodia, Thailand By Global Witness," INTERNATIONAL ENVIRONMENT REPORTER (BNA), February 5, 1997.

CALL TO EXPAND MICROLENDING GETS MIXED RECEPTION AT SUMMIT

Washington was host to a three-day Microcredit Summit last week which began with a call to extend microlending to include 100 million of the world's poorest families by 2005. The charge was accepted enthusiastically by many attendees at the conference who see microcedit as the way out of poverty for women in developing countries.

But there are more than a handful of skeptics in the development sector who caution that the task is daunting and that microlending may not be hitting its target despite noble efforts. Extending microcredit to 100 million families will require $21 billion dollars of new loan capital for Micro Finance Institutions (MFIs), an estimated $10 billion of which is expected to come from commercial lenders at market rates, according to the Summit's communiqué. According to one U.S. development consultant, raising that kind of capital will be challenging for a sector that has raised no more than $500 million in private money during the last decade. Other critics argue that trying to accomplish an expansion of microcredit so fast will take money away from traditional aid such as famine relief.

Development researchers also argue that the current microcredit model, targeted predominantly at women, may not be a panacea for the over 900 million women and girls living in poverty. While women may be receiving and responsible for paying back the microloans, ranging from a few to one hundred dollars, many do not, in fact, have control of that money. Instead, many women are forced by their husbands to turn the money over to them, yet women are still responsible for making payments on the loan even after their husbands squander or lose the loan money. Still another criticism is that while the majority of microcredit recipients are women, administrative and field staffs at MFIs still remain predominately male.

Reaching 100 million families, critics add, may mean spreading loans too thinly. Research shows that the first loan is rarely enough to bring a borrower out of poverty. A second or third loan is usually needed to achieve that. Grameen Bank, the microcredit pioneer in Bangladesh, found that its borrowers took five to 15 years to rise above the poverty line. As a result, the bank is turning away new borrowers in order to make repeat loans to fewer people.

"Pour Que les Plus Pauvres Aient Droit au Credit," LE FIGARO, February 4, 1997; "Big Role for the Small Loan," FINANCIAL TIMES, February 4, 1997; "Microcredit Not the Only Answer," TERRAVIVA, February 5, 1997; "A Leap in the Dark With Microloans," FINANCIAL TIMES, January 31, 1997.

CARIBBEAN BASIN STRUGGLES IN NAFTA'S SHADOW

While the tide of exports between Canada, the U.S. and Mexico is high, Caribbean industries are struggling to stay afloat in NAFTA's wake. The Caribbean Basin, not included in the trade pact, has lost jobs, markets and income as a result of NAFTA. Caribbean officials say that investment needed for future growth in the region is being diverted to Mexico.

Since Mexico can now export products to the U.S. duty-free, says Jamaica's Minister of Foreign Affairs Seymour Mullings, it is more profitable for producers to operate from there. Mullings worries that this trend will do "untold damage" to the manufacturing sector and the region as a whole. Caribbean Basin exporters plan to renew requests to Canada, Mexico and the U.S. for "NAFTA parity." Before NAFTA's passage in 1993, the U.S. had suggested that it would try and ease the anticipated devastating effects of NAFTA on the Caribbean by extending similar trade preferences, or "NAFTA parity," to the region. Since then, efforts toward "NAFTA parity" have failed in the U.S. Congress, and any new efforts towards that end face an uncertain future as the U.S. struggles with mixed feelings about free-trade agreements.

The World Bank estimates that more than a third of the Caribbean's annual $12.5 billion in exports to the U.S. could shift to Mexico if the existing trade rules remain in effect. Job-creation in Jamaica since NAFTA was implemented has stopped, and unemployment has risen to 16% from 9.5%. The textile industry has been particularly hard hit, with a reported 150 apparel plants closed. The unemployment rate among women in the apparel sector is now greater than 33%. Skeptical U.S. officials contend, however, that Jamaica and other Caribbean countries are using NAFTA as a scapegoat for deeper economic problems that would exist even if "NAFTA parity" were in place.

"Caribbean Garment Makers' NAFTA Fear," FINANCIAL TIMES, February 6, 1997; "Caribbean Reels in NAFTA's Wake," INTERNATIONAL HERALD TRIBUNE, January 31, 1997.

THE "E-8" TO SURPASS GROUP OF SEVEN IN INFLUENCE, REPORT SAYS

"Environmental heavyweights," not the world’s richest countries, will shape the future of the world, says Worldwatch Institute's annual "State of the World Report" released last month. Eight countries with the most influence on the environment have "the fate of the Earth" in their hands, the report says. Brazil, China, Germany, Japan, India, Indonesia, Russia and the United States were dubbed the E-8 in the report which predicts the group will exert more influence than the G-7. The G-7 comprises the seven richest nations in the world—Canada, France, Germany, Japan, Italy, the United Kingdom and the U.S.

Each of the E-8, the report says, heavily influences the policies of neighboring nations and allies in not only environmental affairs, but in economic or political affairs as well. Because of their economic strength and technological dominance, the four industrialized nations in the E-8, Germany, Japan, Russia and the U.S., wield unparalleled influence on global trends. The report said the influence of the remaining four countries—Brazil, China, India and Indonesia, is due to their large populations, rapid economic growth and rich biodiversity.

"Because these eight nations use such a large share of the world's resources and produce so much of its pollution," the report said, they have a "disproportionate responsibility" to craft solutions to problems identified at the Earth Summit in 1992. Worldwatch official Christopher Flavin said an E-8 alliance could lead the rest of the world toward sustainable development. The official added that if China and the U.S. could reach a consensus on how to address climate change, they could jump-start international discussions on the issue. Flavin also encouraged the inclusion of an African nation should the E-8 come together as a political alliance, so that all populated continents would be represented.

"Report Says 'Environmental Heavyweights' To Be More Influential than Group of Seven," DAILY REPORT FOR EXECUTIVES, January 13, 1997.

PRIVATE CAPITAL INVESTMENT TO FAVOR ASIA

Total private capital investment will remain at the same level in 1997 as last year, at around $231 billion, a report released last week by the Institute of International Finance (IIF) says. Half of total private capital investment will be equity investment and half private lending. Asia will account for 59%, or $132.2 billion, of private investment in the form of direct and capital investment.

As in 1996, China will receive 30% of the Asian share. Thailand faces a decrease in investment flows due to what the IIF calls "weaker credit demand" and investor hesitance toward the struggling Thai banking sector. Private flows of capital in Asia's emerging markets -- including China, India, Indonesia, Malaysia, the Philippines, South Korea, Thailand and Vietnam -- mean less dependence on the World Bank and Asian Development Bank loans. Combined loans dropped to $8.2 billion in 1995, down from $13 billion in 1994 and leveled off at 10.3 billion in 1996 with the same expected this year.

The IIF tracks investment in the 30 largest, most liberalized economies outside of the western industrialized powers. In its report, "Capital Flows to Emerging Market Economies," the IIF says most emerging markets will see an increase in foreign private capital flows. Five "key countries" will see a decrease in private investment flow—Mexico, Brazil, Russia, Thailand and Turkey. Flows to European economies will drop to $3.1 billion, down from $5.6 billion in 1996.

Africa and the Middle East are clearly last choices for private capital investment this year. Only five countries—Algeria, Egypt, Morocco, South Africa and Tunisia, will claim any investment of note. Combined, the countries accounted for slightly less than two percent of private investment flows to emerging markets in 1996. Further, the quality of those investments were inferior to other regions. Two-thirds of investment in other regions came in the form of long-term direct investment, e.g., plants and machinery.

In Africa and the Middle East, investment consisted chiefly of highly volatile portfolio investing: foreigners making a quick profit on local stock markets. There was no long-term investing to speak of in the manufacturing or agricultural production sector which would generate jobs. This kind of investing is necessary to bolster the domestic economies of the region and to increase export production in these heavy-importing countries.

In a related story, United Nations Secretary-General Kofi Annan urged world business leaders to disregard North-South rivalry and invest in the poorest countries. Speaking at the World Economic Forum in Davos, Switzerland on February 1, Annan said while the business sector has concentrated nearly all of its investing toward a small group of Southern countries leading to dynamic growth in those areas, "100 of the world's countries are worse off today than they were 15 years ago." Annan added that the increasing disparity between and within countries remains a significant threat to stability.

Secretary-General Annan said that government aid from rich nations to poor nations is still vital, but that the private sector plays an even bigger role. Saying countries cannot be secure amidst starvation, the secretary-general warned that "If the private sector does not deliver economic growth and economic opportunity, equitably and sustainably, then peace will remain fragile and social justice a distant dream."

"Record Private Capital Flows to Level Off," TERRAVIVA, January 31, 1997; "Asia Absorbs 59% of World's Private Capital," WALL STREET JOURNAL, January 31, 1997; "Annan Urges Business Sector to Invest in Poor Countries to Improve Stability," WALL STREET JOURNAL EUROPE, February 3, 1997.

WTO COMMITTEE CHAIRS ANNOUNCED

Following are the new chairs for important WTO committees. For a complete list and final confirmation, contact the WTO Information and Media Relations Division, 41-22-7395111, fax 7375458, or www.wto.org.

General Council - Amb. Celso LAFER (Brazil)
Council for Trade in Goods - Amb. Terje JOHANNESSEN (Norway)
Council for TRIPs - Amb. Carmen Luz GUARDA (Chile)
Council for Trade in Services - Amb. Joun YUNG SUN (Korea)
Committee on Trade & Development - Amb. Patrice Eugene CURE (Mauritius)
Sub-Comm. on Least-Developed Countries - Amb. Evelin HERFKINS (Netherlands)
Comm. on Trade and Environment - Amb. Björn EKBLOM (Finland)
Comm. on Regional Trade Agreements - Amb. John WEEKES (Canada)
Trade Policy Review Mechanism - Amb. Munir AKRAM (Pakistan)
Dispute Settlement Body - Amb. Wade ARMSTRONG (New Zealand)
Comm. on Budget & Administration - Amb. Mohamed ENNACEUR
Comm. on Balance of Payments - M. JENKINS (UK).

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