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NAFTA MONITOR

Vol. 1, No. 1 Monday, December 20, 1993

Headlines:

COMPANIES SHIFT OPERATIONS TO MEXICO
MEXICAN LABOR UNIONS TOO WEAK
MEXICO MAY NOT FOLLOW THROUGH WITH ENVIRONMENT PROMISES
NAFTA WILL HURT MEXICAN INDUSTRIES
U.S. NAFTA PROTESTS CONTINUE

COMPANIES SHIFT OPERATIONS TO MEXICO

In the weeks following the ratification of the North American Free Trade Agreement, many large companies announced plans to increase their operations in Mexico, often at the expense of U.S. or Canadian-based manufacturing plants.

Perhaps the quickest to take advantage of NAFTA has been the auto industry. Ford Motor Company announced it will rehire 300 laid-off Mexican auto workers and spend $175 million on converting its car plant in a suburb of Mexico City to meet anticipated demand for automobiles there. Ford said it could not expand its U.S. plant in Kansas City, Missouri because of structural problems. NAFTA "solves a dilemma for us" said a Ford spokesperson. Despite plans to increase operations in Mexico, Ford said it expects its exports to Mexico from the U.S. and Canada to increase to 25,000 vehicles next year. The automaker shipped 1,500 vehicles to Mexico this year. General Motors Corp. and Chrysler Corp. are also expected to expand production in Mexico.

Under NAFTA, automakers will be allowed to send $1 worth of vehicles to Mexico for every 80 cents worth exported from Mexico. Currently they are only permitted to send $1 worth of fully assembled cars or trucks to Mexico for every $1.75 worth of fully built cars in Mexico and exports.

The largest bus and truck manufacturer in Mexico, Consorcio G Grupo Dina S.A., agreed to purchase U.S.-based Motor Coach Industries International Inc. under a new merger agreement with a U.S. subsidiary. The merger will give Dina the right to export trucks to the United States. It is currently banned from doing so because of a contractual obligation with Chicago-based Navistar International Corporation. Motor Coach has plants in Manitoba, North Dakota, and New Mexico.

According to Mexico's EL FINANCIERO newspaper, NAFTA will also make it easier for European and Asian auto manufacturers to expand truck production and leasing operations in Mexico. Honda has already announced it will shift its auto manufacturing facilities from Canada to the western coast of Mexico. "The pieces are in place to give U.S. multinationals a run for their money, right in the territory that most assumed was annexed under NAFTA," writes EL FINANCIERO. NAFTA negotiators hammered out the details of an auto deal that would set local integration limits specifically targeted at Asian and European exports of passenger cars. But limits are apparently still low enough to make it economically efficient for Nissan, Saab and Mercedes-Benz to produce pickup trucks and lease bus fleets in Mexico.

Sources: "Trucks Make Comeback," EL FINANCIERO INTERNATIONAL, December 6-12, 1993; Kathryn Jones, "Mexican Company Agrees to Acquire U.S. Bus Maker," NEW YORK TIMES, December 1, 1993; "Grupo Dina to Buy U.S. Bus Maker," EL FINANCIERO INTERNATIONAL, December 6-12, 1993; Robert L. Simison, "Ford Plans Sharp Boost in Shipments Between Mexico, the U.S. and Canada," WALL STREET JOURNAL, December 17, 1993; Alan L. Alder, "Autos After NAFTA," AP, December 16, 1993; "Ford Will Build More in Mexico and Increase Its Shipments South," INVESTOR'S BUSINESS DAILY, December 17, 1993; Alva Senzek, "Trucks Make Comeback," EL FINANCIERO INTERNATIONAL, December 6-12, 1993.

MEXICAN LABOR UNIONS TOO WEAK

As Mexican businesses suffer from increased competition under NAFTA, they will likely get tougher on workers to improve productivity. But an article in the NEW YORK TIMES says that under President Carlos Salinas de Gortari Mexican labor unions are weaker than they have been for 50 years and in a poor position to deal with NAFTA's consequences. In testimony before the U.S. Congress this year, Pharis Harvey, executive director of the International Labor Rights Education and Research Fund, described organized labor in Mexico as "sterile unions without power to represent workers." Harvey said health and safety standards have deteriorated under the government controlled unions. Mexico now has the third highest rate of industrial accidents in the world.

Following the recent deaths of two young workers who had inhaled toxic fumes at the Calinor rubber plant, two Tijuana-based organizations launched an educational campaign among maquiladora workers. Casa de la Mujer and the Centro de Informacion y Formacion de Trabajadores have printed posters and organized educational sessions to advise maquiladora workers on the dangers of working with toxic chemicals. Employees of the plant are not provided with masks or safety equipment of any kind to protect them against the toxic fumes.

The number of maquiladoras operating in Mexico is now 2,178, an increase of 4.9 percent during the first eight months of 1993, according to a study by the National Statistics Institute. The report said the number of maquiladora employees rose 7.3 percent this year to 544,476.

Source: Anthony DePalma, "Mexico's Unions, Frail Now, Face Trade Pact Blows," NEW YORK TIMES, December 14, 1993; "Health and Safety Campaign Begins," WORKER RIGHTS NEWS, Fall 1993; "Number of Maquiladoras Grows by 4.9 Percent," EL FINANCIERO, December 6-12, 1993.

MEXICO MAY NOT FOLLOW THROUGH WITH ENVIRONMENT PROMISES

The Texas Center for Policy Studies says Mexico may not follow through with promises to clean up the environment. "When we were debating NAFTA, they had to come to the table and talk. We made some real progress," said Researcher Domingo Gonzalez. "Now the incentive to listen to those voices is gone." President Carlos Salinas de Gortari and U.S. President Bill Clinton agreed to spend more than $8 billion over the next eight years on infrastructure and environmental cleanup projects.

Gonzalez speculates the Mexican government may be more interested in funding profitable industrial development projects than much needed waste water treatment facilities. "The border has been ignored for generations," said Gonzalez. "Who's to say that won't continue?"

Source: Leon Lazaroff, "The Polluted Border," EL FINANCIERO INTERNATIONAL, November 29-December 5, 1993.

NAFTA WILL HURT MEXICAN INDUSTRIES

Arturo Nava Bolanos, president of the Social Union of Mexican Businesses, said Mexico's textile, electronics and agriculture industries will be hardest hit under NAFTA. The electronics industry, for example, reportedly lacks updated equipment, which will make it difficult for them to compete with U.S. and Canadian companies operating in Mexico.

Mexico's farming industry is also expected to suffer in competition with the U.S. and Canada for powdered milk, chicken, meat and eggs commodities. The National Rural Credit Bank announced last month that it would provide loans to Mexican farmers in an attempt to help them adjust to economic integration.

Source: "NAFTA, Crisis for Textile, Electronics, and Agriculture Industries," EQUIPO PUEBLO/RMALC, December 1, 1993.

U.S. NAFTA PROTESTS CONTINUE

A confederation of U.S. labor unions blocked traffic last week on a major highway connecting Tennessee and Arkansas to protest President Bill Clinton's support of NAFTA. Sixty-one members of the Amalgamated Clothing and Textile Workers Union, the Teamsters and the AFL-CIO were arrested after taking control of the Hernando DeSoto bridge for about one hour.

Sources: "Labor Protest," AP, December 12, 1993.

Editors: Gigi DiGiacomo and Kai Mander The Institute for Agriculture and Trade Policy (IATP)
1313 Fifth Street SE, Suite #303, Minneapolis, MN 55414-1546 USA
Telephone:(612)379-5980 Fax:(612)379-5982 E-Mail:kmander@igc.apc.org

NAFTA MONITOR
Volume I, No. 2 Tuesday, January 4, 1994

Headlines:

NAFTA GOES INTO EFFECT
REBELLION IN SOUTHERN MEXICO LINKED TO NAFTA
GE WILL REHIRE 6 OF 11 FIRED MEXICAN UNION ACTIVISTS
UAW WILL BE "WAITING" FOR 15,000 JOBS PROMISED UNDER NAFTA
CANADIAN RETAILERS FAVOR BORDER TAX HIKE

NAFTA GOES INTO EFFECT

The North American Free Trade Agreement went into effect January 1, immediately eliminating tariffs on about half of U.S. exports to Mexico and 75 percent of U.S. imports from Mexico. Many barriers between Canada and Mexico were also lifted. Most Canada-U.S. trade is already duty-free under the Canada-U.S. Free Trade Agreement. Among the U.S. exports to be stripped of tariffs immediately are computers, airplanes, X-ray equipment, telephones and many agricultural goods. Among the items Mexico can now ship duty-free to the United States are an assortment of car parts, electronic goods, furniture, televisions, radios, toys and tequila. By the year 2004, less than 1 percent of the trade between the countries will be subject to tariffs.

In a Friday editorial, Mexico's government-owned EL NACIONAL newspaper said NAFTA represents the beginning of "an era whose perspectives are not only very promising but also somewhat unpredictable, above all in its first months and years. With the elimination of tariffs, nobody knows with precision how the flows of business and investment will behave," it said.

Canadian Trade Minister Roy MacLaren will visit Mexico and Chile this week to discuss NAFTA and the possibility of Chile joining the trade pact. "I look forward to discussing Chile's possible accession to the NAFTA during my stay in Santiago," MacLaren said in a statement. "Both of our countries can enhance their economic growth and competitiveness by further liberalizing trade."

Sources: Joseph B. Frazier, "Mexico-NAFTA," AP, December 28, 1993; Jeff Franks, "Long-Established Trade Barriers to Tumble," REUTER, December 31, 1993; "Canada to Discuss Chilean Membership of NAFTA," REUTER, December 31, 1993.

REBELLION IN SOUTHERN MEXICO LINKED TO NAFTA

Hundreds of Indian guerrillas battled police in the southern Mexican state of Chiapas to protest implementation of NAFTA and the widely reported abuses of Indian peasants by powerful, wealthy landowners in the region. At least 56 people, including 22 police and 24 rebels, were reported killed during two days of fighting.

The rebels reportedly took control of four cities and perhaps six villages. A leader of the Zapatista Army of National Liberation said the revolt was timed to coincide with the implementation of NAFTA and that it was launched to protest the growing economic inequalities in Mexico. The group declared war on the Mexican government and denounced the Salinas administration as "illegitimate." A rebel commander declared: "We will control the entire country, including the capital." Mexico had not experienced an armed uprising since the 1970s.

Source: Tod Robberson, "55 Killed in Fighting in Southern Mexico," WASHINGTON POST, January 3, 1993; Tim Golden, Mexican Troops Battling Rebels; Toll at Least 56," NEW YORK TIMES, January 3, 1994.

GE WILL REHIRE 6 OF 11 FIRED MEXICAN UNION ACTIVISTS

General Electric Co. announced it will reinstate six of the 11 Mexican labor organizers it fired last month. The United Electrical, Radio and Machine Workers of America (UE) and the Teamsters union had strongly protested the firings, which came just days after Congressional approval of NAFTA and only weeks after the workers had met with UE members in Juarez. The workers were involved in an organizing campaign for the Authentic Labor Front, Mexico's only independent labor group. In announcing the rehirings, GE reportedly told U.S. labor officials the six workers had mistakenly been fired for insubordination.

Union leaders have also accused Honeywell Inc. of firing 20 workers trying to organize a factory in Chihuahua. The company, which says the firings are unrelated to union activity, has not responded to the protests. U.S. labor leaders welcomed the GE rehirings, but called on GE and Honeywell to reinstate all fired workers. UE General Secretary-Treasurer Amy Newell said the firings violated the labor rights language of NAFTA. "President Clinton and Congress assured the American people that labor and human rights would be respected on both sides of the border," she said. "These gross violations of Mexican workers' rights deserve the attention of both President Clinton and Congress. We demand an investigation."

Sources: Tim Shorrock, "6 Fired Union Activists Rehired by GE in Mexico," JOURNAL OF COMMERCE, December 27, 1993; Anthony Spinelli, "GE Plans to Recall Workers," CONNECTICUT POST, December 25, 1993; "U.S. Union Protests Help Win Reinstatement of Mexican Workers Fired by General Electric," UE LABOR NEWS.

UAW WILL BE "WAITING" FOR 15,000 JOBS PROMISED UNDER NAFTA

Prior to NAFTA's passage, President Clinton and auto manufacturers claimed the trade pact would enable the Big Three automakers to export 60,000 cars to Mexico and create 15,000 new auto-related jobs. Despite those assurances, the United Auto Workers (UAW) union remained steadfastly opposed to NAFTA. But now that NAFTA has passed the UAW will be checking the accuracy of those claims. "We're going to be waiting and looking with bated breath for those 15,000 good-paying jobs," said UAW President Owen F. Bieber. "By God, I'll tell you this, we're going to keep tabs of how many (cars) are sold there, and we're going to remind people of this."

Already, top executives of the Big Three have cast doubt on the likelihood of those forecasts coming true. "The 60,000 number -- I have to tell you, I have not ever discussed that number, nor do I know the origin of it," said Robert J. Eaton, chair of Chrysler Corp. Bieber points out that the American Automobile Manufacturers Association, the Big Three's trade association, often cited the figure.

Source: James Bennet, "U.A.W. Wants Trade Payoff in Jobs," NEW YORK TIMES, January 1, 1994.

CANADIAN RETAILERS FAVOR BORDER TAX HIKE

Many Canadian retailers are urging their provincial governments to impose taxes on goods purchased in the U.S. by Canadian citizens making cross-border shopping trips. "International trade agreements are fundamental to our basic principles," said Bill Draper, president of the Winnipeg Chamber of Commerce. Draper urged the Manitoba government to impose a sales tax on cross border shoppers "because it was hurting some of our merchants." Manitoba imposed a 7 percent provincial sales tax on merchandise purchased in the United States beginning last July. New Brunswick and Quebec imposed sales taxes of 11 and 8 percent on items bought in New England states.

Source: Pat Doyle, "In Canada's Provinces, It's Unfree Trade Pact," MINNEAPOLIS STAR & TRIBUNE, December 20, 1993.

Resource:

"Worker Rights News," is a quarterly publication covering international labor rights. Included in the fall 1993 issue are several articles describing current labor organizing events in Mexico. International Labor Rights Education and Research Fund, 100 Maryland Avenue, NE, Box 74, Washington, D.C. 20002. Tel: (202) 544-7198 Fax: (202) 543-5999 Email: laborrights@igc.apc.org. Subscription: $15/individual, $25/organization.

Editor: Kai Mander The Institute for Agriculture and Trade Policy (IATP)
1313 Fifth Street SE, Suite #303, Minneapolis, MN 55414-1546 USA
Telephone:(612)379-5980 Fax:(612)379-5982 E-Mail:kmander@igc.apc.org

NAFTA MONITOR
Volume I, No. 3 Tuesday, January 11, 1994

Headlines:

SUPREME COURT REJECTS NEED FOR NAFTA ENVIRONMENTAL REPORT
MEXICAN GOVERNMENT WILL TALK WITH REBELS
ILLEGAL IMMIGRATION MAY BE ON THE DECLINE IN CALIFORNIA
CANADA TRYING TO DISMANTLE INTERNAL TRADE BARRIERS

SUPREME COURT REJECTS NEED FOR NAFTA ENVIRONMENTAL REPORT

The U.S. Supreme Court Monday rejected arguments by the Sierra Club and Public Citizen that the Clinton administration should have prepared an environmental impact statement of NAFTA. The groups had appealed to the high court after an appeals court overturned a decision by a federal court judge, who had ordered an environmental assessment of NAFTA because the trade pact violated domestic environmental law. The Supreme Court denied the appeal without any comment or dissent.

Source: "Environmental Report on NAFTA Unneeded, High Court Decides," INVESTOR'S BUSINESS DAILY, January 11, 1994.

MEXICAN GOVERNMENT WILL TALK WITH REBELS

In an attempt to stop the revolt in Chiapas from spreading to Mexico City, Mexican President Carlos Salinas de Gortari named a commission to promote "dialogue" with the Zapatista National Liberation Army. Salinas announced the commission late Saturday, following the explosion of a car bomb in Mexico City.

The explosion, which caused significant damage but no serious injuries, raised fears that the revolt was spreading. According to a government statement, the commission "will have full autonomy to evaluate the situations and problems to be resolved and propose alternatives and measures to tackle ... in a concerted way the problems in the conflict zone."

According to the Puebla newspaper, SINTESIS, the rebels had earlier offered to open negotiations with three moderators, including Nobel Peace Prize winner and indigenous leader Rigoberta Menchu. In a statement on the conflict, Menchu said, "At the core of a search for a peaceful solution, priority (must) be given to age-old economic, social, political and cultural problems of Chiapas's society."

The Zapatistas have linked their struggle to land rights. Chiapas was largely excluded from land redistribution in the constitution that followed the 1910 Mexican revolution and much of its farmland is now in the hands of powerful ranchers.

Canadian indigenous leaders are planning a trip to Chiapas to show support for the mostly Mayan peasants fighting for land and rights. They are demanding that Mexico restore Article 27 of the Constitution, which prevented the privatization of community held land holdings (ejidos), and the return of land to the peasants of Chiapas. Of the Mexican government's repeal of Article 27 in preparation for NAFTA, Ovide Mercredi, national chief of the Assembly of First Nations (AFN), said, "It explains, in part, one of the root causes of the violence that erupted in that part of the country." He said it "would be the equivalent to the Canadian government saying that Indian reservations can be sold without the consent of the Indian people."

The issue has forced the AFN, which represents more than 650 bands, to be vigilant that NAFTA "does not become another weapon for the loss of Indian land and Indian resources." He added, "If the NAFTA agreement can have such a negative impact in terms of land rights for the Indian people of Mexico, the same situation could arise in Canada. But at least we have legal protection we can rely on." One rebel leader identifying himself as Commander Marcos called NAFTA "the death certificate for the indigenous people of Mexico."

The Canadian delegation hopes to pressure the Mexican government to "deal with the Indian situation and to encourage them to resolve the issue through negotiations," Mercredi told reporters. Mercredi called on Mexican President Carlos Salinas de Gortari to find a quick and peaceful solution with no reprisals and urged Canadian Prime Minister Jean Chretien to phone Salinas to voice Canada's concerns.

Sources: Christine Tierney, "Mexican Government Names Dialogue Commission," REUTER, January 9, 1993; Kieran Murray, "Mexican Army Moves in After Fight With Peasants," REUTER, January 2, 1994; Rick Mofina, "Mercredi, Other Leaders Going to Mexico," MONTREAL GAZETTE, January 8, 1994. IIDO Press Release, January 8, 1994; "Statement by Mexican Social Organizations on Chiapas," January 4, 1994; Rigoberta Menchu Press Release, January 3, 1994.

ILLEGAL IMMIGRATION MAY BE ON THE DECLINE IN CALIFORNIA

While public concern about illegal immigration has grown in California, there are indications that the number of legal and illegal immigrants is declining. Many illegal immigrants appear to be returning to Mexico after finding that California's continuing economic slump and increasing crime rates make life just as or more difficult in the United States. "Everybody thinks the streets are paved with gold here and they find that is not the case," said Alan C. Nelson, a former Immigration and Naturalization Service (INS) official. "Word gets around that things have tightened up."

The Mexican Consulate in Los Angeles reports that the number of Mexicans seeking permits to ship their belongings back to Mexico from the Los Angeles area nearly doubled from 1992 to 1993. The INS reports that apprehensions of illegal aliens trying to cross the California-Mexico border dropped by about 6 percent in the year ending September 30. And the Census Bureau reported last month that for the first time in 20 years California's population grew at a slower rate than the rest of the country.

Source: Robert Reinhold, "An Ebb in California Illegal Alien Tide," NEW YORK TIMES, January 9, 1994.

CANADA TRYING TO DISMANTLE INTERNAL TRADE BARRIERS

As trade barriers come down in North America and globally, Canada is turning its attention to the hundreds of restrictions on commerce that exist within its borders. Political leaders are attempting to reach a formula by June for removing all trade barriers within Canada. Each of Canada's 10 provinces currently has many laws and regulations designed to stimulate local employment and insulate certain businesses from competition from the rest of Canada. For example, until recently it was almost impossible to buy Moosehead beer, a product of New Brunswick, in Ontario, although it was easily available in the United States. Moosehead is now available in Ontario, but is treated and priced like an import.

"It's ambitious but entirely feasible," said Stephen Van Houten, president of the Canadian Manufacturers Association, about the chances of establishing a code by June. "The politicians are becoming embarrassed by their failure to deal effectively with this problem, and they know they look silly, not just at home but abroad." The manufacturers' association listed the "cost" of some 500 interprovincial barriers at 1 percent of the Canadian economy, or nearly US$5 billion. Some economists, however, say that figure is way too high.

Source: Charles Truehart, "Canada Seeking to Lower Provincial Trade Barriers," WASHINGTON POST, January 10, 1994.

Editor: Kai Mander The Institute for Agriculture and Trade Policy (IATP)
1313 Fifth Street SE, Suite #303, Minneapolis, MN 55414-1546 USA
Telephone:(612)379-5980 Fax:(612)379-5982 E-Mail:kmander@igc.apc.org

NAFTA MONITOR

Volume I, Number 4 January 20, 1994

Headlines:

- -TRADE LEADERS SAY CHIAPAS UPRISING WILL HAVE LITTLE EFFECT ON NAFTA
- -NEW NAFTA WORKING GROUPS PROPOSED
- -CLINTON FOLLOWS THROUGH WITH NAFTA PROMISE
- -NINTENDO MOVES PLANT TO MEXICO
- -BORDER TRAFFIC ON THE RISE: FUNDING IN QUESTION
- -HAZARDOUS WASTE MOVES ACROSS BORDER
- -GALLUP POLL SHOWS NAFTA GAINING SUPPORT IN CANADA
- -RESOURCE: CHIAPAS DIGEST

TRADE LEADERS SAY CHIAPAS UPRISING WILL HAVE LITTLE EFFECT ON NAFTA

Trade ministers from the United States, Canada and Mexico declared after their first ministerial meeting since January 1 when NAFTA went into effect that the peasant uprising in Chiapas, Mexico would have no impact on NAFTA implementation. "I don't believe the situation in Chiapas will have anything to do with the effective implementation of NAFTA or its success," said U.S. Trade Representative Mickey Kantor.

The Zapatista National Liberation Army (EZLN) initiated an armed uprising New Year's Day to press the Mexican government for improved indigenous rights, justice, free elections and basic services for the peasants. The EZLN issued a formal communiqu to Mexican President Carlos Salinas de Gortari Monday demanding their rights and also sent a letter to U.S. President Bill Clinton warning him that the Mexican government has used U.S.-supplied "planes, helicopters, radar, communications equipment and weapons .... not to fight drug traffickers ... but to repress the just struggle of the Mexican people and the indigenous people of Chiapas." Mexico City's daily newspaper LA JORNADA reported that U.S. officials received assurances from the Mexican government that U.S. military equipment, supplied to combat the war against drugs, was not used to fight against the EZLN. For more information on the Chiapas uprising see RESOURCE below.

Sources: Anita Snow, "Mexico-Rebellion," AP, January 18, 1994; Christine Tierney, "Mexican Rebels Ask President Clinton for Support," REUTER, January 17, 1994; "NAFTA Trade Ministers See No Effect From Chiapas," REUTER, January 14, 1994; Charles Wilbanks, "Caught in the Crossfire," EL FINANCIERO INTERNATIONAL, January 10-16, 1994.

NEW NAFTA WORKING GROUPS PROPOSED

Canadian International Trade Minister Roy MacLaren called for the creation of two new working groups under NAFTA to handle anticipated dumping charges and subsidy complaints. MacLaren issued the proposal during a two-day visit to Mexico City last week and said the initiative resulted directly from Canada's four-year free trade experience with the United States, which he admitted "has not been easy." "What we are proposing," he said, "is that the free trade agreement be provided with all of the necessary tools to prevent situations such as those that have occurred on the bilateral level." During his visit MacLaren, U.S. Trade Representative Mickey Kantor and Mexican Trade Minister Jaime Serra Puche agreed to begin talks on accelerating tariff reductions. Mexico wants to speed up the tariff reduction process for a number of goods including, citrus products, flat glass, garments and shoes. Kantor said tariff reduction talks would begin soon.

Sources: "Canadian Trade Chief Visits Mexico," EL FINANCIERO INTERNATIONAL, January 10-16, 1994; "NAFTA Trade Ministers See No Effect From Chiapas," REUTER, January 14, 1994.

CLINTON FOLLOWS THROUGH WITH NAFTA PROMISE

U.S. President Bill Clinton followed through on a last-minute promise made to peanut-state and wheat-state lawmakers during the NAFTA debate. Clinton ordered the U.S. International Trade Commission (ITC) Wednesday to open investigations of U.S.-Canada farm trade. American farmers claim that Canada has depressed U.S. wheat and peanut prices by "dumping" unfairly subsidized grain in U.S. markets after the U.S.-Canada Free Trade Agreement was signed in 1989. Farmers in Montana recently blockaded delivery of Canadian wheat to a grain elevator to express their growing anger.

Earlier this week, Canada offered to end transportation subsidies on wheat provided the United States did not sell subsidized grain to Mexico. A settlement was not reached. The Clinton administration threatened to impose quotas on Canadian wheat if the ITC finds that Canada's shipping subsidy hinders U.S. farm policy. ITC investigations, on average, take six to nine months. Sources: Philip Brasher, "Canada-Wheat," AP, January 18, 1994; "Canada Offers to Limit Wheat Exports to U.S.-Paper," REUTER, January 15, 1993; Nancy Dunne, "U.S. Farmers Seek Curbs on Canadian Wheat," FINANCIAL TIMES, January 20, 1994.

NINTENDO MOVES PLANT TO MEXICO

Nintendo, a U.S. video game producer, announced plans to relocate its only U.S.-based plant to Mexico. In less than 60 days, 136 workers at the plant will be laid off. Phil Rogers, vice president of U.S.-based operations for Nintendo, said the company decided to relocate the plant to Mexico to "better serve" rapidly growing markets in Latin America, and had nothing to do with NAFTA implementation. "The timing is purely coincidental because we would have made this move with or without NAFTA," Rogers said. Video game machines and software produced for the United States, Nintendo's biggest market, are made in Japan.

Source: "Nintendo Moving U.S. Production to Mexico," REUTER, January 11, 1994.

BORDER TRAFFIC ON THE RISE: FUNDING IN QUESTION

The Transportation Department recently released a report stating that U.S. border states have not done enough to prepare for increased traffic under NAFTA. However, the report concludes that there is no immediate need for a separate federal fund to pay for new and improved crossings.

Representative Henry Bonilla (R-TX) disagreed with the report's findings that bridges, tunnels and facilities housing federal inspection agencies at the border appear "adequate ... for the foreseeable future." Bonilla said "it doesn't take a rocket scientist to see that border crossing facilities in Texas already have problems." Bonilla and Representative Ronald Coleman (D-TX) said they are disappointed that Transportation Secretary Federico Pena is not calling for major federal investment to improve border crossings. Pena is scheduled to meet with his Mexican and Canadian counterparts in Washington this March to discuss NAFTA's impact on border crossings and transportation.

Source: James H. Rubin, "Border Crossings," AP, January 11, 1994.

HAZARDOUS WASTE MOVES ACROSS BORDER

More than 72,000 tons of hazardous waste were shipped from the United States to Mexico for recycling and confinement last year, according to the Environmental Protection Agency (EPA). Approximately 6,500 tons of hazardous waste produced in Mexico-based maquiladoras were shipped back to the United States. The EPA also reported that three U.S. companies operating maquiladoras were cited for omissions in documentation required for the importation of hazardous waste. The three companies, Gi Corporation, Transportation Electronics and Delco Chassis, could be fined a total of $115,000 if found guilty.

Source: "U.S. Shipped 72,000 Tons of Hazardous Waste," EL FINANCIERO INTERNATIONAL, January 10-16, 1994.

GALLUP POLL SHOWS NAFTA GAINING SUPPORT IN CANADA

A majority of Canadians still oppose NAFTA, but the most recent GALLUP POLL indicates opposition is weakening. Forty percent of those polled said they favor NAFTA, the highest level of Canadian support recorded during the past four Gallup polls. Forty-two percent remain opposed and the remaining 18 percent declined to comment.

Source: "Support for NAFTA Hits All-Time High, Poll Says," TORONTO STAR, January 3, 1994.

RESOURCE

The Institute for Agriculture and Trade Policy is temporarily producing a weekly bulletin called "CHIAPAS DIGEST" and is available for free by electronic mail or by fax. CHIAPAS DIGEST includes news, analysis and declarations on the peasant uprising in Chiapas, Mexico. For more information contact: Hannah Holm, IATP, (612) 379-5980 fax (612) 379-5982 e-mail hholm@igc.apc.org

Editor: Gigi DiGiacomo The Institute for Agriculture and Trade Policy (IATP)
1313 Fifth Street SE, Suite #303, Minneapolis, MN 55414-1546 USA
Telephone:(612)379-5980 Fax:(612)379-5982 E-Mail: kmander@igc.apc.org

NAFTA MONITOR

Vol. I, No. 5 Tuesday, January 25, 1994

Headlines:

U.S. ASSIGNS AGENCIES TO HEAD DEVELOPMENT OF NAFTA COMMISSIONS
LEADERS IMPLEMENT "BUY MEXICAN" CAMPAIGN
COALITION DEMANDS FUNDS FOR U.S.-CANADIAN BORDER
MEXICO PLANS MORE PRIVATIZATION
CONAGRA SIGNS DEAL WITH MEXICAN AG COMPANY
RESOURCES

U.S. ASSIGNS AGENCIES TO HEAD DEVELOPMENT OF NAFTA COMMISSIONS

The Environmental Protection Agency (EPA) was named to head the U.S. task force organizing the trinational Commission for Environmental Cooperation (CEC) established under NAFTA. Most key decisions on setting up CEC will require coordination and cooperation with Mexico and Canada. But EPA and U.S. environmental sources say their north and south NAFTA partners have been slower in moving forward in preparations because of election-related shifts in personnel. EPA Administrator Carol Browner is scheduled to meet with top Mexican and Canadian environmental officials next month to begin talks on CEC development.

The joint deputies group of the U.S. National Economic Council and the National Security Council also appointed the Treasury Department to lead organization efforts of the North American Development Bank and the State Department to head U.S. coordination of the Border Environment Cooperation Commission.

Source: "EPA To Coordinate U.S. Role in Setting Up NAFTA Green Commission," INSIDE NAFTA, Vol. 1, No. 1, January 12, 1994.

LEADERS IMPLEMENT "BUY MEXICAN" CAMPAIGN

Mexico Commerce Secretary Jaime Serra Puche and Finance Secretary Pedro Aspe Armella teamed up with business leaders last November to organize a national advertising campaign aimed at curbing consumer purchases of foreign goods. Mexican toy, textile, candy and shoe industries have been struggling for sales since Mexico joined the General Agreement on Tariffs and Trade in 1986 and many other manufacturers fear NAFTA will have the same the same effect.

The National Advertising Council of Mexico said it took them three months to develop and produce the "made in ... chismo" campaign. No flags, logos or brands are included in the advertisements, which appear in almost every national magazine and on television. All the advertisements show two products -- one foreign versus one domestic -- and urge Mexican consumers to compare quality, price and service before buying. The TV ad states "not all imported goods are high-quality. Some will disappoint you." Some Mexican consumers complain that it is hard to buy Mexican-made goods when store shelves are filled with cheap, well advertised imports. Although the ad campaign is scheduled to last only one year, sponsors are willing to extend it for up to five years if it is successful.

Source: Claudia Fernandez, "Made in Mexico," EL FINANCIERO INTERNATIONAL, January 17-23, 1994.

COALITION DEMANDS FUNDS FOR U.S.-CANADIAN BORDER

A coalition of eight U.S. border states and three Canadian provinces are calling for $7 billion in funding over the next 20 years to improve border-crossing facilities. The coalition said severe congestion already exists along the "forgotten" U.S.-Canadian border and it is worried that most funding for infrastructure improvements and for additional border crossing personnel will be channeled to the U.S.-Mexico border. U.S. members of the coalition "strongly protest any shifts of U.S. Customs and/or immigration forces from the northern U.S. border to the southern border with Mexico."

U.S. Customs employs less than 1,000 inspectors along the northern border. Representatives of regional governments say there are three times more trade crosses per year between the U.S. and Canada than along the U.S.-Mexico border, where more than 1,500 inspectors are employed. The coalition outlined work needed on 62 highway crossings, 20 railroad crossings and six ferry crossings.

Meanwhile, the Border Trade Alliance, organized by state and local government administrators and business persons from both sides of the U.S.-Mexico border, will meet with their northern counterparts in late February to devise a "seamless border" association. The group hopes to create one united front to press legislative and infrastructure initiatives.

Sources: "U.S.-Canadian Coalition Seeks Funds to Improve Border Crossings," JOURNAL OF COMMERCE, January 18, 1994; "U.S.-Mexico Border Group to Build Ties With Northern Counterparts," INSIDE NAFTA, Vol. 1, No. 1, January 12, 1994.

MEXICO PLANS MORE PRIVATIZATION

The Mexican government announced plans to privatize four companies, worth approximately $260 million, this year. Up for sale will be Ocean Garden, a seafood trading company; three paper mills; a newspaper chain with five publications; and a system of warehouses scattered throughout Mexico. Jorge Silberstein, an official at Mexico's Office of Privatization, said he expects the warehouses to sell for "lots and lots of money." U.S. paper companies are expected to be among the bidders for the paper mills, while some international investors have already shown strong interest in Ocean Garden. As for the newspapers, Silberstein said, "We haven't figured out what to do." The government may also be preparing Pemex, the government-owned oil company, for sale sometime during the next presidential term, according to an article in the WALL STREET JOURNAL. "Right now, (Pemex) isn't going to be sold," Silberstein said, but he added that the oil company is beginning to look for joint ventures and sales of some assets.

Source: Craig Torres, "Mexico Plans to Sell Four Firms as Part of Privatization," WALL STREET JOURNAL, January 21, 1994.

CONAGRA SIGNS DEAL WITH MEXICAN AG COMPANY

ConAgra Inc. signed an agreement with the Mexico City-based holding company, Desc Sociedad de Fomento, allowing the U.S. agriculture giant to purchase 20 percent of Desc's pork and poultry subsidiary, Univasa. Desc's Chairperson and CEO Fernando Senderos Mestre praised the agreement. "Coming on the heels of the recently implemented NAFTA accord this union is a significant step in achieving our goal of discovering new venues to market our food products," Mestre said. ConAgra has the option to purchase up to 49.9 percent of Univasa, whose annual sales average $185 million, during the next four years.

Sources: "ConAgra Deal Signed," EL FINANCIERO INTERNATIONAL, January 17-23, 1994; "ConAgra Buys Into Mexican Ag Company," AGRIBUSINESS, January 17, 1994.

RESOURCES:

LATINAMERICA PRESS, Volume 25, Number 47, December 23, 1993. 7 pages. $1.75. Accounts Desk, Apartado 18-0964, Lima 18, Peru. This weekly publication covers emerging trends in Latin America. Included in this issue is a review of Mexico's PRI presidential candidate and the ruling party's control of Mexican media.

TWIN PLANT NEWS, Volume 9, Number 5. 98 pages. $15.00. 4110 Rio Bravo Dr., Suite 108, El Paso, TX 79902. (915) 532-1567. Fax: (915) 544-7556. This magazine, directed at U.S.-owned maquiladora operators and investors, is a guide to "doing business in Mexico." Included are lists of Mexico's top auto, food, financial, commerce, electronic, textiles, glass and agriculture companies (10 of the top 100 are U.S. giants) as well as leading import and export companies.

INSIDE NAFTA, INSIDE U.S. TRADE. Yearly subscription $595.00. P.O. Box 7167, Washington, DC 20077. (800) 424-9068. Fax: (703) 416-8543. This new publication will focus on tariff, countervailing duty/antidumping actions, NAFTA dispute settlement, environmental and labor policymaking, related trade policymaking, non-NAFTA Americas trade pacts and other Mexican and Canadian trade and investment initiatives.

Editor: Gigi DiGiacomo, The Institute for Agriculture and Trade Policy (IATP),1313 Fifth Street SE, Suite #303, Minneapolis, MN 55414-1546 USA. Telephone:(612)379-5980 Fax:(612)379-5982 E-Mail: kmander@igc.apc.org

NAFTA MONITOR

February 1, 1994 Volume 1, Number 6

Headlines:

USTR CALLS FOR STATE NAFTA CONTACTS

The Office of the U.S. Trade Representative asked each state to name a contact person in charge of coordinating NAFTA implementation. Under the plan, state contacts would be available to brief their congressional representatives and senators on the NAFTA implementation process. Some states are not pleased with the proposal and are calling for a "more interactive format".

Source: "USTR Proposes Meeting to Brief New State Contacts on NAFTA," INSIDE NAFTA, January 14, 1994.

CANADIAN HUMAN RIGHTS GROUP URGES NEW NAFTA COMMISSION

The Canadian International Center for Human Rights and Democratic Development is calling for the creation of a NAFTA human rights commission to monitor activities in the United States, Canada and Mexico. The group, sponsored by the Canadian government, issued their demands shortly after the January 1 peasant uprising in Chiapas, Mexico. The rights group also urged the Canadian government to express public concern to the Mexican government over the alleged human rights abuses committed by the Mexican army in suppressing the revolt.

Source: "Canada Group Urges NAFTA Rights Agency," JOURNAL OF COMMERCE, January 25, 1994.

TEXTILE UNION CALLS FOR U.S. TO TRACK NAFTA

The Amalgamated Clothing and Textile Workers Union (ACTWU) recently requested that the Clinton administration follow up on speculations and assurances made to labor groups during the NAFTA debate. In a letter addressed to Senator Paul Simon (D-Illinois), ACTWU Managers James K. Tribble and Ronald M. Willis asked the senator to accept the following four proposals to track trade trends under NAFTA:

* introduce legislation mandating that the U.S. Labor Department track every U.S. plant closing or production move and identify the reason for and destination of the move;

* pressure the federal government to track and compare foreign vs. domestic investments by U.S. companies and hold the administration accountable to its pledge to end tax breaks for firms that invest overseas;

* mandate that the U.S. Department of Commerce accurately list all exports by category, those that remain in destination country vs. those that are shipped abroad for assemblyand then shipped back to the U.S. for sale; and

* demand that international worker rights files be opened to the public.

Source: ACTWU Letter to Senator Paul Simon, January 18, 1994.

TOP EXECUTIVES SAY NAFTA WILL HELP BUSINESS

The Harris Executive Poll, conducted by BUSINESS WEEK, surveyed 402 senior executives December 10-20 and found that 51 percent believe NAFTA will have a positive impact on their business. Only 1 percent said they expect the agreement to have a negative impact on business, while 48 percent said it would have no affect at all.

Source: "Cautious Optimism in the Corner Office," INDUSTRY OUTLOOK, January 10, 1994.

U.S.-BASED ELECTRONICS PLANT RELOCATES TO MEXICO

Key Tronics Corporation of Spokane, Washington announced plans last month to relocate 100 full-time U.S. jobs to its plant in Juarez, Mexico. Key Tronics, a manufacturer of computer keyboards, said it will continue to engineer products in Spokane, but most manufacturing will shift to Juarez. "This is a trend throughout the electronics industry," commented John Hatch, a spokesperson with the American Electronic Association in California. "Companies have to be more productive with fewer resources. And it's much easier for a company to do that along the Mexican border than to try to set up manufacturing in one of the Pacific Rim countries." Key Tronics insists that the decision to shift its production to Mexico had nothing to do with NAFTA.

Source: John Davies, "Electronics Firms Shift Operations to Mexican Border Plants," JOURNAL OF COMMERCE, January 19, 1994.

MEXICAN MEATPACKER SETS UP OPERATIONS IN TEXAS

Jose Hernandez Estrella, owner of one of Mexico's largest pork-producing companies, opened a hog-slaughtering plant in San Antonio, Texas last November. Since then he has hired 40 U.S. workers to run the Hemco packing plant and says he intends to hire at least 70 more. Last summer, the San Antonio office of the Texas Department of Agriculture helped Hernandez set up his operation by locating producers and securing equipment and tax breaks for Hemco. Hog producers in Texas hope Hemco will help to regenerate the hog business in Texas, which has steadily declined over the past few years. Hernandez said he decided to set up the operation in Texas because there are not enough pork producers in Mexico to meet consumer demand there. "The plant in Mexico wasn't putting out enough pork to satisfy my standards," Hernandez said. "My main concern is just filling the demand. We're going to grow." Hemco now slaughters approximately 300 hogs per day -- all for export to Mexico -- and expects to slaughter 1,000 hogs daily within four to five months.

Source: Steven H. Lee, "Mexican Meatpacker in Texas Processes U.S. Hogs for Export," JOURNAL OF COMMERCE, January 26, 1994.

WAL-MART TAKES OVER STORES IN CANADA

Wal-Mart Stores Inc., the world's largest merchant, announced late last month that it would purchase 120 Woolco stores in Canada. An article in the TORONTO GLOBE AND MAIL said Wal-Mart's acquisition from Woolworth Canada Inc. gives the U.S.-

based merchant a formidable presence North of the border. "This is nothing short of a revolution," said John Williams, a Toronto retailing consultant. "No mainstream retailer in Canada will not be affected."

Source: "Wal-Mart Roars Into Canada," TORONTO GLOBE AND MAIL, January 15, 1994.

PHILIPPINES SAYS NAFTA WILL HURT TEXTILE EXPORTS TO U.S.

Antonio Basilio, deputy chief at the Philippine embassy in Washington, said reduced tariffs on Mexican garment exports to the United States, established under NAFTA, will hurt the Philippine garment industry. Basilio is calling on the United States to agree to restructure a bilateral textile agreement which imposes, on average, an 18 percent duty on Philippine garment exports. Mexican garment exports are faced with a 6 percent duty. Negotiations to allow the entry of more high value Philippine garments into the United States have already begun.

Sources: "Negotiations for New U.S.-Philippines Textile Accord Under Way," UPI, January 25, 1994; "Philippine Textile Exports Threatened by NAFTA," REUTER, January 25, 1994.

RESOURCES:

"The Arthur Anderson North American Business Sourcebook," ARTHUR ANDERSON COMPANY, 1994. $150.00. Contact: Triumph Books, Inc., 644 South Clark Street, Chicago, IL 60605. (312) 939-3330. Fax: (312) 663-3557.

EVENT: "NADBANK and Border Infrastructure Financing: Next Steps," February 17, Washington, DC. $275.00. Contact: INSTITUTE OF THE AMERICAS, Ariela Berkstein, 10111 North Torrey Pines Road, LaJoya, CA 92037. (619) 453-5560. Fax: (619) 453-2165.

Editor: Gigi DiGiacomo The Institute for Agriculture and Trade Policy (IATP)
1313 Fifth Street SE, Suite #303, Minneapolis, MN 55414-1546 USA
Telephone:(612)379-5980 Fax:(612)379-5982 E-Mail:kmander@igc.apc.org

NAFTA MONITOR
Vol. I, NO. 7 Tuesday, February 8, 1994

Headlines:

FIRST ROUND OF NAFTA UNEMPLOYMENT BENEFITS ISSUED
CONSTITUTIONALITY OF NEW MEXICAN LAWS QUESTIONED
WI COMPANY PLANS EXPANSION OF MEXICO PLANT
TARIFF NEGOTIATIONS SET TO BEGIN THIS MONTH
RESOURCES

FIRST ROUND OF NAFTA UNEMPLOYMENT BENEFITS ISSUED

The U.S. Department of Labor ruled Friday that 136 Nintendo workers, recently slated for layoffs following the videogame giant's decision to relocate operations to Mexico, will be the first to qualify for compensation benefits under the NAFTA worker adjustment program. Under the transitional program, any workers who lose their jobs between December 8, 1993 and September 30, 1994 because of company relocations to Mexico or Canada, qualify for federal job search, retraining services and extended unemployment benefits. Interim legislation calls for $90 million to fund the program -- $45 million for training and $45 million for income support.

President Bill Clinton is expected to make money available to dislocated workers through September 30, 1998, pending enactment of the legislation. The bill also directs Clinton to deliver a comprehensive report to Congress by mid-1997 on the economic impact of NAFTA on wage levels and employment for key U.S. industries.

Sources: "Videogame Workers First to Get NAFTA Benefits," SAINT PAUL PIONEER PRESS , February 6, 1994; "Worker Adjustment," NORTH AMERICAN FREE TRADE ASSOCIATION TRADE AND INVESTMENT REPORT, Vol 4, No 1, January, 1994.

CONSTITUTIONALITY OF NEW MEXICAN LAWS QUESTIONED

Constitutional lawyers at Mexico City's Autonomous University are calling unconstitutional several provisions of Mexico's new foreign investment law, passed late last year by the Mexican government. The law, one of 16 bills designed to conform Mexican law to NAFTA, provides no restrictions on repatriation of profits, content requirements or export quotas for foreign investors. In addition, the law encourages foreigners to purchase property within 60 miles of Mexico's land borders with the United States and Guatemala, and within 30 miles of Mexico's coastline.

Ruperto Patino, an investigator for the University's judicial department said the law is illegal because it violates Article 27 of Mexico's Constitution designating where foreigners can own land. The law will affect Mexico's tourism and maritime industries, which own land along the coastline.

Several other new bills were passed, making it easier for foreigners to set up operations in Mexico. Changes in Mexico's Tax Code, for example, permit foreign auditors to perform services as long as they are registered with Mexico's Finance Ministry. Other legislation eliminated the sales tax for independent personal services directed at foreign markets.

Sources: Kevin G. Hall, "Parts of New Mexican Law Criticized as Unconstitutional," JOURNAL OF COMMERCE, January 18, 1994; "Mexican Legislation," NORTH AMERICAN FREE TRADE ASSOCIATION TRADE AND INVESTMENT REPORT, Volume 4, Number 1, January, 1994.

WI COMPANY PLANS EXPANSION OF MEXICO PLANT

Briggs and Stratton, the largest private employer in the Milwaukee, Wisconsin area, annou nced it will expand operations at its Juarez, Mexico plant after July 31, 1994. The company said it would add 300 jobs in Juarez. The company also announced it will cut 46 jobs immediately at its Glendale, Wisconsin lock plant, and another 240 jobs over the next four years. Briggs and Stratton, which produces automotive locks and small air-cooled engines, employs more than 7,000 hourly and salaried workers. The Juarez lock plant currently employs 523 workers. Briggs executives insist that plans to create jobs in Juarez are not directly related to layoff plans at the Glendale plant.

United Paperworkers International Union Local 7232, which represents more than 5,400 Briggs production and maintenance workers, filed a grievance against the company in late December challenging Briggs' expansion plans. The union contends that Briggs has already begun physical expansion of its Juarez plant, which violates the Local 7232 contract. Under terms of Briggs' contract with Local union members, the company is prohibited from expanding its Juarez plant before July 31, 1994.

But union members say, citing Briggs' annual reports, that the Juarez plant has already been expanded by 2,000 square feet during the last year. "Briggs and Stratton is so anxious to flee Wisconsin, it can't even wait seven months," said Local 7232 President Dick Crofter. The Union is demanding that Briggs tear down the added 2,000 square feet and that the company compensate U.S. workers who lost their jobs as a result of the expansion. George M. Thompson, director of corporate communications for Briggs, said the addition consisted of a cafeteria and restrooms, not actual production space.

The union is also concerned that Briggs' planned expansion of the Juarez plant will be used to influence members' decisions during bargaining discussions scheduled for later this year. Briggs requested preliminary talks to reopen the union's contract in October, but workers refused. "We believe that this job flight is what Briggs had in mind when it asked to reopen our contract in October," said Crofter. A study, conducted by the union, estimates that Briggs planned layoffs could cost the state and federal governments $143 million in lost tax revenue and $55 million in unemployment benefits.

Sources: Larry Sandler, "Briggs Union Files Grievance Over Plant," MILWAUKEE SENTINEL, December 22, 1993; "Grievance Filed, Union Accuses Briggs of Violating Contract by Expanding Mexico Plant," LOCAL 7232 PRESS RELEASE, December 21, 1993; John Fauber, "Briggs Union Warns of a 'Ripple Effect'," THE MILWAUKEE JOURNAL, December 8, 1993; Ellen Bravo, "Stratton's Contribution to Welfare Rolls," BUSINESS JOURNAL, December 25, 1993.

TARIFF NEGOTIATIONS SET TO BEGIN THIS MONTH

Negotiations to accelerate the elimination of tariffs beyond schedules outlined under NAFTA will begin sometime this month, according to Raul Ramos Tercero, director general of Mexico's Commerce Secretariat. Industry consultations were scheduled to begin February 1 to decide which products Mexico will propose for accelerated tariff reduction. Ramos said tariff reductions would not be negotiated for entire sectors, but rather for specific products, such as belts, textiles and scissors.

Source: "Acceleration of Tariff Elimination to Begin," EL FINANCIERO INTERNATIONAL , January 31-February 6, 1994.

RESOURCES:

"NAFTA: Myths vs. Facts," William A. Orme, Jr. FOREIGN AFFAIRS, November/ December, 1993. 10 pages. $7.95/ issue; $38/year. Reprints are available.

"El Financiero International Edition." Weekly newspaper on the Mexican economy and society.Very useful for tracking NAFTA. 2300 So. Broadway, Los Angeles, CA 90007. (213) 747-7547. Fax: (213) 747-2489. Subscription is $140/year or $80/six months.

The North American Free Trade Association provides members with information and assistance on commerce and investment between NAFTA partners through conferences and monthly periodicals. Membership rates range from $300.00 per year to $1,500.00 per year. Contact Brian Marshall, 1130 Connecticut Avenue, N.W., Suite 500, Washington, D.C. 20036. (202) 296-3019. Fax: (202) 296-3037.

NAFTA tariff schedules are available from the Government Printing Office. $50.00 domestic; $62.50 non-U.S. Superintendent of Documents, P.O. Box 371954, Pittsburgh, PA 15250-7954. (202) 783-3238. Fax: (202) 512-2250. Order number: 949-010-00002-3.

Editors: Gigi DiGiacomo and Kai Mander
The Institute for Agriculture and Trade Policy (IATP)
1313 Fifth Street SE, Suite #303, Minneapolis, MN 55414-1546 USA
Telephone:(612)379-5980 Fax:(612)379-5982 E-Mail: kmander@igc.apc.org

NAFTA Monitor
Tuesday, February 15, 1994 Vol 1, Number 8

Headlines:

DALLAS MAY HOST NAFTA LABOR COMMISSION
CONGRESS REPS WHO VOTED 'NO' ON NAFTA FACE TOUGH CAMPAIGN
NAFTA PARITY WILL REQUIRE ECONOMIC CHANGES IN HEMISPHERE
MARKET SECTOR DEVELOPS AROUND NAFTA BUSINESS EXPANSION
UNINSURED MEXICAN TRUCKERS PROHIBITED FROM ENTERING U.S.
RESOURCES

DALLAS MAY HOST NAFTA LABOR COMMISSION

The Clinton administration is expected to announce that Dallas will house NAFTA's "labor secretariat," an agency established under the free trade accord to monitor labor market conditions in the United States, Canada and Mexico. "We haven't been notified officially that the NAFTA secretariat is going to be in Dallas, although it is looking quite good," said Mayor Steve Bartlett. "I'm very optimistic," said Representative John Bryant (D-Texas) who has lobbied trade officials to place the office in Dallas.

The DALLAS MORNING NEWS quoted sources in Washington and Texas as saying the Clinton administration would make the announcement soon.

Source: "Dallas Likely to be Site of Major NAFTA Office," UPI, February 12, 1994.

CONGRESS REPS WHO VOTED 'NO' ON NAFTA FACE TOUGH CAMPAIGN

The TEXAS OBSERVER noted recently that Representatives Gene Green (D-Texas) and Craig Washington (D-Texas) are being targeted by the HOUSTON CHRONICLE for failing the "NAFTA test."

The CHRONICLE reportedly endorsed Green's primary opponent, Ben Reyes, because Green followed the demands of labor unions and voted against NAFTA.

However, Green's vote won him strong support from the AFL-CIO. In a recent report, the AFL-CIO cited Green as one of five Congressional representatives who voted 100 percent in agreement with labor on 12 issues, including NAFTA.

Sources: "NAFTA Retribution," TEXAS OBSERVER, February 11, 1994; "Labor Scorecard," TEXAS OBSERVER, February 11, 1994.

NAFTA PARITY WILL REQUIRE ECONOMIC CHANGES IN HEMISPHERE

The direction of Latin American and Caribbean economies will be guided largely by whether they receive parity with NAFTA, according to an article in GLOBAL PRODUCTION & TRANSPORTATION. Accession to the North American market is "foremost on the minds of private and public sector players in the region," writes Kathleen Dunnewald.

The U.S. Congress is expected to consider a bill, sponsored by Representative Sam Gibbons (D-Florida), giving members of the Caribbean Basin Initiative (CBI) parity with NAFTA for three years. CBI members, who have received preferential access to some U.S. markets over the past nine years, would be required to negotiate their own free trade agreements with the U.S. or accede to NAFTA during the three-year period.

"Parity is going to be a two-way street," said Andrew Postal, president of a New York City-based apparel company that is active in the Caribbean Basin "Because of the politics in this, you can expect demands coming from Washington that are going to establish a great many pre-conditions before the benefits of NAFTA are conferred on the region."

Cameron Clark, president of a Connecticut-based consulting firm, said he expects qualitative factors, such as workers' rights, health, safety, welfare, the environment and intellectual property rights to be the keys to expanding NAFTA to CBI nations.

Clark also noted that the biggest factor currently facing Latin American economic growth is private sector management and production. "The private sector must become more competitive," Clark said. "The ability of the Caribbean Basin to benefit from NAFTA will depend upon improving our production and improving our efficiency."

The Clinton administration is considering extending parity to CBI members, but has also been pushing for the creation of a Western Hemisphere free trade zone in 10 to 15 years. Under the plan, Latin American countries, beginning with Chile, would be required to join NAFTA. Clinton is expected to unveil the plan during a meeting of 34 of the hemisphere's leaders scheduled for this spring.

Sources: Kathleen Dunnewald, "Plotting NAFTA Parity," GLOBAL PRODUCTION & TRANSPORTATION, January/February, 1994; Canute James, "U.S. Seeks to Ease Impact of NAFTA on the Caribbean," JOURNAL OF COMMERCE, January 26, 1994; Steven Greenhouse, "U.S. Plans Expanded Trade Zone," NEW YORK TIMES, February 4, 1994.

MARKET SECTOR DEVELOPS AROUND NAFTA BUSINESS EXPANSION

A number of marketing companies located along the U.S.-Mexico border have begun selling services to U.S. and Canadian firms looking to relocate to Mexico. The North American Plant Relocation (NAPR), for example, offers a "1-800-5-RELOCATE" number companies can call for information on joint ventures, subcontracting, shelters, franchising, consulting and distribution. NAPR states in its ad, "Relocation to Mexico Made Easier," that it will "acquire permits, documentationand set up the corporation necessary for your operation in as little as 45 days."

Another company called TraTec offers a complete "factory Start-Up" package for large and small manufacturers looking to open facilities in Mexico. "We lease the Mexican employees to you, train and educate your transferred key production management staff in local Mexican traditions, decorum, and requirements to succeed in the Mexican environment," states the TraTec ad. Washington Pharmaceuticals, Safety Storage, Schlage Lock, I.T.T., Mennen and Davis & Geck are listed as clients.

Sources: "Important NAFTA Update," TRATEC AD, GLOBAL PRODUCTION & TRANSPORTATION, January/ February, 1994; "Relocation to Mexico Made Easier," NAPR AD, GLOBAL PRODUCTION & TRANSPORTATION, January/ February, 1994.

UNINSURED MEXICAN TRUCKERS PROHIBITED FROM ENTERING U.S.

Texas state police have recently stepped up efforts to stop Mexican truckers with unauthorized insurance from driving in the United States. Texas authorities estimate that random spot-checks on Mexican truck drivers have cutin half the number of inadequately insured trucks. Before the checks began, authorities reported that an estimated 15 percent, or 3,600 of the 24,000 trucksthat crossed in to Texas each day carried coverage from unauthorized, offshore insurers. The percentage of uninsured trucks now entering Texas has dropped to 7.5 percent or 1,800 per day, said Mary Sherman, an investigator for the Texas Insurance Department.

Mexican truckers are currently only able to travel 30 miles past border crossings into the U.S. But in 1995, as negotiated under NAFTA, Mexican motor carriers will have full access to all border states and in 2000 will be able to trade all across the United States.

The American Automobile Association (AAA) is concerned that U.S. truck size and weight, licensing and safety standards will be lowered to meet those requirements in Mexico and Canada. AAA sent a letter to U.S. Trade Representative Mickey Kantor shortly after the NAFTA vote, urging him to establish safeguards that will prevent the weakening of U.S. truck standards.

Sources: Brigitte Maxey, "Texas Gets Tough on Mexican Truckers," JOURNAL OF COMMERCE, January 25, 1994; Brian Nicol, "Trucks, Trade and AAA," HOME & AWAY.

RESOURCES

1. "51 Alternatives to NAFTA," ECONOMIC JUSTICE REPORT, 1V/1, April, 1993. 12 pages. $2.00. 11 Madison Ave., Toronto, Ontario, Canada M5R 2S2. This report presents a wide range of policy alternatives to promote sustainable development should the Canadian and Mexican governments withdraw from NAFTA.
2. "Intellectual Property Rights in NAFTA," ECONOMIC JUSTICE REPORT, 1V/1, April, 1993. 12 pages. $2.00. 11 Madison Ave., Toronto, Ontario, Canada M5R 2S2. This study explores the implications of NAFTA's intellectual property provisions for health care and industrial policy.
3. NAFTA Origin Expert-System Software, LIVINGSTON GROUP, February 1993. $4,995.00. Origin Department, 405 405 The West Mall, Toronto, Ontario, Canada M9C 5K7. Tel: (800) 387-7582. Fax: (416) 622-3890.

This software program, designed by a former member of Mexico's negotiating team, guides the user through NAFTA's 1,200-page text to investigate new manufacturing and export regulations and required documentation.

The following email services are offered by the Institute for Agriculture and Trade Policy:

"trade.library" - a storehouse of trade related documents, including analyses, reports, fact sheets, White House transcripts ... etc.
"trade.strategy" - an open discussion of trade issues and events
"eai.news" - a regular bulletin summarizing the latest news in Latin American integration and development
"susag.news" - a regular news bulletin pertaining to sustainable agriculture
"susag.library" - longer documents, studies and analyses on sustainable agriculture
"susag.calendar" - a calendar of events
"env.biotech" - a news bulletin about biotechnology

If you are on EcoNet/PeaceNet, you may access these services by going to the "conferences" section.. If you are on another system and would like to be addedto the e-mailing list for these services, send email to "kmander@igc.apc.org" with a note requesting to which lists you'd like to be added.

NAFTA Monitor is produced by: Gigi DiGiacomo and Kai Mander Institute for Agriculture and Trade Policy (IATP) 1313 5th Street, SE, Suite 303 Minneapolis, MN 55414-1546 USA tel: (612) 379-5980 fax: (612) 379-5982 email: kmander@igc.apc.org

From iatp@igc.apc.org Tue Jul 26 09:13:43 1994 Date: 25 Jul 94 19:03 PDT
From: IATP Reply to: "Conference trade.news" To: "Recipients of conference trade.news"
Newsgroups: trade.news Subject: NAFTA & Inter-Am Monitor 7/25/94 Produced by the Institute for Agriculture and Trade Policy

NAFTA and Inter-American Trade Monitor, vol. 1, #9 July 25, 1994

Headlines

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SEWAGE PLANT: "NAFTA DREAM COME TRUE"

PROBLEMS HELPING DISPLACED WORKERS

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NAFTA NOTES

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BOLIVIA, CHILE DISCUSS AFFILIATION WITH MERCOSUR

AGREEMENT REACHED ON ECUADORAN AGRARIAN LAW

RESOURCES/EVENTS

NAFTA PROTEST

"No Justice, No Banquet" was the chant of hundreds of trade unionists who disrupted a Seattle dinner at which business operators from Mexico, the US, and Canada were supposed to receive "Free Trader of the Year" awards. The protesters occupied a banquet hall at the Seattle International Trade Center, preventing the banquet that was to have closed a two-day NAFTA trade show and conference sponsored by the Pacific Corridor Enterprise Council.

Source: "Protest Stops Pro-NAFTA Dinner," UNION ADVOCATE, 7/11/94

SEWAGE PLANT: "NAFTA DREAM COME TRUE"

The sewage plant in the Mexican resort city of Cuernavaca was built by the US Filter Corporation of Palm Desert, CA for the city of Cuernavaca, which holds title to the plant. US Filter Corporation has a thirteen-year concession that will allow it to collect sewage fees from the half-million person city for thirteen years to cover its costs and make a profit. "It's almost like we have a franchise on sewage," said Richard Heckman, the chair of US Filter. The plant treats 13.8 million gallons daily and composts sludge. According to Heckman, the concession arrangement is the wave of the future because municipalities are out of money. "The whole story here is a NAFTA dream come true," said Heckman, pointing out that his company would not have invested in Mexico without NAFTA's guarantees of legal redress of grievances for the company.

Source: Scott Pendleton, "Mexican Sewage Plant Proves to be 'NAFTA Dream Come True,'" CHRISTIAN SCIENCE MONITOR, 7/11/94

PROBLEMS HELPING DISPLACED WORKERS

A recent (11/93) report from the US General Accounting Office criticized US Labor Department plans for providing assistance to workers displaced by NAFTA, saying that the Labor Department plan would replicate or even intensify problems under the existing Trade Adjustment Assistance (TAA) program. Among the report's criticisms: "We estimate that 63 percent of the petitions filed in 1990 and 1991 had flawed investigations ... because of pressure to complete the complex investigations in 60 days. "Second, Labor generally approves certifications of employees of companies that provide services or component parts if the company also produces the finished product that is impacted by imports; but denies certification to workers who provide services or produce component parts for another company that is trade impacted. ... We found that about 40 percent of the petitions filed in 1990 and 1991 were for workers who provide services or produce component parts. "Third, some workers are dislocated even when there is no increase in imports. The relocation of production facilities to another country may result in the loss of jobs that produced items for export. However, because the job loss is not tied to imports, the workers are not eligible for TAA assistance."

Source: "Dislocated Workers: Proposed Re-employment Assistance Program," US GAO, 11/93

NAFTA HITS SMALL MEXICAN BUSINESSES

Electronics and toys are two of the Mexican industries hit hard by NAFTA, according to Vladimiro Brailovsky, an economist at Economia Aplicada, a private consulting firm. Small toy makers, such as a factory producing wooden dolls and blocks, crumble under the mass advertising of US competitors selling Jurassic Park dinosaurs and Barbies. Brailovsky predicted failure of "thousands" of Mexico's small to medium-sized businesses. Raimon Artis, owner of a metal-bending factory in Mexico, has laid off 30 of his 35 workers. He says that a single part he uses to make laboratory valves costs him more than the entire finished product exported to Mexico by a US firm. "Free trade is good for the big businesses here and there (US), but I don't think it's good for the small businesses here or there," said Artis.

Source: Nancy Nusser, "Free-Trade Agreement Has Mexican Manufacturers Singing The Blues," SAN ANTONIO EXPRESS-NEWS (Cox News Service), 6/26/94

NAFTA NOTES

* Victor Lichtinger, a Mexican national and a former UN representative to the Rio Conference on the Environment (1992), was named to head the NAFTA Commission for Environmental Cooperation in late June. The Commission will be based in Montreal with a mission of promoting sustainable development and anti-pollution policies among the NAFTA nations.

* A British auto-parts manufacturer, T&N PLC, will invest $15 million to build a plant on the grounds of the Chrysler de Mexico plant in Saltillo, Mexico. T&N will manufacture parts for Chrysler vehicles bound for the US market.

Source: "Mexican to Head NAFTA Commission," EL FINANCIERO, 7/4- 10/94; John M. Nagel, "UK Auto-Parts Maker Building Plant in Mexico," 7/5/94

FOREIGN INVESTMENT IN MEXICO RISES

During the first five months of 1994, $6.45 billion in foreign capital was invested in Mexico, with US investors accounting for 57.7 percent of the total, followed by 30 percent from the European Union (EU), and 5.8 percent from other Latin American countries. According to a report from the Mexican Commerce Secretariat (Secofi), investment is up 42.7 percent over the same period in 1993. More than half of the total was invested into the equity market, with the remainder going to direct investment. Direct investment of $2.64 billion showed a 21 percent increase over 1993. Despite the increased foreign investment during this five-month period, foreign investment in Mexican stocks totaled only $46.45 billion at the end of June, down ten percent from May and 15 percent from 1993. The exchange's principal index, the IPC, fell 13 percent during the first six months of the year to 2262.58 at the end of June.

Source: Justin Bicknell, "Foreign Investment Still Rising," EL FINANCIERO, 7/4-10/94; "Foreign Investment in Mexico Slipped 15% in First Half of 1994," WALL STREET JOURNAL, 7/12/94

US ELECTRICITY EXPORTS TO MEXICO RISING

US utilities along the US-Mexico border expect increasing electricity sales across the border, a process known as "wheeling." El Paso Electric Co. has contracted with the Comision Federal de Electricidad (CFE), the state-owned Mexican power company, to meet power shortfalls in Ciudad Juarez. An El Paso Electric official said that demand for electricity on the Mexican side of the border is growing from 6-12 percent per year, compared to US demand growth averaging only two percent. Part of the demand in Ciudad Juarez comes from the growing maquiladora industry. El Paso Electric officials said that they expect NAFTA to continue to drive electricity demand upwards. Arizona officials are also considering CFE requests to look at possibilities for interconnection at multiple points. The Arizona Public Service Co. is also looking at possibilities of building multiple power lines and transmission towers, and of exporting photovoltaic technology. Southern Electric Co. in Atlanta is one of three investors in a cogeneration plant in Monterrey. Southern predicts the building of dozens of "self-use" power plants of less than 50 megawatts during the next decade. Distributing electricity to the Mexican countryside remains a challenge, with CFE reporting that more than 64,000 miles of transmission lines have been built since 1988, an increase of 22 percent. In 1988, says CFE, 82.5 percent of all Mexicans had access to electricity, but that number has risen to 94.5 percent in 1994.

Source: Kevin G. Hall, "US Utilities on Mexican Border See Electricity Exports Rising," JOURNAL OF COMMERCE, 7/6/94

BOLIVIA, CHILE DISCUSS AFFILIATION WITH MERCOSUR

Officials of the four Mercosur governments (Argentina, Brazil, Paraguay, Uruguay) will begin preliminary conversations with representatives of Bolivia and Chile about their possible association with Mercosur. Bolivia indicated its intent to incorporate with Mercosur in 1991, when Mercosur began. Bolivia's participation in the Andean Pact has been an obstacle since, according to Mercosur, there would be a conflict in membership in both groups. Chile, looking to accession to NAFTA, wishes to associate itself with Mercosur, but not to be a full member.

Source: "Mercosul: Comecam as Negociacoes Formais com Chile e Bolivia," IPS, 7/14/94

AGREEMENT REACHED ON ECUADORAN AGRARIAN LAW

After weeks of negotiations, representatives of indigenous people, the Ecuadoran government, the National Congress, the Catholic Church, and large landowners agreed on modifications to the Ecuadoran agrarian law changes that sparked nationwide protests in June. The modifications include changes in land ownership provisions to preserve ownership rights of indigenous peasant communities who currently hold fifty percent of Ecuador's rural land. The last provision to be agreed upon was that dealing with ownership and control of water resources. Provisions for privatization of water were scrapped, leaving control with the State. Government officials called the process of negotiations, which was headed by President Sixto Duran-Ballen, "a democratic triumph." Indigenous leaders warned Congress not to change "even one comma" of the agreed-upon text.

Source: "Indigenous and Government Agree on Agricultural Law," IPS, 7/8/94; "Listas Reformas a Ley Agraria," SERVIDATOS, 7/15/94; "Un Triunfo Democratico," SERVIDATOS, 7/18/94; "No Cambiara Ni Una Coma," SERVIDATOS, 7/19/94; "Whose land?" THE ECONOMIST, 6/25/94

RESOURCES/EVENTS

"Dislocated Workers: Proposed Re-employment Assistance Program." GAO report on the effectiveness of the Department of Labor's proposed re-employment assistance program for workers who lose their jobs as a result of NAFTA. Document GAO/HRD-94-61 (11/93). Related document: Dislocated Workers: Trade Adjustment Assistance Program Flawed (GAO/T-HRD-94-4, 10/19/93) Order by mail from US General Accounting Office, P.O. Box 6015, Gaithersburg, MD 20884-6015. Telephone (202) 512-6000, fax (202) 258-4066. "BorderLines." Quarterly newsletter ($10/yr inside US; $15/yr outside US) published by the Inter-hemispheric Education Resource Center, Box 4506/Albuquerque, NM 87196. Telephone (505)842-8288; email resourcectr@igc.apc.org.

"NAFTA-Related Border Funding: Separating Hype from Help." Analysis of NADBank and other environmental funding promised through NAFTA concludes that little, if any, additional funds have been committed. Three dollars from Inter-hemispheric Education Resource Center, Box 4506/Albuquerque, NM 87196. Telephone (505)842-8288; email resourcectr@igc.apc.org.

"Inter-American Trade and Investment Law." Weekly bulletin and InterAm on-line database that includes texts of laws and commentaries -- $395/year. From National Law Center for Inter- American Free Trade, 255 W. Alameda, City-Hall - 7th Floor East, P.O. Box 27210, Tucson, AZ 85726. Telephone (800) 529-3463.

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Produced by: Mary C. Turck, Institute for Agriculture & Trade Policy 1313 Fifth St. SE, Suite #303, Minneapolis, MN 55414-1546 USA Tel: (612) 379-5980, Fax: (612) 379-5982, E-Mail: mturck@igc.org The following e-mail services are offered by the Institute for Agriculture and Trade Policy: "trade.news" - news bulletins on general trade issues "trade.library" - a storehouse of trade related documents, including analyses, reports, fact sheets, White House transcripts ... etc. "trade.strategy" - an open discussion of trade issues and events "susag.news" - a regular news bulletin pertaining to sustainable agriculture "susag.library" - longer documents, studies and analyses on sustainable agriculture "susag.calendar" - a calendar of events "env.biotech" - a news bulletin about biotechnology If you are on EcoNet/PeaceNet, you may access these services by going to the "conferences" section. If you are on email system and would like to be added to the e-mailing list for these services, send e-mail to "kmander@igc.apc.org" with a note requesting to which lists you'd like to be added.

From iatp@igc.apc.org Date: 04 Aug 94 19:58 PDT From: IATP Reply to: "Conference trade.news" To: "Recipients of conference trade.news" Newsgroups: trade.news Subject: NAFTA & Inter-Am Monitor 8/1/94 Produced by the Institute for Agriculture and Trade Policy

NAFTA and Inter-American Trade Monitor, vol. 1, #10 August 1, 1994

Headlines

LOCKHEED THREATENS CANADIAN GOVERNMENT WITH NAFTA

Taking advantage of NAFTA provisions that require fair-market compensation in case of expropriation, Lockheed may fight Canadian legislation canceling an airport development deal. As a US company, Lockheed would be protected by NAFTA, although its Canadian partners would not. The now-challenged deal provided for redevelopment of two terminals of Toronto's Pearson airport by a consortium of private investors under a 57-year lease. Shortly after it was elected, the Liberal Chretien government sought to cancel the deal, saying that it suspected political manipulation and excessive lobbying. The Liberal- dominated House of Commons approved a bill that would strip consortium members of their right to sue for cancellation of the contract, limiting compensation to out-of-pocket expenses. The Tory- controlled Senate amended the bill, which is now in limbo until September. According to Maude Barlow of the Council of Canadians, this is one more case of US. corporations using NAFTA to intimidate Canadian governments. Barlow cited the withdrawal of public automobile insurance plans by Ontario three years ago, in part because of threats by US.-owned insurers to seek compensation, and the failure of plain cigarette packaging legislation after threats by Philip Morris tobacco company to seek NAFTA damages. Article 11 of NAFTA provides that investments can't be nationalized or expropriated unless fair compensation is paid "in accordance with due process of law."

Source: Alan Freeman, "US. Firm Considers Pearson Challenge," THE GLOBE AND MAIL, 7/20/94

CANADIAN FREE TRADE AND BEYOND

After 127 years of inter-provincial trade barriers of various sorts, Canada's 10 provincial premiers and Prime Minister Jean Chretien signed a 200-page agreement aimed at reducing barriers to trade within the country. The agreement was criticized by business groups and some of the premiers because of exemptions, including the right of provinces to erect trade barriers for "social" reasons and continuing barriers to agricultural trade and to commerce in beer and wine. Under NAFTA, provincial governments must treat the US the same as other provinces. Prime Minister Jean Chretien called for an expanded NAFTA to be part of the agenda for the Miami summit later this year. Chretien said Chile would probably be the next country to qualify for NAFTA membership. In a congressional hearing, US Commerce Secretary Ron Brown praised the "political and economic democratization of Latin America," predicting that, just as the Asian tigers prospered in the 1980s, the "South American jaguars" are poised to pounce in the 1990s. Brown said, however, that it was unlikely that Chile or any other country would join NAFTA by the end of the year.

Source: Peter Morton, "Canada Signs Pact to Topple Barriers to Internal Trade," JOURNAL OF COMMERCE, 7/19/94; Robert Kozak, "Canada's Chretien Says NAFTA Should Be Expanded," REUTER, 7/19/94; Lyndsay Griffiths, "US. Hails Latin "Jaguars" But No Quick Trade Ties," REUTER, 7/20/94

CERTIFICATE OF ORIGIN RULES POSTPONED

US business leaders succeeded in persuading Mexican commerce officials to indefinitely delay enforcement for non-NAFTA certificate of origin rules, which had been set to take effect on July 15. The rules are designed to stop the influx of Chinese goods flooding Mexico. US businesses are involved because retailers have to present the original certificate of origin for goods being imported in Mexico. Many US retailers import large volumes from Asia, presenting the original certificate of origin to US Customs, and then export a portion of the goods to Mexico. Other Chinese goods reach Mexico after being transshipped through a third country, such as North Korea, in a practice known as triangulation. Mexico has imposed steep duties on Chinese goods that are being sold there at below-production costs. Mexico has asked trading partners to designate representatives that can be recognized by its commerce department (Secofi) to certify countries of origin on re-exported goods. US businesses want self- certification or, failing that, independent, non-governmental certification.

Source: Kevin G. Hall, "Delay Sought on Non-Nafta Certificate of Origin," JOURNAL OF COMMERCE, 7/13/94; Kevin G. Hall, "Mexico Indefinitely Delays Its Certificate of Origin Rule," JOURNAL OF COMMERCE, 7/14/94; Kevin G. Hall, "US Firms Ask Mexico to Make Further Changes to Import Rules," JOURNAL OF COMMERCE, 7/18/94

TOXIC WASTE IMPORT BAN DERAILED

In mid-July, the Mexican Chamber of Deputies defeated an environmental protection bill amendment that would have banned the import of toxic wastes into Mexico. The amendment originally called for a ban on new imports and gave firms presently importing toxic wastes four years to close their operations. The new provisions made exceptions for firms bringing in wastes for "other than final dumping." Greenpeace, an international environmental group, charged that Mexico's Zinc National Company in Monterrey and Cementos Mexicanos (CEMEX) and the US Mobley Environmental Services had formed a joint venture called "Pro-ambiente" to import industrial wastes from the US. According to Greenpeace, toxic wastes will be used as an alternative combustible in cement furnaces.

Source: "Ban on Toxic Waste Imports Derailed," IPS, 7/15/94

MEXICAN NAFTA LABOR AGENCY CREATED

The National Administrative Office for the North American Labor Cooperation Agreement (Oficina Administrativa Nacional para el Acuerdo de Cooperacin Laboral de America del Norte) was created, effective July 6, within the Secretariat of Labor and Social Planning. The new office will deal with NAFTA labor issues and draft related laws, regulations, and procedures for Mexico, and will issue opinions on North American labor issues.

Source: "Mexico Creates Entity to Oversee NAFTA Labor Issues," INTER-AMERICAN TRADE AND INVESTMENT LAW, 7/15/94

VENEZUELA STATE OF EMERGENCY CONTINUES

Despite Congressional restoration of some civil liberties suspended by Venezuelan President Rafael Caldera on June 27, the president reimposed the suspension, insisting the measures were necessary to safeguard currency and stabilize the banking system. Price controls on food and medicine accompanied restrictions on foreign exchange and government seizure of many banks. Criticism has come from many directions, ranging from human rights groups' denunciation of the suspension of individual liberties to right-wing critics' charges that Caldera has plunged Venezuela into socialism. Finance Minister Julio Sosa said that the price and currency controls will be lifted once the fiscal deficit is eliminated and inflation controlled, hopefully by the end of 1994. A criminal court judge issued sixteen arrest warrants against pharmaceutical company executives, including Ciba-Geigy, Eli Lilly, Merck, Rhone-Poulenc, Roche, Sandoz, and Servier. The judge claims that drug companies submitted price lists with inflated prices in order to avoid price controls on medicines. An industry association representative said that the drug companies cannot live with prices frozen at December 1993 levels, given the inflation that Venezuela has seen since that time.

Source: "Venezuela Suspends Legal Rights," ASSOCIATED PRESS, 7/24/94; Carlos Ball, "Venezuela Plunges Headlong into State Socialism," WALL STREET JOURNAL, 7/22/94; Joseph Mann, "Judge Arrests Drug Company Chiefs," FINANCIAL TIMES, 7/21/94; Estrella Gutierrez, "Government, Congress Clash Over Suspension of Rights," IPS, 7/22/94; Estrella Gutierrez, "Government Hopes Crisis Will Be Over This Year," IPS, 7/18/94

GATT SAYS US SHOULD END TUNA BOYCOTT

A GATT panel created in 1992 to deal with a complaint from Mexico and Venezuela about a US law prohibiting tuna purchases from the two countries has recommended that the US should change its law. The panel called the law economic protectionism cloaked as environmentalism. The GATT Council - the highest authority - will consider the report at its September session.

Source: "GATT Recommends That US. Buy Mexican, Venezuelan Tuna," IPS, 7/20/94

LATIN AMERICAN BANANA PRODUCERS MEET

Representatives of Latin America's banana-growing countries met in San Jose, Costa Rica in mid-July, and agreed to form a high-level working group and meet again in Managua on August 3. Costa Rica, Ecuador, Colombia, Guatemala, Mexico, Nicaragua, Honduras, Panama, and Venezuela agreed to strengthen the Union of Banana-Exporting Countries (UPEB) or to create a new association to deal with a banana glut that has sent prices plunging and with the European Union quota on Latin American bananas. Ecuador, the world's top banana- exporter, is not a member of UPEB, but participated in the meeting and said it was studying the possibility of joining UPEB. Costa Rica, criticized by some other producing nations for accepting the EU quota, appeared to be ready to stand together with the other Latin American banana producers once again. The impetus for the meeting comes from a growing world surplus of bananas. UN data indicates that the world produces nine percent more bananas than it consumes, with prices now at their lowest levels in six years. About eight million of the 11 million metric tons of bananas now on world markets comes from Latin America. US banana prices have fallen from the 1991-92 price of $13-15 for an 18 kg crate to only four dollars today. The crate sells for five dollars in Europe, though European consumer prices vary, with German prices higher than a year ago and French and British prices lower. Germany has threatened a second legal action against the EU banana quota in the European Court of Justice, though chances of winning its first suit appear slim.

Source: "Latin America Seeks United Stand on Bananas," IPS, 7/21/94; "Sobreoferta Reunifica a Paises Bananeros," "Ecuador Frente al Reto del Banano," SERVIDATOS, 7/25/94; Debra Percival, "Commission Pat on the Back Misplaced, Say Exporters," IPS, 7/13/94

RESOURCES/ EVENTS

"Roundtable on Specific Mechanisms for Addressing Human Rights in the Trilateral Context of North American Economic Integration," October 1-3, 1994, Ottawa, Canada. Contact Gregory Binowsky, Common Frontiers, 3 York Street, Suite 301, Ottawa, Ontario, K1N 5S6, CANADA. Tel: (613) 562-0670. Fax: (613) 562-0327. "Down to Earth: An International, Transdisciplinary Conference." October 24-28, 1994, San Jose, Costa Rica. Organized by the International Society for Ecological Economics (ISEE), Costa Rica's Universidad Nacional, and the Interamerican Institute for Cooperation on Agriculture. Contact III International Conference of Ecological Economics, PO Box 555, 3000 Heredia, Costa Rica. Tel: 506-60-1600. Fax: 506-37-6868

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NAFTA and Inter-American Trade Monitor, vol. 1, #11 August 8, 1994

Headlines

INTRA-NAFTA DISPUTES: WHEAT, STEEL, APPLES, SALMON, TIMBER
US CHICKEN PRODUCER EXPANDS IN MEXICO
AUTOMOTIVE NEWS
NAFTA TARIFF REDUCTIONS STUDIED
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INTRA-NAFTA DISPUTES: WHEAT, STEEL, APPLES, SALMON, TIMBER

At the last possible moment, US Trade Representative Mickey Kantor struck a deal with Canadian Trade Minister Roy MacLaren and Canadian Agriculture Minister Ralph Goodale to sharply reduce Canadian wheat shipments for one year. The agreement does not address allegations of Canadian dumping, but provides for a panel of US and Canadian farm experts to review the evidence and report in one year. Canadian wheat exports to the US have doubled over the past four years to an estimated 2.7 million metric tons over the past year. Lower wheat prices caused by Canadian imports resulted in US payments to wheat farmers of an additional $680 million over the four-year period, according to the US International Trade Commission (ITC). The ITC had recommended using Section 22 of the US farm law to impose quotas and tariffs in order to avoid undue hardships on US producers. Section 22 will become illegal once the new GATT rules go into effect. Specifics of the agreement were withheld, pending Canadian Cabinet approval. US wheat farmers were generally pleased with the Clinton administration's fulfillment of pledges made last year to help win votes for NAFTA, while pasta makers and some consumer groups objected to anticipated higher prices. As the wheat dispute appeared to be ending, Canada's National Revenue Department said that it is investigating allegations of dumping of Delicious, Red Delicious, and Golden Delicious apples on the Canadian market. An anti-dumping duty imposed on the apples in 1989 was lifted in February. Mexico has imposed a 20 percent tax on US apples imported from June 28 through December 1994 as a result of imports exceeding the 55,000 metric ton limit allowed under NAFTA. Charging US steel exporters with "dumping" their products at unfairly low prices, the Mexican Commerce Department (Secofi) imposed tariffs of 78.46 percent on sheet plate and 38.21 percent on galvanized laminated steel imported from the US. Secofi said that the compensatory tariffs will affect Bethlehem Steel, USX, Geneva Steel Company, and Lukens Inc., among others. NAFTA phases out steel tariffs entirely by the year 2004, along with tariffs on textiles, cotton, lumber and cosmetics. As salmon treaty talks resumed on July 7, Canada revoked the $1,500 fee charged to US commercial fishing boats passing through Canadian waters. A special appeals panel ruled that the US must end its 6.5 percent duty on Canadian softwood imports, imposed in 1991 due to allegations of unfair Canadian subsidies, and repay $600 million collected from Canadian lumber exporters since that time. The panel, made up of one US and two Canadain representatives, voted along national lines, as had an earlier panel that came to the same conclusion.

Source: Keith Bradsher, "Wheat Pact by Canada and U.S.," NEW YORK TIMES, 8/2/94; Tom Karst, "Canada Alleges U.S. Dumping," THE PACKER, 7/25/94; "American, Canadian Trade Officials Seek Wheat Accord Before Aug. 1 Deadline," MINNESOTA AGRICULTURE, 7/30/94; "Mexico Imposes Tariff on U.S. Apples," "Canada Lifts Fee in Salmon Dispute," CCH NAFTA WATCH, 7/14/94; "Mexico Says U.S. Makers 'Dump' Steel," ASSOCIATED PRESS (New York Times), 8/3/94; "Canada Wins Trade Fight With U.S. Over Lumber," ASSOCIATED PRESS, 8/4/94; "Lumber Prices Drop as Panel Rejects an American Tariff," REUTER, 8/4/94

US CHICKEN PRODUCER EXPANDS IN MEXICO

Pilgrim's Pride Corp., the fifth largest producer of chicken products in the US and the second largest in Mexico, has launched a 40 percent expansion in its Mexican operations, and expects to increase its total revenues to one billion dollars during 1995. Pilgrim's Pride employs more than 10,700 people at processing plants, distribution centers, hatcheries, and feed mills in Texas, Arkansas, Arizona, Oklahoma, and Mexico.

Source: MEXICO BUSINESS MONTHLY, 8/94

AUTOMOTIVE NEWS

Ford Motor Company said that its North American vehicle exports are up 76 percent in the first six months of 1994. Ford exported 57,215 vehicles from North America from January-June, 1994, compared to 32,569 during the same period in 1993. Shipments to Mexico during this time were 8.470, compared to 698 in 1993. Sales to the Asia- Pacific market went from 4,933 in 1993 to 9,144 in 1994, with Japan accounting for 6,765 units, up from 2,742. Ford's European sales rose from 8,386 in 1993 to 15,474 in 1994. Volkswagen is preparing a September introduction for a two-door compact to be manufactured in Brazil for the 200 million person Mercosur market. The car, code named AB9, will succeed Volkswagen's ugly but dependable Gol, a car that earns nearly one-third of Volkswagen Brazil's total revenue.

Source: "Ford Exports Surging in '94," NEW YORK TIMES, 7/26/94; "Ford's Exports from US Rise 75%," FINANCIAL TIMES, 7/26/94; "New Car for Latin America Planned," STAR TRIBUNE, 7/28/94

NAFTA TARIFF REDUCTIONS STUDIED

The US International Trade Commission is studying the impact on the US economy of speeding up tariff reductions on various products still covered under NAFTA. A process for tariff reductions exists, and the US has pushed for accelerated reductions. The Mexican government has postponed any consideration of accelerated reductions until December, after the new government takes over. Some US producers, such as Bobby McKown, general manager of the Florida Citrus Mutual, oppose accelerated reductions. McKown says that there is an oversupply of grapefruit in Florida, and that tariff reductions are not in the interest of the citrus industry. Potato growers, on the other hand, are expected to favor a quicker tariff reduction, which would boost their exports to Mexico. Most produce is scheduled for tariff reduction within 5-10 years, and all tariffs between Mexico and the US are scheduled to be eliminated within 15 years.

Source: Dan Balaban, "Reduction in Tariffs May Be Accelerated," THE PACKER, 7/25/94; MEXICO BUSINESS MONTHLY, 8/94

FREE TRADE FAST TRACK SLOWED BY SENATE

Despite the Clinton Administration's push for fast track legislation to help it negotiate future trade agreements, the Senate Finance Committee approved legislation for GATT without attaching fast-track authority for the next round of global trade talks. Differences between the House and Senate bills remain to be worked out in conference, but the House bill does not contain fast track legislation either. If the administration fails to attach the fast track legislation to the GATT approval, it expects to face a battle next year. Congressional Republicans and business groups oppose inclusion of labor and environmental deals in future trade pacts, while Congressional Democrats and labor insist that these side deals are essential and that the fast track legislation does not offer sufficient protection. US labor unions want to slow the rush to free trade agreements because they see jobs heading south, wages falling, and the US standard of living declining. Labor's arguments were bolstered by US Commerce Department statistics showing investments by US firms abroad booming with many firms now employing more people abroad than at home. The Clinton administration insists, in the words of Commerce Secretary Ron Brown, that: "The bottom line is, American exports equal American jobs." Unions counter that the administration is ignoring the other side of the equation: imports into the US equal US job losses.

Source: Keith Bradsher, "Panel Clears GATT Accord Without Fast-Track Proviso," NEW YORK TIMES, 8/3/94; John Dillin, "Clinton Plans Open Trade Door to Latin America, Irking Labor," CHRISTIAN SCIENCE MONITOR, 7/27/94; "U.S. Fast-Track Proposal Under Fire," CCH NAFTA WATCH, 7/14/94

BANANA UPDATE

Last week's report on the Latin American banana producers' meeting and a worldwide banana surplus has been overtaken by recent events. A strike by Honduran workers at Chiquita banana and storms that damaged banana crops in Mexico and Guatemala sent prices soaring by 300 percent to between $9.50 and $11 per 40 pound crate in the US, still well below the 1991-92 price of $13-15 per crate. Although the strike ended after three weeks, the situation in Honduras remains uncertain, with Chiquita threatening to close nine plantations and workers threateening to resume the strike in protest over the firing of union leaders. Honduras accounted for 13 percent of US banana imports in 1993, and Chiquita ships 60 percent of all Honduran bananas. Bananas are Honduras' largest export.

Source: Lyle Niedens, "It's Anybody's Guess," "Rumors Center on Chiquita," THE PACKER, 7/25/94; "Tensions Increase as Banana Company Fires Workers," IPS, 7/28/94

ACS AGREEMENT SIGNED

Leaders of 25 countries, including Colombia, Cuba, Mexico, Venezuela, CARICOM, and Central American countries, signed an agreement establishing a regional free-trade bloc in Colombia on July 25. Twelve territories and their colonial powers, Britain, the Netherlands, and France are also part of the ACS grouping as associate members. The new 200-million-person grouping, the world's fourth-largest economic bloc, includes less-developed and more-developed countries, ranging in size from Colombia, with 1.1 million sq. km. and a population of 32.9 million to Antigua-Barbuda, with 441 sq. km. and a population of 64,000.

Source: "ACS Hailed as a Step Towards Regional Prosperity," "EU Welcomes New Caribbean Trade Alliance," IPS, 7/25/94; "ACS Could Be A Window into Europe," IPS, 7/26/94; Bob Mantiri, "Ex-Colonial Powers Welcome ACS as a 'Way In'," IPS, 7/26/94; "Caribbean Nations Talk Trade," CHRISTIAN SCIENCE MONITOR, 7/25/94; "Un Mercado Potencial de 200 Millones," SUCESOS, 7/29/94

RESOURCES/EVENTS "CCH NAFTA Watch."

CCH Incorporated, 4025 W. Peterson Ave., Chicago, IL 60646. (312) 583-8500. Eight-page, bi-weekly newsletter tracking key North American business and legal developments. $265 in US; $350 in Canada; 850 pesos in Mexico. "Western Hemisphere Economic Integration," by Gary Clyde Hufbauer and Jeffrey J. Schott. INSTITUTE FOR INTERNATIONAL ECONOMICS, 1994. 304 pages. Institute for International Economics, 111 Dupont Circle NW, Washington, DC. (202) 328-9000. Fax: (202) 328-5432 Setting out "readiness criteria" for free trade, the authors rate countries in the hemisphere and recommend movement toward a Western Hemisphere Free Trade Area, saying that such an agreement would benefit both the US and Latin America. "Water and North American Free Trade: Problems and Prospects for a Viable Water in Mexico," Roberto Salinas Len. CENTRE FOR FREE ENTERPRISE RESEARCH, 1992. 33 pages. Solidarity Foundation, 310 West 52nd Street, New York, NY 10019. (212) 765-9510. Fax: (212) 956-4214. Provides information on water rights and international interbasin water transfer projects. "NAFTA TEXT (including supplemental agreements.)" 804 pages. CCH Incorporated, 4025 W. Peterson Ave., Chicago, IL 60646. (312) 583- 8500. $39.50. "The Political Economy of North American Free Trade," edited by Ricardo Grinspun and Maxwell A. Cameron. ST. MARTIN'S PRESS, 1993, 1994. 348 pages. Scholarly and Reference Division, ST. MARTIN'S PRESS, 175 Fifth Avenue, New York, NY 10010. Collection of essays dealing with political and economic background of NAFTA in each of the three countries and the US drift toward hemispheric free trade, "unified by a skeptical view of the management of economic integration in North America."

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Mary C. Turck, Institute for Agriculture & Trade Policy 1313 Fifth St. SE, Suite #303, Minneapolis, MN 55414-1546 USA Tel: (612) 379-5980, Fax: (612) 379-5982, email: mturck@igc.apc.org

From iatp@igc.apc.org Mon Aug 15 15:05:03 1994 Date: 15 Aug 94 04:28 PDT
From: IATP Reply to: "Conference trade.news" To: "Recipients of conference trade.news" Newsgroups: trade.news Subject: NAFTA & Inter-Am Monitor 8/15/94 Produced by the Institute for Agriculture and Trade Policy

NAFTA and Inter-American Trade Monitor, vol. 1, #12 August 15, 1994

Headlines

NAFTA ENVIRONMENTAL COMMITTEE MEMBERS NAMED
UNIONS OBJECT TO WASHINGTON, DC HEARING
BATTLE AHEAD FOR BUS GIANTS
MERCOSUR TARIFF PACT SIGNED
RESOURCES/EVENTS

NAFTA ENVIRONMENTAL COMMITTEE MEMBERS NAMED

The US, Mexico, and Canada have named the fifteen members of the Joint Public Advisory Committee (JPAC) of the North American Commission for Environmental Cooperation (NACEC). The JPAC is an autonomous group of experts whose primary role is to provide independent advice to the NACEC Council, which is made up of the environmental ministers of the three governments. JPAC and NACEC were established under the environmental side accord to NAFTA. Mexican Victor Lichtinger Wiseman was named in June to head the NACEC Council, and was praised by environmentalists in the US and Mexico. Lichtinger represented Mexico at the 1992 Rio Conference on the environment and, according to a Sierra Club official, "has a reputation for being receptive to public interest groups." The US representatives named to JPAC are: Peter A. Berle, President and CEO of the National Audubon Society; Dan Morales, Texas Attorney General who was active in NAFTA implementation language discussions; Jonathan Plaut, chair of the US Council of International Business Environment Committees and Director of Environmental Quality for Allied Signal, Inc.; Jean Richardson, Professor of Environmental Studies and Natural Resources at University of Vermont and Director of the Environmental Programs in Communities (EPIC) Project funded by Kellogg Foundation; and John D. Wirth, current president of the North American Institute, a tri-national public affairs group headquartered in Santa Fe, NM. President Clinton also appointed one member of the new Border Environmental Cooperation Commission, a NAFTA agency made up of five US members and five Mexican members. Clinton's appointee is Pete Silva, deputy director of the San Diego Water Utilities Department. Silva will continue to serve in that position. Two other US members are government officials: the administrator of the Environmental Protection Agency and the commissioner of the International Boundary and Water Commission. Silva said that the "big thing will be to see how BECC is interrelated with the new Nadbank and other banking systems to develop the money for border projects."

Source: "President Clinton Appoints Five Members to the Joint Public Advisory Committee of the North American Commission for Environmental Cooperation," WHITE HOUSE PRESS RELEASE, 7/22/94; Rod Riggs, "San Diego Official Named to Nafta Border Panel," JOURNAL OF COMMERCE, 7/22/94; John M. Nagel, "Environmentalists Praise Choice for Nafta Group," JOURNAL OF COMMERCE, 7/20/94; Kevin G. Hall, "Nafta Environment Czar Eyes Role of 3 Differing Societies," JOURNAL OF COMMERCE, 7/20/94

UNIONS OBJECT TO WASHINGTON DC HEARING

Mexican and US unions object to the site and timing of hearings by the US NAFTA panel on alleged violations of Mexican workers' rights by General Electric Co. and Honeywell. The hearing by the National Administrative Office (NAO) of the US Department of Labor has been scheduled for Washington, DC on August 31, more than six months after the February complaint was filed by the Teamsters and the United Electrical Radio and Machine Workers of America (UE). Union spokespersons say that requiring witnesses to submit statements by August 19 -- just two days before the Mexican elections -- will handicap Mexican workers, and that holding the hearing in Washington will present logistical, financial, and cultural difficulties for witnesses. The unions believe that the hearing should be held in El Paso, Texas, the most convenient US city for Mexican witnesses. Witnesses will be limited to 10 minutes of testimony, and complainants will not be allowed to ask questions. The Mexican union Frente Autentico del Trabajo also objected to the site and scheduling of the hearing.

Source: "Teamsters Say Unions Object to Nafta Panel Hearing," REUTER, 8/1/94

BATTLE AHEAD FOR BUS GIANTS

Bus companies are planning to attract an increasing number of passengers as NAFTA brings more border crossings, and as NAFTA opens doors to cross-border expansion. While present law requires that a US bus company transfer passengers to a Mexican carrier at the border, line-haul passenger service across the border will be allowed after January 1, 1997. Mexican companies are regarded as efficient and competitive, with more than 90 percent of Mexicans using buses as their primary means of intercity travel. Tres Estrellas de Oro, owned by Estrella Blanca, Mexico's largest intercity coach line, has launched a US subsidiary and has bought a part of a California bus operator. Blue Star, the Tres Estrellas subsidiary, won operating authority from the US Interstate Commerce Commission, and will begin bringing Mexican nationals to Southern California attractions such as Disneyland and US riders to Mexico's Pacific Coast beach resorts. Greyhound Lines plans to launch a Hispanic-targeted subsidiary known as Azabache in September. Greyhound says Azabache will initially target Mexican markets in California and Texas with 12 to 15 buses on about 20 schedules. A Miami-New York route is also under consideration. While past Greyhound estimates of the Hispanic market were about $5 million annually, Tres Estrellas officials believe the market could be up to four or five times larger. California officials estimate that 15,000 people cross the border at San Diego daily and use passenger services for transport further north. Unauthorized van services presently fill a large part of the demand. California regulators are focusing on bus and van safety after a surprise inspection in late May turned up numerous and serious safety violations on buses. Vans are harder to monitor, since they are largely unlicensed for commercial operation. Bus manufacturing is also being affected by NAFTA, with the Mexican bus and truck maker, Consorcio G Grupo Dina, acquiring the US firm, Motor Coach Industries International in a $337 million merger. The merger is reportedly the first time since NAFTA took effect on January 1 that a Mexican company acquired a US company. With this acquisition, Dina will be the largest maker of inter-city buses in North America.

Source: Kevin G. Hall, "Bus Giants Gird for an Open Border," "Calif. Tackles Safety Problems, Unlicensed Passenger Vans," JOURNAL OF COMMERCE, 7/29/94; "Motor Coach to Mexicans," NEW YORK TIMES, 8/9/94

MERCOSUR TARIFF PACT SIGNED

The presidents of Argentina, Brazil, Uruguay, and Paraguay, meeting in Argentina on August 5, signed an agreement providing for abolition of internal tariffs, for a common external tariff scheduled to take effect on January 1, 1995, and for rules on export processing zones. Argentine President Carlos Menem, speaking to the summit, welcomed the Chilean and Bolivian presidents to the summit and to continuing negotiations for "integration" with Mercosur. Menem handed over the revolving presidency of the group to Brazilian President Itamar Franco, who is a leading advocate for a South American Free Trade Association. Capital goods and information sectors will not apply a common external tariff until the year 2001. Each country also maintains a list of items excluded from the common external tariff, with somewhere between 339 and 399 items for Paraguay and 300 items for each of the other countries. Technical language and lists of excluded items should be finalized within 45 days. Brazil insisted on continuing protection for its growing computer industry, evidenced by August's "world's biggest computer fair" in Sao Paulo, which resulted in about $2.5 billion in deals. Brazil's computer market is expected to reach $10.5 billion in sales in 1994. Microsoft will begin assembling products in a new Brazilian plant next year, in company with other large and small computer companies from the US, Asia, and Europe. Most companies assemble their computers in Brazil from kits, in order to avoid tariffs that run as high as 35 percent. The issue of export processing zones was particularly crucial to Uruguay, whose nine export processing zones generate more than $200 million annually. Argentina and Brazil tried to limit each member country to a single export processing zone. A compromise finally provided that goods produced in export processing zones could be exported to other Mercosur countries, but with payment of the applicable external tariff. Trade among the Mercosur countries has quadrupled over the past four years, now approaching $10 billion. Attracted by the nearly 200 million consumers in the Mercosur countries, investors have poured money into sectors ranging from auto and auto parts manufacturing to telecommunications.

Source: "En Portada," "Dura Lucha Negociadora Antes del Acuerdo en el Mercosur," SUCESOS, 8/5/94; Branko Andjic, "La Rebelion de los 'Hermanos Menores,'" SUCESOS, 8/5/94; Raul Ronzoni, "Officials Step Up Talks on Common Market," IPS, 7/27/94; "Presidents Sign Accord Creating Unified Customs Zone," IPS, 8/5/94; Marcela Valente y Marcelo Jelen, "Crisis Avoided With Last Minute Agreements," IPS, 8/4/94; "Ministers Agree on Foreign Tariff and Duty-Free Zones," IPS, 8/2/94; James Bruce, "The Next Big Pact," U.S./LATIN TRADE, 8/94; James Brooke, "Brazil Luring Computer Companies," NEW YORK TIMES, 8/6/94; "Mercosul Formaliza a Tarifa Externa Comum," IBASE, 8/5/94

RESOURCES/EVENTS

Electronic discussion group on US/Mexico border issues: EPA has established a forum for dialogue among individuals and groups in the United States, Mexico, and elsewhere who are conducting research or work concerning the US/Mexico border environment on topics including: ongoing and proposed projects and proposed projects, data availability and gaps, sources of information, training opportunities, conferences/workshops, grant opportunities, employment opportunities (internships etc.), policy issues, e.g., NAFTA impact on the border environment. To subscribe via internet: listserver@unixmail.rtpnc.epa.gov - in the message body type: Subscribe us_mexborder . For information: Chris Solloway of EPA's National Environmental Statistics Branch, telephone (202) 260-3008 or email solloway.chris@epamail.epa.gov

"World Investment Report 1993: Transnational Corporations and Integrated International Production." UNITED NATIONS PUBLICATION, 1993. 308 pages. UNITED NATIONS PUBLICATIONS, Sales Section, Dept. 021D, Room DC2-0853, New York, NY 10017. $45 plus $3.50 shipping and handling.Describes individual companies involved in growing integrated international production, lists the world's largest transnational investors, gives current figures on foreign direct investment outflows and projects future flows, and examines public policy issues posed by complex relationships between parents and affiliates.

"A Preliminary Guide to NAFTA Governance: A Work in Progress," by Dan Leahy and Joslyn Rose Trivett. LABOR CENTER, 1994. 37 pages. LABOR CENTER, Evergreen State College, Olympia, WA 98505, telephone (206) 866-6000, ext. 6525.Summarizes governance and administrative mechanisms of NAFTA and provides list of information resources.

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Produced by: Mary C. Turck, Institute for Agriculture & Trade Policy1313 Fifth St. SE, Suite #303, Minneapolis, MN 55414- 1546 USATel: (612) 379-5980, Fax: (612) 379-5982, email: mturck@igc.apc.org

From iatp@igc.apc.org Date: 21 Aug 94 20:13 PDT From: IATP Reply to: "Conference trade.news" To: "Recipients of conference trade.news" Newsgroups: trade.news Subject: NAFTA & Inter-Am Monitor 8/22/9 Produced by the Institute for Agriculture and Trade Policy

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NAFTA and Inter-American Trade Monitor, vol. 1, #13 August 22, 1994

Headlines

STEEL, TUNA, CEMENT STILL ISSUES FOR US, MEXICO
FREE TRADE COSTING JOBS IN US, CANADA
NAFTA OPENS MEXICAN BANKING MARKET
GE, SONY FACE MEXICAN LABOR PROBLEMS
VENEZUELA UPDATE
RESOURCES/EVENTS

STEEL, TUNA, CEMENT STILL ISSUES FOR US, MEXICO

Despite NAFTA and GATT, long-standing trade issues between the US and Mexico remain unresolved. According to Mexican attorney Adrian Vazquez Benitez, speaking at the annual meeting of the American Bar Association, Mexico frequently uses anti-dumping and countervailing duty laws, but revised those laws last year to provide greater protection to "interested parties." In early August, Mexico's Trade Secretariat (Secofi) decided to uphold countervailing duties on imports of US steel. The duties were preliminarily imposed in 1993, and are now set at 78.46 percent for sheet plate and 38.21 percent for galvanized laminated steel. Two separate Secofi rulings affect different categories of steel imports, and stem from two sets of complaints of dumping brought by Mexican steelmakers in 1992 and 1993. Still before

Secofi is a complaint from Mexican steelmakers that US steelmakers enjoy subsidized prices, due to incentives offered by federal and state Buy America statutes, state and local economic development programs, and incentives from the federal Pension Benefits Guaranty Corporation. Three exemptions from the tariffs were made for steel used by automakers. The exemptions benefit Chrysler, Ford, and General Motors manufacturing operations in Mexico, all of whom rely on US steel. Germany, also hit with the punitive tariffs, threatened a protest if it does not receive a similar exemption for Volkswagen and BMW imports of German steel. GATT has already ruled against the US in a dispute over alleged dumping of Mexican cement imports, but the US has not complied with the ruling and is instead considering heavier antidumping penalties. The Mexican government also renewed a complaint before the GATT executive council seeking to force the US to end an embargo against Mexican tuna imports. The US embargo is based on allegations of environmental damage by Mexican fishing boats, specifically in regard to the number of dolphins captured.

Source: Kevin G. Hall, "Dumping Disputes Fail to Quash Mexico's Hopes for US Trade," JOURNAL OF COMMERCE, 8/11/94; "Mexico Is Relying Increasingly on Antidumping Laws, Attorney Says," BNA INTERNATIONAL TRADE DAILY, 8/17/94; "U.S.-Mexico Trade Disputes Over Steel Products, Cement, & Tuna Gain Prominence in Late July & Early August," SOURCEMEX, 8/10/94; Kevin G. Hall, "German Steelmakers Protest Mexican Exemption for US," JOURNAL OF COMMERCE, 8/5/94; Kevin G. Hall, "Mexico Slaps US Steel with Huge Trade Penalties," JOURNAL OF COMMERCE, 8/3/94

FREE TRADE COSTING JOBS IN US, CANADA

Matsushita Television Co. announced that it will close a 330-employee television production plant in Franklin Park, Illinois and move production operations to Tijuana, Mexico at the beginning of 1995. All production jobs will be lost, but the company said it would offer 100 positions at a new Southern California facility to current design and engineering staff members. Company officials would not discuss wage levels in Illinois and Mexico. Two recent reports identify job losses in Canada since the US- Canada Free Trade agreement and in the US since NAFTA's effective date in January. In a sample of 44 members of Canada's Business Council on National Issues, 30 corporations had cut employment by 171,559 workers since 1988. Fourteen companies in the survey added more employees or kept their payroll at 1988 levels, but their total increase in employment was less than 25,000 workers, showing an overall downward trend in employment. In the US, the Labor Department reported that 4,487 workers who lost their jobs between January 1 and mid-May of this year have been certified for trade adjustment assistance because their job losses were due to NAFTA. The Office of Trade Adjustment Assistance received petitions from 150 companies in 33 states from January 1 to June 20, and determined that 53 of the petitions were eligible for aid -- 36 due to job shifts from the US to Mexico or Canada and 17 because of increased imports. AFL-CIO economist Sheldon Friedman called the report the "tip of the iceberg."

Source: Stephen Franklin, "Franklin Park Quasar Output Mexico-bound," CHICAGO TRIBUNE, 7/30/94; "30 Big Canadian Companies Employing 171,559 Fewer Workers Than in 1988," CCPA MONITOR, July/August, 1994; "Over 4,000 Workers Have Lost Jobs to NAFTA," SOLIDARITY, 8/94

NAFTA OPENS MEXICAN BANKING MARKET

During the first weeks after Mexico's banking industry opened to foreign firms through NAFTA, more than a hundred foreign financial institutions filed applications to open bank operations. A top Mexican finance ministry official said that at least 15-20 applications are likely to be approved. NAFTA allows foreign banks as a group to hold up to eight percent of the capital in the Mexican banking system, with no individual foreign bank holding more than 1.5 percent of the country's capital. Foreign banks are expected to increase competition in the corporate banking sector, provide a fast infusion of capital in the financial sector, and dominate the non-bank banking sector by the end of the year. Limits on foreign holdings will end at the end of the decade. First Chicago Corp. is the eighth US bank to ask permission to enter the Mexican market under NAFTA next year. First Chicago, the 10th-largest bank in the US, has acquired 10 smaller banks over the past several years, and is currently cutting 600 workers in a reorganization of its US operations. Citibank is the only foreign bank that currently has retail and corporate operations in Mexico, due to a concession it received 65 years ago. Citibank has now applied for status as a financial group complete with a brokerage firm and for a full 1.5 percent share of capital. Citicorp chair John Reed is not optimistic about the short-term outlook with the expected influx of foreign banks in the next two to three years. "It will get a hell of a lot worse before it gets better," said Reed. "The place is clearly going to get overbanked in the short-term and there will be some very stupid deals done."

Source: Jeff Franks, "Mexico Banking Facing Lean Years," REUTER, 8/10/94; Damian Fraser, "Foreign Finance Lines Up at Mexico's Doors," FINANCIAL TIMES, 8/10/94; William Smith, "First Chicago to Cut 600 Bank Workers," CHICAGO TRIBUNE, 8/17/94; "First Chicago Eyes Mexico," CHICAGO TRIBUNE, 8/17/94

GE, SONY FACE MEXICAN LABOR PROBLEMS

The metalworkers' union, STIMAHCS, filed a demand that General Electric negotiate a contract with the Mexican Labor Arbitration and Conciliation Board on August 8. The demand covers workers employed in GE's Compania Armadora (CASA) motor plant in Juarez, the subject of the first labor complaint filed under NAFTA. A US union, the United Electrical, radio and Machine Workers of America (UE), working together with STIMAHCS, filed that complaint on behalf of CASA workers fired by the company, allegedly for their union organizing activity. Under Mexican law, unions can negotiate with the company for a collective bargaining agreement, or they can file a collective bargaining agreement with the Mexican labor board and set a strike date. According to a STIMAHCS spokesperson, the latter route was made necessary by the company's threats to close the plant if workers insist on the union and a contract. In other labor news, US and Mexican labor organizations filed a complaint against Sony in mid-August, alleging violations of worker rights at its Nuevo Laredo, Mexico plant. The complaint was filed with the US National Administrative Office. The International Labor Rights Education and Research Fund and two Mexican organizations charge that Sony maintained surveillance on unionists, fired striking workers, pressured employees to work on national holidays, and violated Mexican labor laws. The groups say that the Mexican government has failed to enforce labor laws calling for freedom of association and limiting hours of work.

Source: "Mexican Union Demands General Electric Contract," UE LABOR NEWS, 8/8/94; James Harding, "Unions Accuse Sony Under Nafta Accord," FINANCIAL TIMES, 8/17/94

VENEZUELA UPDATE

Venezuela's economic state of emergency has not succeeded in stopping inflation, reported at nine percent during the month of June. Fluctuations in interest rates, caused in large part by government measures to control the economy, bear part of the blame for price increases. The country's banking crisis continues as well, with the government taking steps in early August to salvage eight more troubled banks, including the Banco de Venezuela, now the country's second-largest bank. The government outlined a stabilization plan that would require action by banks that consistently fail to meet clearing house and reserve requirements. Such banks will be taken over by government-appointed executives, and owners or major stockholders will be asked to increase capital and to pledge personal assets to cover government financial assistance. Some owners may be directed to carry out mergers, sell assets, reduce expenses, and otherwise cut financial losses. The government rescue package for Banco de Venezuela will cost $265-294 million, mostly in loans to cover losses. The banking crisis only indirectly affects most Venezuelans, just 20 percent of whom are able to adequately satisfy their basic needs, according to a recent study by the Foundation Centre of Studies for Growth and Development of the Venezuelan Population (FUNDACREDESA). FUNDACRESA also reported that 36 percent of the population live in poverty and can satisfy basic needs only with difficulty, and that 44 percent live in absolute poverty and cannot meet basic needs. Children from the latter sector are, on the average, seven centimeters shorter than their wealthier counterparts.

Source: Joseph Mann, "Sticks and Carrots for Venezuela's Banks," FINANCIAL TIMES, 8/11/94; "Venezuela Takes Over No. 2 Bank and Plans Steps to Add Capital," WALL STREET JOURNAL, 8/10/94; Joseph Mann, "Venezuela Moves to Prop Up Eight Troubled Banks," FINANCIAL TIMES, 8/10/94; Pilar Pascual, "Gap Between Rich and Poor Can Be Measured in Height," IPS, 8/94

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"Understanding the North American Free Trade Agreement," Leslie Alan Glick. KLUWER LAW & TAXATION PUBLISHERS, 1994. 147 pages. Kluwer Law & Taxation Publishers, 6 Bigelow Street, Cambridge, MA 02139. Tel: (617) 354-0140; Fax: (617) 354-8595. $45.00. Summary and analysis of major provisions and side agreements, projecting changes in laws and practices in the US, Mexico and Canada. Background for business and legal planners. "The Mexico-U.S. Free Trade Agreement," ed. Peter M. Garner. MASSACHUSETTS INSTITUTE OF TECHNOLOGY, 1993. 317 pages. MIT Press, Massachusetts Institute of Technology, Cambridge, MA 02142. Collection of seven economists' essays addressing issues such as environmental and wage impacts of NAFTA, water use, automobiles, financial services market in Mexico, and regional and local production and employment effects.

"Free Trade or Fair Trade?" Monthly newsletter produced by the Latin American Institute for Alternative Legal Services (ILSA) and the Regional Coordinator of Economic and Social Investigation (CRIES), with the collaboration of CUSO. 6 pages. ILSA, Calle 38 No. 16-45, A.A.: 07844, Bogot, Colombia. Email: ax!ilsabog or ILSABOG@ax.apc.org. Monthly newsletter, subtitled Latin American and Caribbean trade alert, focuses on free trade and the new world order as they accentuate inequalities and social exclusions.

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Produced by: Mary C. Turck, Institute for Agriculture & Trade Policy, 1313 Fifth St. SE, Suite #303, Minneapolis, MN 55414-1546 USA Tel: (612) 379-5980, Fax: (612) 379-5982, email: mturck@igc.apc.org

From iatp@igc.apc.org Date: 01 Sep 94 14:40 PDT
From: IATP Reply to: "Conference trade.news" To: "Recipients of conference trade.news"
Newsgroups: trade.news Subject: NAFTA & Inter-Am Monitor 8/29/94 Produced by the Institute for Agriculture and Trade Policy

NAFTA and Inter-American Trade Monitor, Vol. 1, #14 August 29, 1994

Headlines

US MARKETING IN MEXICO
NON-TARIFF TRADE BARRIERS ALLEGED
MEXICAN TELEVISION CHALLENGE
TELMEX PRIVATIZATION BRINGS NEW PLAYERS
TEXACO TOPS ENVIRONMENTAL BLACK LIST IN ECUADOR
RESOURCES/EVENTS

US MARKETING IN MEXICO

US businesses, particularly in Texas, are looking to an expanded border region for new markets and opportunities. La frontera amplianda sometimes goes hundreds of miles across the actual border, and NAFTA is expected to continue a trend that began before January 1. During 1993, Texas shipped $20.4 billion worth of goods to Mexico, 49 percent of the US total, followed by California with $6.5 billion. Neiman Marcus is planning a catalog for Mexico and J.C. Penney will open a store in Monterrey next year. Dallas Mayor Steve Bartlett gave Mexican Secretary of Commerce Jaime Serra Puche the keys to the city this summer, telling him, "We in Dallas have staked our economic future on NAFTA." Despite the Texas enthusiasm for doing business with Mexico, Wal-Mart, Kmart, and other US retailers have encountered a sales slump after the initial splash of their grand openings in Mexico. US retailers count on NAFTA to create a growing middle class that can patronize their stores, but retail stores are growing faster than their putative market. Mexico's median per-capita income is still only $1,956, according to Mexican government figures. While some observers predict that a middle class will take 10-20 years to develop, retailers hope to begin making money by 1996. Wal-Mart has been hurt by prices, higher by 15-20 percent in its superstore in Monterrey than in its Laredo, Texas store, a mere two-hour drive away. Wal-Mart explains higher prices as a result of duties that still haven't been phased out and of distribution systems that deprive its Mexican stores of the economies of scale enjoyed by its US stores. Cultural differences also handicap Wal-Mart, as Mexican consumers prefer neighborhood butcher shops, bakeries, tortillerias, fruit stands, and egg shops, which can offer fresher food than large chains. Wal-Mart officials hope that they can change shopping habits in Mexico, as consumer habits changed in the US over time. A less visible avenue for US corporations to sell their products in Mexico is via their maquiladoras. Until NAFTA, maquilas shipped all of their production home. Now they are allowed to sell up to 50 percent of their production in Mexico. New market analysis and sales plans will be needed to take advantage of the new legal opening. Restrictions on imports from Asia will now apply to maquiladoras, making it difficult for some to continue to obtain materials for processing. Mexico has launched a maquiladora supplier program to help Mexican companies to obtain materials needed to supply maquiladoras.

Source: Bob Ortega, "Wal-Mart Is Slowed by Problems of Price and Culture in Mexico," WALL STREET JOURNAL, 7/29/94; Allen R. Myerson, "The Booming, Bulging Tex-Mex Border," NEW YORK TIMES, 8/7/94; Don Nibbe, "New Trends in Maquilas," TWIN PLANT NEWS, 8/94; "Mexico Launches Maquiladora Supplier Program," INTER-AMERICAN TRADE AND INVESTMENT LAW, 8/12/94; Kevin G. Hall, "Mexico Maquiladoras Face Uncertainty Under Nafta," JOURNAL OF COMMERCE, 8/12/94

NON-TARIFF BARRIERS TO TRADE ALLEGED

California peach growers and egg producers and the US Biscuit & Cracker Manufacturers' Association separately complained of non-tariff barriers to trade with Mexico in August. The peach (and nectarine) growers object to Mexican phyto-sanitary standards supposedly aimed at preventing infestation by coddling moths. California officials agree that the Mexican standards are being used as non-tariff barriers, but add that Mexico feels that the California quarantine on avocados (ostensibly to prevent seed weevil infestation) is a similar non-tariff barrier. California peaches were the state's 25th-largest export crop in 1993, earning $53 million. Total edible fruit and nut exports from Mexico last year were valued at $103 million. Phyto-sanitary standards also sparked a dispute over California egg exports to Mexico, with Mexico quarantining California eggs for two months earlier this year. California officials said egg farmers suffered a heavy blow, since about a million dollars worth of eggs is exported weekly. The Biscuit & Cracker Manufacturers' Association objects to labeling regulations recently proposed by the Mexican Ministry of Commerce, which would require Spanish-language consumer information to be "an integral part of the label or packaging as it is produced at the point of manufacture." This language might prohibit the current practice of affixing Spanish- language stickers to products once they reach Mexico, instead requiring complete redesign of packages. The regulation is not yet final, and the manufacturers plan to comment by the September 20 deadline. US exports of baked goods to Mexico in 1993 totaled more than $38 million, including $22.3 million in cookies and crackers. Some US exporters claim that extra-legal means are also being used to discourage dairy imports, including threats, burglaries, mob attacks, and arson. Mexican commerce officials insist that the dairy exporters' problems are police matters, not trade issues. US dairy producers also charge that Mexican inspectors are delaying US delivery trucks at the border.

Source: Kevin G. Hall, "Calif. Peach Growers Missing Fruits of Nafta in Mexican Barrier Dispute," JOURNAL OF COMMERCE, 8/3/94; "Mexican Proposal Would Disallow 'Stick-on' Labels on Imports," MILLING & BAKING NEWS, 8/9/94; "Milk Being Spilt Along U.S.-Mexico Border," AGRI-NEWS (Cox News Service), 8/11/94;

MEXICAN TELEVISION CHALLENGE

Television Azteca and General Electric's NBC signed an agreement that has NBC buying a three-year option to purchase a 10-20 percent share in Grupo Azteca for $120-300 million in July. Television Azteca paid $645 million for a package of government-owned media enterprises last August, and has won a 20 percent market share for its two channels, along with $30 million in World Cup advertising during the first half of 1994. Though still lagging far behind Televisa, which formerly monopolized Mexican television, Azteca posted a $2 million profit for the first six months of 1994. Ricardo Salinas Pliego, the head of Televison Azteca, said that NBC will bring ads into the Mexican market. He also plans to develop four new soap operas and to use NBC news assistance to compete with Televisa's coverage of the August presidential elections.

Source: Craig Torres, "As New Mexican Broadcaster Sees It, Grupo Televisa's One-Man Show Is Over," WALL STREET JOURNAL, 7/29/94

TELMEX PRIVATISATION BRINGS NEW PLAYERS

Telfonos de Mexico (Telmex) was privatized in 1990, but it still holds a monopoly on telephone services. That monopoly will crack at the end of 1996, when the lucrative long-distance market will be opened to competition. MCI-Banamex, Iusacell/Bell Atlantic, Motorola/Protexa, Grupo Domos, and Alfa are among the companies that have announced their plans to offer long distance service after January 1, 1997. The market is lucrative, with long distance and international calls providing $4.23 billion or more than half of Telmex's revenues, in 1993. In exchange for promises to extend telephone services to remote areas, Telmex will keep a monopoly on local service until 2026. Telmex must install at least one telephone in every town of 500 or more people by the end of 1996. Since privatization in 1990, Telmex has doubled the number of public pay phones, provided digital service on 70 percent of its lines, built a national fiber optic network, and increased the number of phones in Mexico from 6.6 lines per 100 to 8.8 lines per 100, a 33 percent increase. In a get-tough move on July 19, Telmex cut the lines that enabled Access Telecom to provide long distance services. Access had purchased time from MCI and offered long-distance rates 22 percent below those of Telmex. Access got significant market share, despite a complicated system requiring clients to dial as many as 36 digits. Since it bought from MCI, which has a contract with Telmex, and since it discounted transmission in the US and not in Mexico, Access claims it did not violate Telmex's current monopoly on the long-distance market. In 1990, the government's controlling stake in Telmex was purchased for $1.76 billion by a consortium of Southwestern Bell, France Telecom, and Grupo Caruso, a Mexican holding company owned by Carlos Slim Hel. In 1994, Telmex stock accounts for 26 percent of local capitalization of the Mexican stock exchange and 23 percent of its daily volume, and its depository receipts are usually among the most active Wall Street issues. Sixty percent of Telmex's $33.5 billion capitalization is held by foreigners, mostly from the US.

Source: Anthony DePalma, "Telmex in Competition, So Far With Just

Itself," NEW YORK TIMES, 7/18/94; Damian Fraser, "Mexico in Telephone Liberalisation," FINANCIAL TIMES, 7/4/94; Craig Torres, "Phone Giant in Mexico Seeks to Crush Rivals," WALL STREET JOURNAL, 8/8/94

TEXACO TOPS ENVIRONMENTAL BLACK LIST IN ECUADOR

Texaco, a US-based oil company that worked in Ecuador's Amazon region from 1972-1992, was named as the worst environmental offender on a list prepared by Ecuador's major ecological organization, the Nature Foundation, and two Ecuadoran daily newspapers and a television station. Texaco sources called the listing "unjust," and said that recent threats by Ecuadoran President Sixto Duran-Ballen to sue the company for refusal to compensate for damage to the Amazon are not serious. An independent environmental commission jointly contracted by the Ecuadoran government and Texaco reported in last December with findings unacceptable to both Texaco and the government. Further investigation is underway, while Texaco also faces charges in a New York court by a group of Ecuadoran indigenous people who demand $1.5 billion for damage to the Amazon. Texaco was the first company to discover and exploit major Amazonian minefields in Ecuador. According to official reports, 450,000 barrels of oil have been spilled in the Ecuadoran Amazon over the last 22 years.

Source: "Texaco Tops Environmental Black List," IPS, 7/25/94

RESOURCES/EVENTS

"Trade and Migration: NAFTA and Agriculture," Philip L. Martin. INSTITUTE FOR INTERNATIONAL ECONOMICS, 1993. 158 pages. Institute for International Economics, 11 Dupont Circle NW, Washington, DC 20036-1207. Telephone (202)328- 9000; fax (202) 328-5432. Analysis and prediction of NAFTA's impact on immigration, concluding that NAFTA will increase immigration in the 1990s, but that Mexican land reforms and privatization will have a greater impact on increasing immigration. Recommends vigorous enforcement of labor and immigration laws to reduce availability of work to immigrants. February 27-March 1, 1995: Internet Seminar in Miami: Florida International University's College of Urban and Public Affairs invites all Internet users in Latin America to attend a free seminar on Internet software and Internet usage at the Hotel Intercontinental in Miami. For information, e-mail: RAMOSR@SOLIX.FIU.EDU

The NAFTA and Inter-American Trade Monitor is available in both English and Spanish on Association for Progressive Communications (APC) computer networks on the conference eai.news. It can also be faxed or sent via mail on request. We welcome your comments and contributions.

For more information about the Institute for Agriculture and Trade Policy, send email to iatp-info@igc.apc.org.

Produced by: Mary C. Turck, Institute for Agriculture & Trade Policy1313 Fifth St. SE, Suite #303, Minneapolis, MN 55414- 1546 USATel: (612) 379-5980, Fax: (612) 379-5982, email: mturck@igc.apc.org

From iatp@igc.apc.org Date: 06 Sep 94 05:42 PDT From: IATP Reply to: "Conference trade.news" To: "Recipients of conference trade.news" Newsgroups: trade.news Subject: NAFTA & Inter-Am Monitor 9/ Produced by the Institute for Agriculture and Trade Policy

NAFTA and Inter-American Trade Monitor, vol. 1, #15 September 5, 1994

Headlines

NAFTA'S FIRST SIX MONTHS

"I hate to say 'We told you so' but the fact is, we did," said US Commerce Secretary Ron Brown, praising the first six months of NAFTA. According to Brown, NAFTA has produced strong export growth throughout North America and is "living up to its promise." Economist Thea Lee of the labor-backed Economic Policy Institute was not convinced. "Our imports from Mexico rose faster than our exports to Mexico in the first six months," said Lee. "I'm a little bit puzzled as to why they are selling this as a big success story." Commerce Department statistics show the US trade deficit with Canada growing, the US trade surplus with Mexico shrinking, and the overall US trade deficit within North America soaring from $478 million to $1 billion between May and June. Commerce Department officials estimate that the US will have its second highest foreign trade deficit ever in 1994. NAFTA boosters claim that each billion dollars in new exports creates 20,000 new jobs. The AFL-CIO says that "A closer look at the trade data ... indicates that some industries will gain and some will lose as a result of NAFTA. The restructuring of the U.S. economy due to increases in North American trade will cause substantial job loss in the 'loser' industries." Through June, 167 companies with 23,734 workers had asked for worker assistance due to job losses attributed to NAFTA, but the US Labor Department said that the total number of affected workers will be less than 15,000 for the full year. Most of the companies losing jobs are small manufacturers producing low- tech parts and components or apparel. NAFTA proponents say that such companies and workers are in jeopardy as long as world trade expands, regardless of NAFTA. US exports to Canada and Mexico are growing, accounting for 52 percent of all US export growth. US exports to Canada are up by ten percent and exports to Mexico are up by 17 percent. Texas has seen greatly increased trade because of NAFTA, generating enthusiasm for the pact, while the negative impact of layoffs seems to be felt further north. In addition to increased trade, Texas has benefited from the siting of the North American Development Bank in San Antonio, which is expected to bring lawyers, financiers, environmental consultants, scientists, and support staff to San Antonio to administer an estimated $6 billion in border environmental cleanup projects over the next decade. In Mexico, consumers and much of the Mexican business community remain positive about NAFTA, but small business owners disagree. Mexican consumers' enthusiastic response to imported goods has driven Mexico's trade deficit up by $2 billion to $7 billion. Some NAFTA opponents have resorted to boycotts, threats, arson, hijacking and thefts to scare US competitors out of the marketplace. Dairy products and high fructose corn sugar have been particular targets of opposition to exports. Jobless rates in Mexican border states are rising, with unemployment in Chihuahua state growing 5.7 percent since January 1. Interior states are aggressively seeking NAFTA business. Hidalgo, for example, touts its recent infrastructure improvements and wages even lower than those in maquilas close to the border.

Source: "Nancy Dunne and Philip Gawith, "Washington Hails Nafta as Success," FINANCIAL TIMES, 8/19/94; Peter Behr, "NAFTAmath: A Texas-Sized Surge in Trade; Six Months After Treaty's Enactment, Booming Sales to Mexico Overshadow U.S. Job Losses," WASHINGTON POST, 8/21/94; Michelle Mittelstadt, "NAFTA Effects," ASSOCIATED PRESS, 8/19/94; Todd Roberson, "Honeymoon Over, Mexico Awakes to NAFTA Reality," WASHINGTON POST, 8/5/94; John M. Nagel, "Interior States in Mexico Pursue Fruits of Free Trade," JOURNAL OF COMMERCE, 8/18/94

MEXICO REVISES INTELLECTUAL PROPERTY LAW

A comprehensive revision of Mexico's Law of Development and Protection of Industrial Property will take effect on October 1, including changes in trade mark, patent, commercial sign, and industrial design registration. The changes represent adjustments to comply with NAFTA provisions on intellectual property. The biggest effect will come in provisions making enforcement of intellectual property rights easier. Responsibility for administering the new law has been moved to a strengthened Instituto Mexicano de Propiedad Industrial (IMPI), from the Secretariat of Commerce and Industrial Development (SECOFI). The IMPI's enforcement powers will include injunctive relief and the authority to seize goods and equipment. The burden of proof in infringement cases has shifted from the holder of property rights to the person presumed to be infringing on existing industrial property rights.

Source: "Intellectual Property Law Revised;" Geraldo Olca and Gary Doyle, "Mexico Advances Important Intellectual Property Protections," INTER-AMERICAN TRADE AND INVESTMENT LAW, 8/12/94; John M. Nagel, "Mexico Alters Law on Copyrights to Adjust to Nafta," JOURNAL OF COMMERCE, 8/19/94

CARIBBEAN FOOD SECURITY THREATENED BY NAFTA

According to the Caribbean Agricultural Research and Development Institute (CARDI), regional membership in NAFTA would threaten the Caribbean's agricultural sectors. In a paper entitled "The NAFTA Challenge - Sectoral Impact," agricultural economist Edward Evans and CARDI director Hayden Blades point out that the small size of the Caribbean's arable land and its small-holding system of production make it particularly vulnerable to NAFTA and GATT impacts. Because Caribbean governments cannot afford to subsidize local agriculture, protection for small producers has come in the form of tariffs on agricultural imports. These tariffs have already been cut by structural adjustment programs. Further cuts will lead to higher food import bills for the region.

Source: Sheila Rampersad, "NAFTA Threatens Region's Food Security," IPS, 8/17/94

FAST TRACK PUSH WEAKENS LABOR, ENVIRONMENTAL PROTECTIONS

As US President Bill Clinton pushes for fast-track authorization for new trade deals and for GATT approval, his administration is backing down on legislative language including labor and environmental protection in future deals. Some Democrats object to the weakening of such protection, while many Republicans would like to see all labor and environmental protection language stricken. At the same time, new fast-track language orders the Administration to strive for specific objectives such as "vigorous and effective disciplines on subsidies practices with respect to civil aircraft products." Liberal Democrats and the AFL-CIO may mount a full-scale campaign in opposition to the fast-track legislation, now that labor rights have been negotiated away to gain Republican support. Garment unions have pushed for a change in origin rules for apparel, but clothing retailers' success in keeping the change out of the Senate version of the fast-track legislation may mean that garment unions will also back a full-scale campaign against fast-track. Meanwhile, the New York-based Human Rights Watch sent a letter to US Trade Representative Mickey Kantor, asking that any Chile Free Trade Agreement include an explicit pledge to respect the American Convention on Human Rights and a mechanism for adjudication of human rights complaints.

Source: Nancy Dunne, "Clinton Pulls Out the Stops for Trade Deal Fast-Track," FINANCIAL TIMES, 8/25/94; John Maggs, "Fast- Track Compromise in Danger of Collapse," JOURNAL OF COMMERCE, 8/18/94; "Include Human Rights in Trade Talks, Group Urges," IPS, 8/29/94

MEXICAN ELECTION IMPACT ON TRADE

As the election of Ernesto Zedillo and a majority win in both houses of congress solidified the ruling Institutional Revolutionary Party (PRI) hold on power in Mexico, many private economists forecast increased growth, bolstered by increasing public and foreign investment. Support for current trade policies will continue, with Trade Minister Jaime Serra Puche, a friend of Zedillo's from their days at Yale University, expected to play a major role in the new administration. Zedillo's economic program is expected to focus on the microeconomy, as he maintains that macroeconomic reform (particularly in the form of low inflation, balanced budgets, and privatization) has been accomplished. Zedillo is expected to sell off any state-run ports, railroads, and anything else that wasn't sold under his predecessor, and even to open Petroleos Mexicanos, the state-owned oil company, to foreign investment. In the immediate aftermath of the election, Mexican stocks surged to a new six-month high on August 22. US and Mexican analysts and brokers welcomed Zedillo's election and PRI's continuing hold on power.

Source: Stephen Fidler and Damian Fraser, "Economy Set to Pick Up Tempo;" Damian Fraser, "Mexico's PRI to Gain Strong Grip on Congress," FINANCIAL TIMES, 8/24/94; Paul B. Carroll, Craig Torres and Dianne Solis, "Zedillo to Tap Team of U.S.-Educated Advisers as He Shifts Focus to Microeconomic Problems," WALL STREET JOURNAL, 8/23/94; Stephen Fidler and Damian Fraser, "Victorious Zedillo Aims to Calm Tensions Over Mexican Election;" Ted Bardacke, "Stocks Rise But Caution Sounded," FINANCIAL TIMES, 8/23/94; "Stock Market Shines After PRI Triumph," IPS, 8/29/94

TRADE AND ENVIRONMENTAL ISSUES

Latin American environmentalists and some political leaders noted a variety of environmental and health issues posed by growing international trade. In Bolivia, government officials expressed concern over industrial mills' import of more than 120,000 tons of contaminated but cheap German wheat. Tests by the Bolivian National Institute of Health Laboratories found that the wheat "does not comply with the required quality due to the presence of a series of foreign agents within the grain," according to National Food Security Council Secretary Ramon Escobar, who also said that an additional 40,000 tons of the same kind of wheat are now in the Chilean port of Arica, in transit to Bolivia. The total wheat import makes up 40 percent of Bolivia's yearly consumption, and angered both local wheat producers, who cannot compete with the extremely low price, and the United States, which reduced its wheat donations. Bolivian environmentalists, noting that mineral wastes are regularly imported from Germany and other European nations, said that Bolivia is becoming a garbage dump for industrial countries. On August 17, following three toxic alerts in and around Chile in less than two weeks, Greenpeace Latin America urged all governments in the region to take steps to ban the import of toxic wastes. The alerts included a late July discovery that Chile was the port of entry to Bolivia for a cargo of antimony bound from Germany to Bolivia, an August 4 order from the Environmental Health Service to return to Canada a cargo of 20 tons of crude selenium shipped to Chile without proper authorization, and a notice by Greenpeace to the governments of Chile, Ecuador, and Peru that a cargo of dangerous industrial wastes rejected by Colombia might be headed for their ports.

Source: "Mills Import Contaminated Wheat," IPS, 8/18/94; "Chile en el Centro de Una Guerra Quimica Contra los Paises en Desarrollo," "Greenpeace Demanda Medidas Urgentes Para Hacer Frente A Intensificacion del Trafico de Desechos Peligrosos," GREENPEACE, 8/17/94

RESOURCES/EVENTS

Symposium: Economic Integration in the Western Hemisphere, June 7-9, 1995, Costa Rica. Sponsored by International Agricultural Trade Research Consortium and Inter-American Institute for Cooperation on Agriculture. Contact Laura Bipes, Administrative Director, Department of Agriculture and Applied Economics, University of Minnesota, 1994 Buford Avenue, St. Paul, MN 55108. Telephone: 612-625-1757

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From iatp@igc.apc.org Date: 12 Sep 94 19:31 PDT From: IATP Reply to: "Conference trade.news" To: "Recipients of conference trade.news" Newsgroups: trade.news Subject: NAFTA & Inter-Am Monitor 9/12/94 Produced by the Institute for Agriculture and Trade Policy

NAFTA and Inter-American Trade Monitor, vol. 1, #16 September 12, 1994

Headlines

CORRECTION RE AUTO WORKERS' WAGES IN MEXICO

In the July 11, 1994 issue of the NAFTA AND INTER-AMERICAN TRADE MONITOR, we summarized articles from the WALL STREET JOURNAL (6/29/94) and the JOURNAL OF COMMERCE (6/27/94) that claimed that the average Ford worker in Hermosillo, Mexico, earns $6.35 per hour in wages and benefits. According to information circulated by the Coordinadora de Organizaciones Empresariales de Comercio Exterior (COACE), and furnished to us by the Resource Center of the Americas, average hourly compensation paid by major automotive manufacturers in Mexico, as of January 1993, was $2.61 per hour, with an additional $1.10 in fringe benefits bringing the total compensation to $3.71 per hour -- slightly more than half of the $6.35 claimed by the WALL STREET JOURNAL article. According to the Resource Center of the Americas, wages have not gone up since then, when measured against the dollar, and pay at Ford's Hermosillo plant is not at the high end of the automotive sector, but ranges from $1.80-$2.15 per hour, not including benefits.

FORD STRIKE ENDS AFTER PLANT CLOSING THREAT

Ford workers at the Cuautitlan plant announced an indefinite work stoppage in early September, demanding the dismissal of their union's local executive committee, recognition of interim leadership selected by the workers and scheduling of free elections, reinstatement of union leaders fired four years ago, and an end to "too heavy workloads." Unrest at the Cuautitlan plant dates back to labor conflict of 1990, when one worker was killed and local union leaders were fired and replaced by others chosen by the official Mexican Workers Confederation (CTM), rather than by workers at the plant. After a two-day work stoppage, production.resumed Monday, September 5, as Ford Motor Company distributed a warning that it would close if workers continued to strike. Production of the Mercury Mystique and Ford Contour sedans began on August 15 at the Cuautitlan plant. Both cars use the new 4-cylinder engine produced at the company's Chihuahua plant, and are planned as major export vehicles.

Source: "Ford Motor Company Labor Conflict," CENTRO DE REFLEXION Y ACCION LABORAL," 9/4/94; "Ford Begins Production of Two New Models," EL FINANCIERO, 8/22-28/94; "Mexican Ford Workers Update," FORD DEMOCRATIC WORKERS MOVEMENT, 9/7/94

MAQUILA STRIKE

On July 20, 120 workers at Industrial Arcos maquiladora in Tijuana walked off their jobs, after five weeks of working without pay. The maquila is owned by the Mexican Leyva Osorio family, but workers say that many sewing machines are owned by Resource International of San Diego, which contracts with Arcos to produce knapsacks and other goods for the US market. The workers are formally represented by Mexico Moderno, an affiliate of the official union CROM (Regional Confederation of Mexican Workers.) CROM has locked the workers out of the facility and had signed a contract with the employer before the plant opened in 1992, before any workers were hired. Arcos workers were paid from $56.67 for a 50-hour week for seamstresses up to $130 for supervisors. They have formed a committee to stand guard 24 hours outside the plant to prevent equipment from being removed. CROM says that, despite deductions from worker pay, the company owes thousands of dollars to the Mexican Social Security.

Source: Mary Tong, "Maquiladora Workers Strike," SUPPORT COMMITTEE FOR MAQUILADORA WORKERS, 8/15/94

NAFTA LABOR BODY LACKS EXECUTIVE

The Nafta labor secretariat, to be based in Dallas, Texas, still remains without a chief executive. "What we're seeing is business as usual," complained Jaime Martinez, secretary-treasurer of the International Union of Electronics, Electrical, Salaried, Machine and Furniture Workers AFL-CIO for District 11 in San Antonio, Texas. "The side agreements [to Nafta] have no enforcement, no teeth whatsoever." Mexican officials insist that the head of the labor secretariat and anyone working for the secretariat must permanently sever all ties to labor organizations. US and Canadian officials point out that this might require someone not just to take a leave of absence, but to give up 20 years of pensionable service in order to work for the labor secretariat. US government officials say that the Nafta provisions are working, as evidenced by the filing of three complaints with the US Department of Labor. The first two complaints are scheduled for hearing on September 12 in Washington, DC, and the third -- jointly filed by US and Mexican labor interests against Sony's plant in Nuevo Laredo -- will be heard late this year or early in 1995. The Sony complaint is the first joint filing by US and Mexican organizations, and focuses on allegations that Sony violated Mexican labor laws and tried to stifle organizing efforts at the plant. The two earlier complaints allege that General Electric fired union organizers at a plant in Ciudad Juarez and that Honeywell fired organizers at a plant in Chihuahua. Workers at the General Electric plant rejected union representation by a vote of 914-160 in August of this year. The US United Electrical, Radio and Machine Workers union (UE) assisted the organizing efforts of Stimahcs, a metal workers affiliate of Mexico's Authentic Labor Front. UE said that GE disrupted the election process by threatening to close the plant if the union was voted in, but GE officials deny the charges.

Source: Kevin G. Hall, "Nafta Labor Body Still Lacks Executive," JOURNAL OF COMMERCE, 8/24/94; "Labor Groups File Joint Complaint Against Sony," EL FINANCIERO, 8/22-28/94; John M. Nagel, "Complaint Against Sony Called Warning to Companies," JOURNAL OF COMMERCE, 8/26/94; Tim Shorrock, "Workers at GE Plant in Mexico Reject Union," JOURNAL OF COMMERCE, 8/29/94

CHICKEN OPERATION HELPED, HINDERED BY NAFTA

Avicola las Americas, with 1.5 million chickens, a bank, a feed mill, 300 employees, thousands of acres of land, 1,000 head of cattle, and peacocks and fighting bulls, is one of Mexico's largest egg producers. Much of the grain needed to feed Avicola's chickens is imported from the US. Avicola itself mills the feed with the aid of a computerized batching system that mixes about 14 ingredients into 5,500 tons of feed monthly. Owned by the Camarena family, Avicola produces about 1.08 million eggs daily. Within 65 miles of its operation are 20-25 million layers producing 25 percent of all of Mexico's eggs. Avicola has a capacity to add another million chickens, but Hector Camarena says that imports have driven egg prices down below the cost of production. Camarena fears that NAFTA's phase-out of tariffs on eggs over the next 10 years will keep egg prices low.

Source: Charles House, "Mexican Layer Operation Succeeds with Feed from the North," FEEDSTUFFS, 8/1/94

MEXICAN BANKER DISAPPEARS TO AVOID ARREST

Carlos Cabal Peniche, a young Mexican bank director known for his bold business moves to acquire US food companies, is believed to have fled the country after a warrant was issued for his arrest on charges of fraudulently lending himself $700 million. Cabal is charged with using a complicated shell game to get the money that enabled him to buy several large companies, including Del Monte Fresh Produce Company. Cabal has a pending deal to buy Del Monte Foods canned food business as well. The government took over Cabal's Cremi-Union financial group, which includes the fourth largest bank in Mexico. Cabal was considered a symbol of a new breed of Mexican business leaders poised to take advantage of NAFTA. While Cabal escaped arrest, nine other bank officials in Mexico were detained in connection with the case, characterized as the worst financial scandal in 20 years.

Source: Anthony DePalma, "Mexican Banker Disappears After His Arrest is Ordered," NEW YORK TIMES, 9/7/94

MEXICO'S MILK WAR

As US milk flooded across the border with the advent of NAFTA, angry Mexican dairy producers complain that US health regulations prevent them from sending their milk to the US and that US milk is unfair competition. In recent weeks, trucks delivering US dairy products have been trashed and burned and some drivers have been beaten. Chicago-based Price dairies charge that damages from arson to their warehouse and three delivery trucks in July resulted in nearly $100,000 in damages. Borden's and Farmer's dairy employees have also been the targets of attacks on both property and employees. The Chihuahua State Attorney General is investigating death threats against milk delivery drivers for US dairies. Mexican imports of US dairy products are expected to grow by 200 percent during the 15-year introductory period for NAFTA. The state of Chihuahua, where most of the violence has occurred, imports more than 17,000 gallons of US milk daily, amounting to $11 million yearly. More than half of that amount goes to Ciudad Juarez.

Source: Allen R. Myerson, "New Limits Are Seen to Freer Trade," NEW YORK TIMES, 9/6/94; Talli Nauman, "'Milk War' Heats Up in Juarez," EL FINANCIERO, 8/22-28/94

BRAZIL: REAL, INFLATION, AND POLITICS

The introduction of the real currency and accompanying anti- inflation measures gave a boost to the presidential campaign of PDSB (Brazilian Party of Social Democracy) candidate Enrique Cardoso, who surged ahead of Workers' Party candidate Luis Inacio Lula da Silva in the polls for the first time. When government figures showed continuing inflation in excess of the predicted 4.5 percent maximum, government spokespersons blamed August and July's high figures on the last gasp of the cruzeiro, on rent increases facilitated by the conversion from cruzeiro to real, on frosts in the coffee-growing regions, and on faulty economic indices. Then Finance and Housing Minister Rubens Ricupero was caught on an open microphone, boasting that he was Cardoso's biggest vote-getter. "I have no scruples," Ricupero said, unaware that his words were being broadcast over satellite receivers throughout the country. "What is good, we take advantage of. What is bad, we hide." Ricupero resigned on September 3, two days after the broadcast. Electoral officials were already investigating charges that President Itamar Franco's government was helping Cardoso's campaign. James Carville, a strategist for US president Bill Clinton's 1992 campaign and a current White House adviser, is also providing Cardoso with consulting services, at a reported cost of $1 million, according to Washington's Counterpunch magazine. Bank employees and oil workers are among nearly one million workers scheduled to negotiate new salary agreements in September. The 600,000 bank workers plan to demand a 119 percent increase to cover inflation over the past year, and workers in the oil industry are also asking for more than a 100 percent increase. Work stoppages in both sectors would severely affect the government's economic stabilization plan. Both oil and bank workers have close links with the Workers' Organization (CUT), which backs PT's Lula for president.

Source: "Inflation May Force Changes in Economic Plan," IPS, 8/30/94; "High Inflation Rate Alarms Officials," IPS, 8/27/94; "Official Bloopers Rock Anti-Lula Campaign," WEEKLY NEWS UPDATE ON THE AMERICAS, 9/4/94; Arnaldo Cesar, "Workers Not Ready for Strikes in September," IPS, 8/18/94

TARIFF REDUCTION PLAN PROTESTED

The Clinton Administration's plan to eliminate some tariffs earlier than the five to 15 year time frame set out in the NAFTA agreement has met with protest from import-sensitive industries and others. During the NAFTA debate, the administration promised some industries that they would continue to be protected. Now they feel betrayed by US Trade Representative Mickey Kantor's proposal for early elimination of tariffs. Protests were voiced to the International Trade Commission this summer. At Kantor's request, the ITC has been preparing a report on the impact of elimination of 160 tariff schedule subheadings including appliances; cheese, produce, nuts, juice and wine; chemicals and plastic; fabric, clothing and footwear; and wood, stone, mineral, or glass articles.

Source: "Clinton's NAFTA Acceleration Betrays Businesses' Trust," BUSINESS WIRE, 8/22/94

CARIBBEAN WORKERS MEET

In a move toward regional integration, governmental and non- governmental organizations from 31 Caribbean countries met at an Assembly of Caribbean People hosted in Trinidad and Tobago by the Oilfields Workers Trade Union during the weekend of August 19. The conference, called "A Message of Urgency: Towards a People's Agenda for the Sovereignty of the Region and the Welfare of the People," focused on crises in Haiti and Cuba as well as on NAFTA , GATT, free trade, and models of development.

Source: Sheila Rampersad, "Caribbean Workers Chart Own Path to Development," IPS, 8/19/94

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Produced by: Mary C. Turck, Institute for Agriculture & Trade Policy, 1313 Fifth St. SE, Suite #303, Minneapolis, MN 55414- 1546 USA. Tel: (612) 379-5980, Fax: (612) 379-5982, email: mturck@igc.apc.org

From iatp@igc.apc.org Date: 18 Sep 94 18:51 PDT From: IATP Reply to: "Conference trade.news" To: "Recipients of conference trade.news" Newsgroups: trade.news
Subject: NAFTA & Inter-Am Monitor 9/19/94 Produced by the Institute for Agriculture and Trade Policy

NAFTA and Inter-American Trade Monitor, vol. 1, #17 September 19, 1994

Headlines

NAFTA BUSINESS NOTES

-- Mexican cement maker Grupo Cementos de Chihuahua, has acquired a cement plant in Tijeras, New Mexico for $42 million. The plant, previously owned by Holnarn Inc., can produce 500,000 metric tons per year of Portland-brand cement.

-- A number of US pet food companies are building new plants in the Mexican state of Queretaro.

-- Mexico's second-largest corn miller, Grupo Minsa, bought a previously-idle corn flour plant in Red Oak, Iowa. Maseca, a Monterrey-based competitor, has corn flour milling and tortilla- making operations throughout Mexico and in southern California. Bimbo, one of Mexico's biggest bakers, distributes Sara Lee and Mrs. Fields products in Mexico, has also purchased some small US companies, and is trying to acquire General Mills.

-- US-owned Sharp Healthcare, Inc., with the backing of Mexican investors, is building a private $25 million hospital in Mazatlan. The hospital is expected to find customers among the upper-income population. Company officials say at least 20 more Mexican cities may be targeted for such hospitals.

-- The Montreal-based Jean Coutu Group, currently operating Canada's second-largest drugstore chain, agreed to pay Revco $147.5 million for 221 Brooks Drug stores in New England. Jean Coutu operates 249 drugstores in Quebec, Ontario and New Brunswick.

-- US package express firms are enjoying the benefits of NAFTA's increased US-Mexico trade. United Parcel Service already had five planes serving the market in 1992, followed by DHL Worldwide and Federal Express with three planes. UPS launched a major service expansion for small shippers in November 1993, with door-to-door guaranteed delivery of letters and documents.

-- Pizza Hut announced the opening of its biggest restaurant anywhere in the world in Torreon, Coajuila, Mexico in early September. The newest Pizza Hut expects to serve about 1,000 pizzas daily.

-- Wal-Mart Stores and Mexican partner Cifra SA announced the mid- September opening of the fifth Sam's Club in Mexico City, the company's 17th warehouse club in Mexico.

-- A cut-throat price war between smaller, regional airlines and the two largest Mexican airlines, Aeromexico and Mexicana, has threatened the financial stability of Mexicana. Aeromexico increased its ownership share of Mexicana to 55 percent in 1993. Both airlines were previously state-owned, and the government still owns 34 percent of Mexicana. Gerardo de Prevoisin, chair of Mexicana and Aeromexico, resigned on September 2, the latest victim of the turmoil caused by two years of deregulation and privatization of the airline industry.

Source: "Mexican Firm Buys Plant," U.S./LATIN TRADE, 9/94; "In the News," TWIN PLANT NEWS, 9/94; "Mexican Corn Miller to Open First U.S. Plant in Iowa," MILLING & BAKING NEWS, 8/23/94; Alva Senzek, "Big Moves Afoot," EL FINANCIERO, 8/29-9/4/94; "U.S. Private Health Care Expands to Mexico," CCPA Monitor, 9/94; Richard Ringer, "Canadian Group to Buy 221 Brooks Drugstores from Revco," NEW YORK TIMES, 9/13/94; Kevin G. Hall, "Package Express Firms Thrive in Mexico," JOURNAL OF COMMERCE, 8/24/94; "Biggest Pizza Hut;" "Wal- Mart in Mexico;" Anthony DePalma, "Top Mexican Airline Executive Quits," NEW YORK TIMES, 9/6/94

PORK DISPUTE SETTLED

The Mexican National Pork Producers Commission claims that US producers dump meat in Mexico at prices far below those in the US, forcing small and medium Mexican pork producers out of business. Mexican producers formally complained to the Mexican Commerce Secretariat, Secofi, which launched an anti-dumping investigation on 18 por k categories in March, 1993. Despite an early and preliminary finding of dumping, Secofi decided in August to end the investigation without penalties. A similar investigation of US beef continues. The current tariff on US and Canadian pork is 18%, compared to a tariff of 20 percent on imports from anywhere else in the world, and the intra-NAFTA tariff will drop by 2 percent per year until it is eliminated entirely. Gambling on successful tariff reductions due to NAFTA, Mexican meat distributor Gabriel Guzman Ruiz's Grupo Sucarne invested $7 million in early 1993 in expanding refrigeration and trucking facilities. Guzman says the move was a success, and expects 1994 sales of $20 million, twice as high as in 1993, and as much as $40 million by 1995. Citing chronic Mexican pork shortages, Guzman depends heavily on US imports. Total US pork imports to Mexico are up roughly 40 percent this year. US pork production costs are lower due to larger production volumes, lower energy prices and feed costs, and greater use of high-tech testing equipment. The US prohibits importation of all fresh or frozen Mexican pork and pork products, citing the danger of transmission of hog cholera. A hog cholera epidemic in 1986 wiped out about a third of the country's pigs, and lack of credit further handicaps small and medium producers.

Source: Leon Lazaroff, "This Piggy Goes to Market," U.S./LATIN TRADE, 9/94; Kevin G. Hall, "US Pork Producers Welcome End of Mexican Dumping Investigation," JOURNAL OF COMMERCE, 9/1/94; "Mexico Drops Its Complaint Against U.S. Pork Industry," AG WEEK, 8/29/94

LABEL, CERTIFICATE OF ORIGIN RULES FINALIZED

Rejecting exporters' preference for stick-on Spanish-language labels, the Mexican Commerce Secretariat, Secofi, has decided to require Spanish packaging, including warranties and product-safety information, according to sources within the agency. "Stickering is dead," said one official. The rules will result in a one-time cost of millions for manufacturers who want to export to Mexico. While large companies will have little problem with compliance, smaller manufacturers may be kept out of the Mexican market by the cost and the need for distinct kinds of packaging for each country. US rules already require English labels in the US, and Canadian rules require French and English labels in Canada. Certificate of origin rules for countries outside NAFTA that are members of the General Agreement on Tariffs and Trade have also been published by Secofi. The requirements are part of a crackdown on cheap Chinese and Asian-made goods that are flooding into Mexico through third countries.

Source: Kevin G. Hall, "Mexico Rejects Sticker Substitute for Import Labels," JOURNAL OF COMMERCE, 8/29/94; Kevin G. Hall, "Mexico Finalizes Certificate of Origin Rules," JOURNAL OF COMMERCE, 8/31/94

NAFTA PARTNERS IGNORE CUBA TRADING BAN

Canada and Mexico have increased their investment in Cuba, ignoring US efforts to halt trade with Cuba, with Mexico displacing Spain to become Cuba's largest foreign investor. Mexico is the only Latin American country to maintain recognition of Cuban President Fidel Castro's government over the years, giving Mexican companies an inside track for investment. Canadian companies are looking to invest in tourism, mining, and oil exploration. Canada has also exported an average of $94 million yearly to Cuba over the past three years, mostly in agricultural products. Mexican exports to Cuba in 1993 reached $100 million. Cuban exports to Mexico have fallen, but exports to Canada remain stronger.

Source: John M. Nagel, "Nafta Partners Ignore Ban, Increase Investments," JOURNAL OF COMMERCE, 9/2/94

LATIN AMERICAN ECONOMIC OVERVIEW

With Latin American economies expected to grow an estimated three percent in 1994 for the fourth consecutive year, governments and economists are enthusiastic about the neoliberal economic prescriptions of open markets, privatization, deregulation, and austerity measures that have brought success. At the same time, Bolivian workers are striking, Mexican peasants staged a revolt in January, and Argentine workers burned a provincial government building and marched on the capital this summer. Although it has brought economic expansion, the neoliberal medicine has not cured the poverty that continues to afflict millions. Most of the new money has gone to the already-rich. From the pueblos jovenes of Peru to the villas miseria of Argentina to the favelas of Brazil and the ranchos of Venezuela, many of the 73 percent of Latin Americans who are now city-dwellers live in increasing poverty. Lack of running water, garbage collection, and sewage systems increase the health problems of a population suffering from the malnutrition of the chronically unemployed. According to Peter Jensen, regional coordinator for human settlements at the UN Economic Commission on Latin America and the Caribbean, "Growth has been really on only one end of the spectrum, the wealthy. The rich are getting richer and the poor are getting poorer. And this will generate social conflict." Jensen estimates that 46 million people are homeless and another 85 million live in homes that should be demolished. Another 100 million lack water, electricity, or proper construction. The total of people ill-housed: 231 million of the estimated 441 million in the region. Chile, which lifted many people out of poverty in the past four years, has targeted education as its spending priority for the next six years, choosing education as a strategy for development as well as for fighting poverty, according to finance minister Eduardo Aninat. Still, overall government spending will be cut, so money for education must come from cuts elsewhere. Argentina, lauded by International Monetary Fund Michel Camdessus as a dynamic economy with a "strong and laudable capital investment" record, is planning still more privatization of state-run enterprises, from nuclear power plants to the national mint and the postal service. As the economic plans bring down inflation, poverty and unemployment have increased in Argentina.

Source: Nathaniel C. Nash, "Latin Economic Speedup Leaves Poor in the Dust," NEW YORK TIMES, 9/7/94; James Brooke, "IMF Chief Gives Argentina Economy Two Thumbs Up," REUTER, 8/30/94; "Argentina Plans Sweeping Sell-Off for Privatization," WALL STREET JOURNAL, 9/1/94; David Pilling, "Chile Targets Education as Spending Priority," FINANCIAL TIMES, 8/31/94; Thomas Kamm, "Epidemic of Slums Afflicts Latin America," WALL STREET JOURNAL, 8/30/94

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"Agricultural Interest Groups and the North American Free Trade Agreement," David Orden. NATIONAL BUREAU OF ECONOMIC RESEARCH, 1994. National Bureau of Economic Research, 1050 Massachusetts

Avenue, Cambridge, MA 02138. $5.00 Working paper from NBER Conference on the Political Economy of Trade Protection evaluates influence of US agricultural interest groups on NAFTA.

"The New Supremacy of Trade: NAFTA Rewrites the Status of States," Robert Stumberg. CENTER FOR POLICY ALTERNATIVES, 1993. Center for Policy Alternatives, 1875 Connecticut Avenue NW, Suite 710, Washington, DC 20009-5728. Telephone 202/387-6030; fax 202/986- 2539; email cfpa@cap.gwu.edu. $10 Guide to NAFTA for state legislators, emphasizing effect of NAFTA on state laws.

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From iatp@igc.apc.org Date: 26 Sep 94 06:06 PDT From: IATP Reply to: "Conference trade.news" To: "Recipients of conference trade.news" Newsgroups: trade.news
Subject: NAFTA & Inter-Am Monitor Produced by the Institute for Agriculture and Trade Policy

NAFTA and Inter-American Trade Monitor, vol. 1, #18 September 26, 1994

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NAFTA LABOR HEARING
STEELWORKERS ORGANIZE NAFTA WATCH
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NISSAN TO EXPORT FROM MEXICO TO US

Nissan Motor Company will begin making 1995 Sentra sedans at its Aguascalientes plant in Mexico next year for export to the US. About 20,000 of 140,000 Sentras expected to be sold in the US in 1995 will be made in Mexico, with the Nissan plant in Smyrna, Tennessee building the other 120,000 and 35,000 200SX coupes and 295000 pickup trucks and Altima sedans. The imports from Mexico will replace this year's imports from Japan. General Motors, Ford, Chrysler, and Volkswagen also build cars in Mexico for export to the US.

Source: "Mexico Exports for Nissan," NEW YORK TIMES, 9/15/94

NAFTA LABOR HEARING

Recently filed complaints and a September 12 hearing have focused attention on the North American Agreement on Labor Cooperation (NAALC), one of two side agreements to NAFTA. The August 16 complaint filed by US and Mexican human rights organizations charges Sony with violating Mexican labor laws and the Mexican government with failure to enforce those laws. The first hearing, by the National Administrative Office in Washington, DC, reviewed complaints filed last February by the Teamsters and the United Electrical, Radio and Machine Workers of America (UE), alleging that General Electric and Honeywell fired workers at Mexican plants for efforts to organize a union affiliated with the Authentic Labor Front (FAT). FAT is an independent union. Most Mexican workers who have any union membership are represented by pro-government unions in the Confederacion de Trabajadores Mexicanos. NAALC provides for establishment of National Administrative Offices (NAO) within each country. The NAO will hear complaints on labor law matters arising in another country and may request consultation with another country's NAO. If consultations do not resolve problems, the next step is appointment of an evaluation committee of experts (ECE). Penalties -- fines or trade sanctions --require several further steps, and are limited to narrowly defined types of cases. Freedom of association and rights to organize, to collectively bargain, and to strike are specifically excluded from ECE jurisdiction, so the complaint filed by the Teamsters and GE could only be addressed by consultation. UE spokesperson Robin Alexander, called the lack of sanction authority "deeply troubling," noting that "what that really leaves the NAO with is the ability to assert moral pressure and cast some light on violations by U.S. corporations." The amount of light shed may be affected by the NAO's prohibition of radio and television coverage of the hearing and by holding the hearing in Washington, DC, far from the location of witnesses.

Source: Edward A. Brill and Stephanie L. Oratz, "Labor Accord Put to the Test," NATIONAL LAW JOURNAL, 9/19/94; Marianne Lavelle, "Labor's Charges Test NAFTA Rules in Mexico," NATIONAL LAW JOURNAL, 9/19/94; Jorge A. Banales, "NAFTA Labor Tools Tested," 9/12/94

STEELWORKERS ORGANIZE NAFTA WATCH

Members of the United Steelworkers voted at their convention to establish a committee to monitor the effects of NAFTA and to disseminate information on transfer of jobs from Canada and the US to Mexico. the Steelworkers will work with the AFL-CIO in monitoring NAFTA. The convention also called for the abolition of the Canada-US Free Trade Agreement, and maintained that Canadian steel exports to the US have increased "so that Canadian steel producers might maintain customers who moved form Canada to the U.S."

Source: "Steelworkers to Establish Committee to Monitor North American Free Trade Pact," BNA DAILY LABOR REPORT, 9/1/94

QUEBEC SEPARATISTS ON TRADE

While Quebec's separatist Parti Quebcois (PQ) supports continued membership in NAFTA and GATT by an independent Quebec, they see independence generating a more trade with the rest of Canada. According to PQ's Rita Dionne-Marsolais, "The trade barriers between Quebec and the rest of Canada are bigger than the barriers between Quebec and the world," and independence would mean a better trade deal for Quebec. Quebec's $17 billion economy is made up mostly of small to mid-sized enterprises.

Source: Milan Ruzicka, "Quebec Separatists Foresee Economic Prosperity," JOURNAL OF COMMERCE, 9/7/94

CHILE CONCERNED AS CLINTON DROPS FAST TRACK

Chilean officials and business leaders are concerned that the Clinton administration's acquiescence to the US House of Representatives' dropping of fast-track free trade authorization from the GATT bill will kill Chile's hope of beginning negotiation this year for a bilateral pact with the US or for Chilean entry to NAFTA. Fast-track legislation would not be re-introduced until at least April, 1995. Chilean Finance Minister Eduardo Aninat criticized the move, saying "the region is being put off here as in everything else." Aninat predicted that the December 9-10 summit in Miami will be less important because of the failure of fast-track authorization, since free trade was one of the central topics. US officials said that loss of fast-track negotiating authority would not delay the beginning of negotiations. US Trade Representative Mickey Kantor said that negotiations will begin, but that the US has not decided whether to pursue a bilateral agreement or NAFTA accession for Chile.

Source: "Worried About Prospects of Free Trade Pact with U.S.," IPS, 9/14/94; "Chilean Official: U.S. Delay in Nafta Affects Many," XINHUA, 9/14/94; "U.S. Official Says Loss of 'Fast Track' Will Not Delay Chile Trade Talks," AFP-EXTEL NEWS, 9/15/94; "U.S. Reassures Chile of Commitment to Free Trade Deal, U.S. Officials Say," BNA, 9/16/94

LATIN AMERICAN FREE TRADE NOTES

Brazil's new Finance Minister Ciro Gomes cut tariffs on 13,000 goods from 20 percent to 14 percent, excluding only cars, computers, and factory machinery. Auto tariffs will drop from 30 percent to 20 percent, opening the market to low-cost Asian cars. Despite criticism from the business sector, the government appeared determined to take the lead in compliance with the Common External Tariff agreed upon by the Mercosur nations. "The business community has always talked about an open market. We'll see how they do when faced with international competition," said Gomes. The Brazilian government also created a commission to implement Mercosur and hosted a three-day meeting of Mercosur members -- Paraguay, Uruguay, Argentina, and Brazil -- in Fortaleza to discuss increased maritime commerce within the bloc. Chile has encountered obstacles in its negotiation with Mercosur for a joint agreement by the end of 1994, as Chile expressed opposition to required tariff reductions. Conversations between Chile and Mercosur will resume in October in Montevideo. US toy manufacturer Mattel, announced plans to invest $25 million in Argentina as part of a plan to expand in Mercosur countries. Mattel earns one billion dollars annually from worldwide sales of Barbie dolls and another $2.7 billion from Disney characters. Over the past four years, toy imports in Argentina have risen to $120 million and forced the closing of 120 of 200 local toy companies, cutting employment in the sector from 12,000 to 3,000. Bolivia and Mexico signed a free trade accord in early September, providing for elimination of 98 percent of all tariffs over a 10 year period and of all tariffs over 15 years. Trade between the two countries is expected to rise from $20 million to $50 million annually under the pact.

Source: Arnaldo Cesar, "Business Sector Hurt by Lower Tariffs," IPS, 9/12/94; James Brooke, "Brazil Cuts Its Tariffs on Many Goods," NEW YORK TIMES, 9/12/94; "Governo Cria Commissao de Comercio do Mercosul," IBASE, 9/16/94; "Mercosul Quer Incentivar Comercio Por Via Maritima," IBASE, 9/16/94; "Chile Faces First Obstacles to Mercosur Entrance," IPS, 9/15/94; "Barbie Doll and Mickey Mouse Move South," IPS, 9/12/94; "Mexico and Bolivia Sign Free Trade Accord," IPS, 9/10/94; "Businesses Welcome New Free Trade Pact," IPS, 9/9/94

BRAZIL UPDATE

The Brazilian government continued to expr ess optimism over falling inflation rates, despite the 11.86 percent cumulative inflation for July and August. The head of the Brazilian Institute of Geography and Statistics (BIGS) forecast lower inflation for September, saying that "from now on we will be floating in a sea of tranquillity." An official in the US Federal Reserve System expressed skepticism, predicting economic difficulty by late November. "If it's such a great plan, why didn't they introduce it in January instead of waiting until mid- year?" asked the US official. "The answer is that it would have run out of steam by now and people would be looking for somebody's head to chop off." "Black September," as the month of labor negotiations is traditionally known in Brazil, brought a metal-workers' strike and talk of strikes by other sectors. New Finance Minister Ciro Gomes acted quickly to assert government control over inflation, refusing to approve the first contract accord reached by auto makers and workers. On September 19, 52,000 of the 77,000 workers on strike returned in exchange for a one-time salary bonus, while workers in the crucial auto-parts industry remained out. Gomes, formerly governor of the northeastern state of Ceara, was named to replace Rubens Ricupero as Finance Minister after the latter's indiscreet comments to the press caused his resignation. Ricupero had boasted that the government was manipulating inflation figures to bolster the ruling party's election chances. Some were surprised by the naming of a politician rather than a member of the team that designed the nation's economic plan to the post, but business leaders spoke positively about the new minister and forecast an early return to normalcy. The Brazilian stock market has risen steadily all year, though money managers are still cautious, waiting for solid results from the government's new economic plan and the new currency introduced on July 1. As Brazil looks to the October 3 presidential election, former Finance Minister and Social Democrat candidate Fernando Henrique Cardoso maintains a lead in the polls over Workers Party candidate Luis Inacio Lula da Silva. If none of the ten candidates wins a majority on the first round, a runoff election will be held on November 15. The government announced that it will send the army into five of Brazil's 26 states to keep peace during the election.

Source: Mario Osava, "Young Politician Named Finance Minister After Scandal," IPS, 9/5/94; Arnaldo Cesar, "High Inflation Worries Government," IPS, 9/6/94; Arnaldo Cesar, "September Strikes Threaten Stabilization Plan," IPS, 9/14/94; "Some Auto Workers Strike in Brazil Regarding Pay," WALL STREET JOURNAL, 9/13/94; "Workers Return to Work with Salary Bonus," IPS, 9/20/94; Anthony Ramirez, "Brazil Stocks Fly High, But the Word Is Caution," NEW YORK TIMES, 9/10/94; James Brooke, "Taming of Inflation in Brazil Buoys Centrist Presidential Hopeful in Polls," NEW YORK TIMES, 9/14/94; "Estados Intervenidos Por Ejercito," SERVIDATOS, 9/20/94; "International Banks Help Rig Brazilian Elections," WEEKLY NEWS UPDATE ON THE AMERICAS, 9/25/94

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"International Organization," vol. 48, No. 3, Summer 1994. WORLD PEACE FOUNDATION, UNIVERSITY OF SOUTHERN CALIFORNIA. Two articles in this issue focus on trade issues: "The origins and sustainability of Mexico's free trade policy," by Manuel Pastor and Carol Wise and "Free trade, fair trade, strategic trade, and protectionism in the U.S. Congress, 1987-88" by Stanley D. Nollen and Dennis P. Quinn. Order from MIT Press, Cambridge, MA 02142. $35/year; $22 for current issue; $11 for back issue.

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Produced by: Mary C. Turck, Institute for Agriculture & Trade Policy, 1313 Fifth St. SE, Suite #303, Minneapolis, MN 55414- 1546 USA Tel: (612) 379-5980, Fax: (612) 379-5982, email: mturck@igc.apc.org

From iatp@igc.apc.org Date: 03 Oct 94 04:46 PDT From: IATP Reply to: "Conference trade.news"
To: "Recipients of conference trade.news" Newsgroups: trade.news Subject: NAFTA & Inter-Am Monitor 10/3/94 Produced by the Institute for Agriculture and Trade Policy

NAFTA and Inter-American Trade Monitor, vol. 1, #19 October 3, 1994

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ALLEGATIONS OF DUMPING STEEL, CHEMICALS
MAQUILA EXPORTS UP
MAQUILA STRIKE ENDS
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MEXICO'S ECONOMIC PACT RENEWED

Mexico's Pact for Stability, Competitiveness, and Employment (PECE) was renewed on September 24. The PECE is a voluntary but formal agreement between government, business, and labor, first introduced in 1987, which serves to reduce inflation and economic instability. Under the pact, Mexico's inflation rate has fallen from more than 150 percent to less than 5 percent. While the median wage for factory workers has risen, Mexican minimum-wage workers have lost almost 30 percent of their buying power. Agreement on PECE is made possible by the close ties between the Confederation of Mexican Workers and the governing PRI political party. This year's PECE set an inflation goal of 4 percent for 1995, holding wage and price increases to the same level and offering modest tax breaks and financial incentives to business. The PECE reinforces stability in the Mexican economy, bolstering the confidence of investors.

Source: "Mexico's Economic Pact Is Likely to be Renewed," EL FINANCIERO, 9/5-11/94; Anthony DePalma, "Mexico's Pact for a Stable Economy," NEW YORK TIMES, 9/27/94

ALLEGATIONS OF DUMPING STEEL, CHEMICALS

The Mexican Commerce Secretariat (Secofi) is convening two antidumping panels to review allegations of US dumping of rolled plate and sheet steel. The panels are the first established by Mexico under NAFTA, though anti-dumping complaints pre-dating NAFTA have been heard and decided. (See "Pork Disputes Settled," 9/19 NAFTA & INTER-AMERICAN TRADE MONITOR.) The panels will review Secofi's August 2 decision waiving some of the compensatory duties previously levied against US firms. German steelmakers, among others, have been critical of this decision. Mexican chemical manufacturers, who have received favorable Secofi rulings in several dumping cases this year, recently complained that the process takes too long and asked for an autonomous panel to address their concerns. The manufacturers say that businesses may fold during the year or more that is needed for a Secofi investigation to vindicate their claims of unfair competition by dumping.

Source: "Mexico Forms NAFTA Dumping Panels to Review Steel Cases," INTER-AMERICAN TRADE AND INVESTMENT LAW, 9/16/94; Kevin G. Hall, "Mexican Chemical Industry Proposes Trade Probe Panel," JOURNAL OF COMMERCE, 9/16/94

MAQUILA EXPORTS UP

Value added to products assembled at maquiladoras is up from $5.5 billion in 1993 to an estimated $7 billion, according to a Commerce Secretariat (Secofi) official. Export revenue from Mexico's 2,053 maquiladoras accounts for more than half of all exports, and the plants now employ 588,177 workers, 18 percent of all of Mexico's manufacturing industry workers. In anticipation of their phase-out under NAFTA, many maquiladoras are converting to vertically integrated, full-scale production, according to Secofi.

Source: "Maquila Exports Boom," MEXICO BUSINESS MONTHLY, 10/94

MAQUILA STRIKE ENDS

After two months on strike, workers at the Industrial Arcos maquiladora in Tijuana reached a settlement and returned to work on September 12. While workers were not completely satisfied with the agreement reached, the agreement did provide that they would receive pay for three of the five weeks that they worked without compensation prior to the strike, and it assured that there would be no retaliation against strike leaders. But in their first work back, Arcos fired all seven strike leaders and refused to pay for September 16, Mexican Independence Day, which was supposed to be a paid holiday. Workers continue to question whether plant operations are controlled by the nominal owners, the three Leyva Osorio sisters, or by US contractor Lowe Alpine. Lowe Alpine announced on September 16 that it had just severed ties with Arcos and workers believe that the Leyva Osorio family is preparing to sell the plant.

Source: "Settlement Reached in Arcos Strike, Workers Fear Retaliation," "Arcos Workers Fired, Company Violates Settlement Terms," SUPPORT COMMITTEE FOR MAQUILA WORKERS, 9/13,18/94

US COMPANIES GEAR UP FOR CUBA TRADE

Despite continuing US insistence on maintaining its 32-year trade embargo against Cuba, US businesses are preparing for an eventual opening of trade. While estimates of potential US trade and investment vary, all agree that the opening would be significant. Other foreign investors are moving in: European, Canadian, and Jamaican companies operate tourist resorts; French Total and other firms are exploring, producing, and marketing petroleum; several foreign companies are investing in mining; and Mexican Grupo Domos has a $1.4 billion deal for Cuba's domestic telephone company. Five U.S. telephone carriers have negotiated modified direct dialing contracts with the Cuban government, getting FCC approval for a surcharge that will generate millions for both the carriers and the Cuban domestic company. US executives, such as former Chrysler Corp. chair Lee Iacocca, have visited Cuba recently, as have representatives of Merck & Co. and Johnson & Johnson. Texaco has plans for oil development as soon as the law permits. Cuban Foreign Minister Roberto Robaina maintains that tightened US trade restrictions under the Toricelli law have seriously affected Cuban trade with subsidiaries of US companies in third countries, which dropped from a high of $718 million in 1991 to a mere $1.8 million in 1993. He says that the Toricelli law's sanctions on ships and airlines also cost Cuba more than $50 million last year and severely increased shipping costs to Cuba, including oil transport rates.

Source: Gail DeGeorge and Ruth Pearson and Mark Lewyn, "Almost Tasting Trade," BUSINESS WEEK, 9/19/94; Sallie Hughes, "Mexican Firm Gets Boost from New U.S.-Cuba Phone Contacts," EL FINANCIERO, 9/19-25/94; "Toricelli Law Hit Economy Hard, Foreign Minister Says," IPS, 9/9/94

NAFTA BOOSTS TRADE, NOT JOBS

According to reports from the Mexican Commerce Secretariat (Secofi) and the Organization of Economic

Cooperation and Development (OECD), Mexican exports to the US and Canada increased by 20.5 percent and 36.1 percent, respectively, during the first six months of NAFTA. Significant job growth has not followed the increase in exports, with Mexican government figures showing a mere 0.7 percent increase during the first half of 1994. This level of increase would generate only 84,000 new jobs annually, but Mexico needs to generate a million new jobs annually to accommodate new entrants to the labor market. President-elect Ernesto Zedillo has promised to create a million new jobs yearly, but analysts doubt that he will be able to accomplish this goal. An analyst at Mexico City's BanNorte stock brokerage predicted difficulty in fostering job growth through Zedillo's planned route of increased exports and vigorous small to mid-sized businesses. "You can talk about the micro revolution, but the reality is that big companies are going to continue kicking the butt of small companies," said the analyst. "Under Nafta, a lot of these companies will continue to fold, and there's no stopping that."

Source: "NAFTA Boosts Mexico Trade, Not Jobs," UPI, 9/22/94; Sallie Hughes, "A Delicate Balancing Act," EL FINANCIERO, 9/19- 25/94

TRADING IN THE ENVIRONMENT

-- Ecuador's Cofan ethnic group won a judgment against Texaco in a New York case, in a lawsuit brought by the Cofan based on ecological damage caused by Texaco. The Ecuadoran government and Texaco in August reached a separate verbal agreement for repair of damage done to the Amazon region between 1972 and 1992, including spills of 450,000 barrels of oil. Lawyers for the Cofanes say the government is trying to lower the judgment against Texaco, while government officials say that the judgment in a US court violates Ecuadoran national sovereignty. Indigenous people make up 30 percent of Ecuador's population of 11 million, with six of the 10 remaining aboriginal groups living in the Amazon where all of the oil is extracted. Oil revenues finance half of the national budget.

-- In Brazil, a 12-year, $2.1 billion clean-up of the Tiete River, which runs through Sao Paulo, has stalled because of lack of funding. The Sao Paulo government can receive matching funds from the Inter-American Development Bank, but the state government has been declared bankrupt by auditors. Water is now scarce in Sao Paulo, with neighborhoods suffering rationing and industrial production also affected.

-- A vote by the US Congress means that Venezuelan gasoline will be banned from the US, beginning in 1995, based on environmental considerations. The Venezuelan government will challenge EPA standards that bar its unleaded gasoline, charging that the regulations violate the General Agreement on Tariffs and Trade (GATT), amounting to protectionism. The US ban will affect 50-60,000 barrels a day and will cost Venezuela about $50 million annually.

-- According to the Mexican Attorney General's Office for Environmental Protection (PROFEPA), 70 percent of the complaints filed in the first half of 1994 were from the Federal District, with only eight complaints (1.5 percent) coming from five border states. PROFEPA attributed the relatively small number of border complaints to its delegation of authority to state environmental commissions, but the Arizona-based Border Ecology Project pointed to serious budget problems in state PROFEPA offices and lack of personnel to receive and process complaints.

Source: "Indigenous People Defend Win Against Texaco," IPS, 9/9/94; "Venezuela Will Challenge U.S. Ban on its Gasoline," AP, 9/14/94; "Venezuela Challenges U.S. Restrictions on Gasoline," IPS, 9/13/94; Ron Mader, "PROFEPA Releases Midterm1994 Report," ENVIRO MEXICO, 9/94

RESOURCES/EVENTS

"World Investment Directory, Vol. IV Latin America and the Caribbean." UNITED NATIONS, 1994. 476 pp. (UN Conference on Trade and Development, Division on Transnational Corporations and Investment) United Nations Publications, Room DC2-0853, Dept. 600, New York, New York 10017/ Fax 212/963-4116. $65 plus $3.50 postage and handling. "The purpose of the World Investment Directory is to assemble comprehensive data and information on FDI (foreign direct investment), basic financial data on the largest transnational corporations by sector, the legal framework within which such investment takes place, and selected bibliographic information pertaining to FDI and transnational corporations in individual countries."

"NAFTA and Agriculture: Will the Experiment Work?" Gary W. Williams and Thomas Grennes, eds. CENTER FOR NORTH AMERICAN STUDIES, 1994. 139 pp. Center for North American Studies, Department of Agricultural Economics, Texas A & M University, College Station, TX 77843-2124. Tel: 409/845- 5911, Fax: 409/845-6378. $20. Collection of papers presented at the International Agricultural Trade Research Consortium in San Diego, California, Dec. 12-14, 1993 includes overviews of Mexico's economy in NAFTA and specific examination of pollution abatement, dairy trade, and beef trade.

The NAFTA and Inter-American Trade Monitor is available in both English and Spanish on Association for Progressive Communications (APC) computer networks on the conference eai.news. It can also be faxed or sent via mail on request. We welcome your comments and contributions.

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Produced by: Mary C. Turck, Institute for Agriculture & Trade Policy, 1313 Fifth St. SE, Suite #303, Minneapolis, MN 55414- 1546 USA Tel: (612) 379-5980, Fax: (612) 379-5982, email: mturck@igc.apc.org

NAFTA Monitor
Wednesday, May 11, 1994 Volume 1, No. 20

Headlines:

GEPHARDT INTRODUCES LEGISLATION TO EXPAND NAFTA TO CHILE
NEW ZEALAND, MEXICO SIGN TRADE PACT
U.S. ENDORSES OBSERVERS FOR MEXICAN ELECTION
U.S.-MEXICO BORDER REGION TRYING TO ATTRACT BUSINESS
HONDA PLANS AUTO PLANT IN MEXICO
RESOURCES

GEPHARDT INTRODUCES LEGISLATION TO EXPAND NAFTA TO CHILE

House Majority Leader Richard Gephardt (D- Missouri) introduced legislation Monday that would allow the White House to negotiate a free trade pact with Chile under fast-track rules as long as the accord protects workers' rights and the environment. Identical legislation was introduced in the Senate by Senator Harris Wofford (D-Pennsylvania).

"We have the opportunity to reach a good agreement with Chile, " Gephardt said. "But before we sit down at the bargaining table, we have the obligation to consider what a 'good agreement' really means, and we have the right to say to the people of Chile: we'll start a new trade partnership but not if it means trading away our values. Not if it means lowering our labor and environmental standards, instead of raising yours."

Both Gephardt and Wofford voted against NAFTA. In a letter to Gephardt, Sierra Club Chair Michael McCloskey welcomed the legislation, saying it "will enhance the prospects of an environmentally sound agreement between the United States and Chile."

Chilean Finance Minister Eduardo Aninat announced Tuesday in Washington that preliminary negotiations to join NAFTA or to form a bilateral trade pact with the U.S. will begin May 25. The two sides hope to sign an agreement by March 1995.

What significance the environmental issue will play remains to be seen. Just last month, after U.S. Environmental Protection Agency officials outlined the kind of reforms Chile would need to make in order to join NAFTA, Chile Foreign Ministry officials said Chile was considering dropping its effort to join NAFTA and focusing instead on establishing free trade pacts with Europe, Asia and throughout Latin America.

"We're light years away from environmental standards in the U.S.," Foreign Ministry officials told the newspaper, LA EPOCA.

Chile is slated to become the first nation to join NAFTA, but other Western Hemisphere nations are eager to follow suit. Costa Rican President Jose Maria Figueres, who was inaugurated this week, pledged to expand Costa Rica's ties to trading blocs elsewhere and said he hoped Central American nations could eventually join NAFTA.

Sources: "Rep. Gephardt Introduces Legislation to Negotiate Free Trade Pact With Chile," May 10, 1994; "Moves Toward Talks With USA on Bilateral Trade Accord Or Joining NAFTA," BRITISH BROADCASTING SERVICE SUMMARY OF WORLD BROADCASTS, May 10, 1994; "Costa Rican President-elect Pledges Push for Central American Trade Ties," AGENCE FRANCE PRESSE May 7, 1994; John Maggs, "Chile Says US Demands Curb Interest in NAFTA," JOURNAL OF COMMERCE, April 29, 1994.

NEW ZEALAND, MEXICO SIGN TRADE PACT

During last month's GATT signing ceremony in Morocco, New Zealand and Mexico representatives found the time to sign a bilateral trade and investment pact. The accord establishes a special Commerce and Investment Commission to examine obstacles to trade and investment between the two countries. The commission will also develop an information channel to disseminate statistics and information about trade rules.

New Zealand downplayed the agreement, saying it did not address individual sectors and that it merely forms a framework for continued bilateral trade talks. New Zealand fears it will be shut out of the Mexican market because of NAFTA's preferential treatment to the U.S. and Canada.

Source: Kevin G. Hall, "New Zealand, Mexico Take '1st Step' to Talks," JOURNAL OF COMMERCE, April 26, 1994.

U.S. ENDORSES OBSERVERS FOR MEXICAN ELECTION

U.S. Secretary of State Warren Christopher encouraged the Mexican Congress to pass a proposal that would permit international monitoring of the August presidential election. "It would add to the credibility of the election if there were some international visitors," Christopher said Monday at the end of a two-day trip to Mexico City.

Christopher, Attorney General Janet Reno and other top White House officials met with their Mexican counterparts on a variety of issues, including border development, environmental clean-up, and the fight against drug trafficking.

Christopher acknowledged the problem of illegal

Mexican immigration to the U.S. "We must work together under the umbrella of NAFTA with our Mexican counterparts to find ways to deal appropriately with this flood of illegal immigrants," he said.

Sources: David Haskel, "Christopher Endorses Observers for Mexican Vote," REUTER, May 10, 1994; Doyle McManus, "U.S. Officials Due in Mexico to Lend Backing to Reformists," LOS ANGELES TIMES, May 9, 1994; Tim Vandenack, "Christopher Lauds 'Market' Democracies," UPI, May 9, 1994.

U.S.-MEXICO BORDER REGION TRYING TO ATTRACT BUSINESS

San Diego Mayor Susan Golding will lead a delegation of California and Mexican business leaders on a two-week trip to Asia to promote the San Diego-Tijuana border region as ideal for foreign businesses eager to take advantage of NAFTA. The delegation will tout Tijuana's cheap labor and San Diego's infrastructure to foreign businesses.

Some trade analysts contend that foreign investors are adopting a "wait-and-see" attitude to Tijuana as the city has suffered from assassinations, police corruption and increased drug trafficking in recent months. "Foreigners are quite concerned with making new investments in Tijuana and in Mexico in general. Money seems to be drying up," said Colleen Morton, vice president of the Institute of the Americas, a California think-tank.

Meanwhile, in an incident that will not help Tijuana's image, a break in one of the city's main sewer lines last week has poured more than 12 million gallons of untreated waste into the Pacific Ocean. The spill closed a 15-mile stretch of beach from the Mexican border to Coronado, California.

The Arizona-Sonora region is also trying to position itself to gain from NAFTA. Last month, Arizona hosted a conference of representatives from Mexico and U.S. states in hopes of establishing the region as a trade corridor for goods and services moving between western Mexico and the western U.S. and Canada.

The states have created the Arizona-Sonora Joint Economic Development Plan to promote certain industries. A proposal to promote tourism on both sides of the border will be released later this month, with mining and transportation plans to follow.

Sources: Chris Kraul, "Trade Mission May Have to Conduct Damage Control," LOS ANGELES TIMES, May 9, 1994; "Sewage Pipe Bursts in Mexico, Fouling Beaches in San Diego," NEW YORK TIMES, May 4, 1994; William H. Carlile, "Arizona, Sonora Positioned at Heart of 3-Nation Trade Flow," ARIZONA REPUBLIC, May 8, 1994.

HONDA PLANS AUTO PLANT IN MEXICO

In a move aimed at increasing market opportunities under NAFTA, Honda Motor Company will invest $50 million in a new auto plant in Mexico this year. The company says the plant will export vehicles to other Latin American countries, but does not expect to export Mexican-made cars to the U.S. and Canada.

Source: "Honda to Build Auto Plant in Mexico," YOMIURI NEWS SERVICE, May 10, 1994.

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"trade.library" - a storehouse of trade related documents, including analyses, reports, fact sheets, White House transcripts ... etc.
"trade.strategy" - an open discussion of trade issues and events
"eai.news" - a regular bulletin summarizing the latest news in Latin American integration and development
"susag.news" - a regular news bulletin pertaining to sustainable agriculture
"susag.library" - longer documents, studies and analyses on sustainable agriculture
"susag.calendar" - a calendar of events
"env.biotech" - a news bulletin about biotechnology

If you are on EcoNet/PeaceNet, you may access these services by going to the "conferences" section. If you are on another system and would like to be added to the e-mailing list for these services, send email to "kmander@igc.apc.org" with a note requesting to which lists you'd like to be added.

NAFTA Monitor is produced by: Gigi DiGiacomo and Kai Mander
Institute for Agriculture and Trade Policy (IATP)
1313 5th Street, SE, Suite 303 Minneapolis, MN 55414-1546 USA
tel: (612) 379-5980 fax: (612) 379-5982 email: kmander@igc.apc.org

From iatp@igc.apc.org Date: 17 Oct 94 04:54 PDT
From: IATP To: "Recipients of conference trade.news" Newsgroups: trade.news Subject: NAFTA & Inter-Am Monitor 10/17/94 Produced by the Institute for Agriculture and Trade Policy

NAFTA and Inter-American Trade Monitor, vol. 1, #21 October 17, 1994

Headlines

NAFTA LABOR COMPLAINTS DISMISSED
NAFTA GENERATES CUSTOMS PROBLEMS
NAFTA INVESTMENT AND TRADE FIGURES
BRAZIL OPENS TO MORE TRADE
ARGENTINA'S TRADE DEFICIT RISES
CARIBBEAN INVESTMENT NEWS

NAFTA LABOR COMPLAINTS DISMISSED

US Labor Secretary Robert Reich dismissed the first two complaints filed by unions under NAFTA. US and Mexican unions accuse Honeywell and General Electric of thwarting union organizing drives by firing dozens of workers and using other illegal tactics, and say further that the Mexican government condones such actions and fails to enforce its own labor protection laws. The companies and the Mexican government objected to review of the unions' charges under NAFTA, saying that the complaints concerned corporate, not government, action, and hence did not fall under the provisions of the NAFTA labor accord. While Irasema T. Garza, secretary of the Labor Department's National Administrative Office (NAO) said that the "timing of the dismissals appears to coincide with organizing drives," she said that available evidence "does not establish that the Government of Mexico failed to promote compliance with or enforce the specific laws involved." Garza also reported that most of the fired workers accepted severance pay rather than contesting their dismissals, and that some cases are pending before Mexican labor officials. Mark A. Anderson, director of the AFL-CIO task force on trade, expressed disappointment with the Clinton Administration, saying it had failed to make the most of even the limited NAFTA labor accord.

Source: Allen R. Myerson, "Reich Supports Mexico on Union Organizing," NEW YORK TIMES, 10/13/94.

NAFTA GENERATES CUSTOMS PROBLEMS

Despite steady growth in trade among the NAFTA partners, US exporters complain bitterly about new Mexican customs procedures. Certificate of origin rules have recently been clarified -- but not necessarily simplified. The rules are tough and aimed at keeping out Chinese-made textiles, apparel, and footwear. US exporters have trouble because they frequently import large quantities of Asian-made goods and then re- export some to Mexico. Other manufacturers complain because the certificate of origin forms must meet certain regional content requirements. With more and more manufactured goods made up of components from around the world, assessing North American content is frequently difficult. In addition, new labeling rules requiring original Spanish-language labeling on a number of imports will mean higher export costs. Smaller US exporters are particularly hard-hit by the need to comply with sometimes complex regulations. Some thought NAFTA was a panacea, opening the borders to free trade. They have found that, even though tariffs are lowered or eliminated by NAFTA, they must still pay for customs brokers, import licenses, and processing paperwork. The US Department of Commerce launched a series of seminars on customs procedures under NAFTA this January. Mexican commerce officials have also attempted to simplify regulations. An American Chamber of Commerce of Mexico survey of 225 companies operating in Mexico, showed executives almost evenly divided on whether customs procedures under NAFTA are the same, more difficult, or easier than before. More than half of the executives surveyed do believe that NAFTA will eventually simplify customs procedures.

Source: Maria Carlino, "Rough Trade," EL FINANCIERO, 9/26- 10/2/94; Kevin G. Hall, "Apparel Importers in US Find Doors Closed in Mexico, JOURNAL OF COMMERCE, 9/27/94.

NAFTA INVESTMENT AND TRADE FIGURES

According to Mexico's Ministry of Trade and Industry, foreign investment was up 29 percent during January-August 1994, compared to the same period in 1993. Just about half of the $9 billion was invested in the Mexican stock market. The remaining 49.4 percent was invested in productive sectors, particularly in manufacturing in the areas of food, beverage and tobacco production. Mexico's trade deficit with the US for the January-July period rose to $1.7 billion, but analysts predicted that increasing export sales would help to erase the deficit within a few years. Exports to the US rose from $22.5 billion during the first seven months of 1993 to $27 billion during the same period in 1994. Mexico's global trade deficit is estimated at between $17 and $18 billion. During January-June 1994, Canadian exports rose by 14.8 percent, compared to the same period in 1993. Imports rose by 16 percent, particularly in the machinery and equipment sector. In August, U.S. car and truck exports to Mexico reached a record high of 6,062, compared to 936 for August 1993. Mexican auto exports rose 25.7 percent during the first eight months of 1994 compared to the same period in 1993. Nissan Motor Company said it will begin next year to make Sentra cars for the US market in Mexico, rather than in Japan. Nissan expects to sell up to 20,000 Mexican-made Sentras in the US in 1995. In early October, Ford Motor Company announced a $60 million expansion to boost production by one-third at its Cuautitlan plant, where Ford Contour and Mercury Mystique are produced.

Source: "Foreign Investments Up 29 Percent in1994," IPS, 9/23/94; "Nissan Plans to Build Cars for U.S. in Mexico;" "U.S. Car Exports to Mexico Hit Record High;" " Maria Carlino, "Trade Deficit Grows," EL FINANCIERO, 9/26-10/2/94; Catherine Harris, "For Little Canada, Trade is a Minefield," FINANCIAL POST, 10/1/94.

BRAZIL OPEN TO MORE TRADE

As Fernando Henrique Cardoso prepares for his inauguration as Brazil's new president, increased trade appears to be the prescription of the day. Cardoso has promised to allow foreign investment in oil, telecommunications, mining, and public works. Despite nearly $5 billion in income from privatization anticipated in the 1995 budget, the budget deficit will still reach nearly $10 billion. The government will also open banking and insurance sectors in November (to be followed by stock markets, transportation, and ports) to at least the other Mercosur countries, circumventing constitutional protections for these industries by taking advantage of a loophole for international accords. Foreign investors can be expected to enter the expanding telecommunications sector, where a billion dollars in installation contracts could be awarded in the next few years. Sergio Amaral, Secretary of International Affairs of the Finance Ministry, said that Brazil's economy will expand with the elimination of obstacles to imports. According to Amaral, regulation of cleaning and personal hygiene products by the Health Ministry and of US agricultural imports by the Agriculture Ministry will be eliminated. Brazil's imports have increased by 50 percent, to $30 billion, over the past two years, with new foreign investment rising to $23 billion. Brazilian government officials predict that trade will increase to $120 billion by 1996. Imports from the US alone are expected to rise by 25-35 percent in 1994. Argentina, which last year had a $756 million trade deficit with Brazil on total trade of $6.4 billion, also looks forward to greater Brazilian imports and to increasing Brazilian consumption, which will reduce Brazilian exports to Argentina.

Source: "Brasil Vai Abrir Mercado de Servicios," IBASE, 10/6/94; James Brooke, "For Brazil, New Praise and Potential," NEW YORK TIMES, 10/10/94; "Economic Opening to Expand Service Sector," IPS, 10/6/94; "Some State Monopolies to Admit Private Capital," IPS, 10/6/94; "Cardoso Victory Seen as Good News for Argentina," IPS, 10/4/94.

ARGENTINA'S TRADE DEFICIT RISES

Argentina's trade deficit for the first eight months of 1994 is $3.8 billion, compared to a $3.7 billion deficit for all of 1993 and a $2.6 billion deficit for all of 1992. Argentine government officials and International Monetary Fund representatives say the deficit may reach $6 billion by year's end. Argentina sold $2.21 billion in goods to Mercosur members, while importing $2.83 billion. The government attributes the rising trade deficit to increased capital goods purchases in the industrial sector during the first half of the year.

Source: "January-August Trade Deficit Tops Total for 1993," IPS, 10/6/94.

CARIBBEAN INVESTMENT NEWS

-- Garment and textile industries in Central America and the Caribbean suffered a trade setback with the Clinton Administration's move to decouple Interim Trade Program (ITP) provisions from GATT fast-track legislation. The ITP would provide parity with Mexico for Caribbean Basin Initiative (CBI) countries. Clothing and textile exports from CBI countries to the US have grown in recent years, despite the continuing 17-21 percent tariffs. Exporters from Caribbean and Central American countries lost ground this year, as tariffs on Mexican clothing and textiles were reduced. %JDespite 60 percent popular opposition, the government of Grenada has given control of the local light and power company, Grenlec, to the US firm, WRB Enterprise. WRB bought half of the shares of Grenlec for $5.6 million. Opposition parties and trade unionists say the price is too low. Much of the opposition stems from a sentiment in favor of national ownership of such a key enterprise, although neighboring countries have recently sold their power companies. The Grenadian National Commercial Bank was sold to Trinidadian investors two years ago, and ten more state companies will soon be sold.

-- Guyana has seen heavy Canadian investment in its mining industry, including recent deals for granite quarries, gold mines, and waste rock. US mining concerns have also moved into Guyana's mining sector.

-- Jamaica's Digiport International (JDI) in the Montego Bay Free Zone is owned by AT&T of the United States, Cable and Wireless of Britain, and Telecommunications of Jamaica. JDI offers high-speed information processing and international toll- free switched and dedicated services for order processing. The market for off-shore information processing is rapidly expanding, and JDI is part of the Jamaican government's effort to expand its traditional export earnings base.

-- Suriname, devastated by a civil war following a 1980 military coup, is seeking increased export earnings, turning from its Dutch colonial focus to the Caribbean and the United States sphere of influence. Pittsburgh-based Alcoa is the most substantial foreign investor, running the Suralco bauxite mine and alumina refinery since 1915. Other US firms are planning offshore drilling activities and a fertilizer plant. The biggest potential investor is Indonesia's MUSA Group, which wants to invest $1 billion in lumber operations in six million hectares of Suriname's Amazon hardwood forests -- a third of the country's territory. Environmentalists oppose MUSA, pointing to its clearcutting of Indonesian forests. A Malaysian firm already heavily involved in neighboring Guyana also wants a million hectares of rain forest.

Source: Edward Orlebar, "U-Turn by US Hits Caribbean Exporters," FINANCIAL TIMES, 10/11/94; Hamlet Mark, "Power Passes to Overseas Investors," IPS, 10/6/94; "Canadian Investors Find Country a Gold Mine of Opportunity," IPS, 9/20/94; Canute James, "Jamaica's Window to the World," U.S./LATIN TRADE, 10/94; Larry Luxner, "Suriname Blues," U.S./LATIN TRADE, 10/94.

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vFrom iatp@igc.apc.org Date: 23 Oct 94 18:15 PDT
From: IATP To: "Recipients of conference trade.news" Newsgroups: trade.news Subject: NAFTA & Inter-Am Monitor 10/24/94 Produced by the Institute for Agriculture and Trade Policy

NAFTA and Inter-American Trade Monitor, vol. 1, #22 October 24, 1994

Headlines

NAFTA TRADE NOTES

-- Blue jeans are big business in El Paso, despite the vulnerability of the industry to competition from cheaper Mexican labor. The prestige of the "Made in the USA" jeans label has helped to maintain 20,500 jobs in El Paso's apparel industry, as have low-wage shops stitching up designer jeans. While some manufacturers, such as Wrangler, boast of state-of-the-art computerized plants, others skimp on tax payments and close their doors without paying workers, leaving El Paso one of the country's poorest metropolitan areas, with personal incomes at 59 percent of the US national average. Overall US employment in the apparel industry has fallen from 1,075,700 in 1989 to 959,000 in August 1994.

-- Xerox Corporation, which last year announced plans to slash 10,000 of its 97,000 jobs by 1996, may consolidate or close a plant in Oak Brook, Illinois. Employees said that Xerox officials plan to move the work to a huge refurbishing facility in Aguascalientes, Mexico, but company officials declined to comment. Both plants refurbish used Xerox copiers for lease or sale, and the Oak Brook plant makes some parts as well.

-- California's U.S. Electricar Inc. and Mexico's Grupo Industrial Casa signed an agreement to manufacture electrical industrial vehicles for North, Central and South America. Grupo Industrial Casa is the largest manufacturer of bus bodies in Mexico. The two hope to take advantage of anti-pollution needs and NAFTA trade benefits. California's Taylor-Dunn also purchased a 10 percent share in Industrias Murrell, with plans to make electric vehicles for urban areas, including delivery vans for package express companies.

-- A Canadian firm, White Bear Water L.T.D., recently advertised in Mexico's El Financiero that it has approval to export 7.2 million metric tons of water annually.

-- Texas grapefruit growers expect to begin shipments to Mexico soon, as Mexican officials have approved US precautions to prevent spread of Mexican fruit fly.

-- Grupo Industrial Bimbo canceled its planned acquisition of 50 percent of Mrs. Baird's Bakeries, saying talks about commercial agreements between the two companies would continue.

-- Villa Sana Industries complained that Mexican health administration regulations on prior registration and approval have effectively eliminated most US medical exports from sale in Mexico, since US exporters are not prepared to deal with the complex registration procedures.

Source: Allen R. Myerson, "Jeans Makers Flourish on Border," NEW YORK TIMES, 9/29/94; Frederick H. Lowe, "Xerox May Close Oak Brook Site," CHICAGO SUN-TIMES, 9/22/94; Kevin G. Hall, "Electric Vehicle Maker Inks Mexico Pact; Calif., Mexican Firms Form Venture to Make Electric Industrial Vehicles," JOURNAL OF COMMERCE, 10/11/94; "Canadian Water," EL FINANCIERO, 9/19-25/94; "Shippers Eye Mexico Markets for Grapefruit," THE PACKER, 9/26/94; "Bakery Acquisition Off," NEW YORK TIMES, 10/10/94; "Rule on Medical Sales to Mexico Criticized," JOURNAL OF COMMERCE, 10/5/94.

EFFORTS TO EASE NAFTA TRADE CONTINUE

Representatives from standards groups in Mexico, Canada, and the United States met in Mexico City in early October to work on formulating common standards for a wide variety of products. Substantial progress has been made in telecommunications and electrical standards since the beginning of discussion in 1991. NAFTA imposes a four year limit for intra-NAFTA recognition of companies accredited by governments to certify that a product meets a country's standards. NAFTA-wide standards may have the added benefit of shutting out cheaply made Asian imports that Mexican trade officials want to bar. Meanwhile, US customs brokers along the Mexican border are consolidating and expanding to offer services at all commercial crossings along the 2,000-mile US-Mexico border. Large shippers prefer to deal with a single company, which allows them to file all the customs documents in a single location. Mexus Ro-Ro Line offers a roll-on, roll-off service from Houston to the Mexican port of Tuxpan. Other cargo lines are also working on combined rail-barge transportation. NAFTA trade is not without risks, particularly for small and medium-sized companies, according to the US Commerce Department, which advises that businesses should seek special insurance to protect themselves. Such insurance may make it easier to get lines or letters of credit for accounts receivable.

Source: Kevin G. Hall, "Nafta Groups Meet to Set Common Product Standards," JOURNAL OF COMMERCE, 10/11/94; Kevin G. Hall, "US Brokers Consolidating for 1-Stop Border Service," JOURNAL OF COMMERCE, 10/5/94; Kevin G. Hall, "Roll-On, Roll- Off Line Offers Route to Mexico without Border Hassles," JOURNAL OF COMMERCE, 10/5/94; Kevin G. Hall, "Small Exporters to Mexico Urged to Seek Insurance," JOURNAL OF COMMERCE, 10/7/94.

ALADI REDEFINING ROLE AS TRADE GROWS

The vice-ministers of foreign relations of the 11 member countries of the Latin American Integration Association (ALADI) will meet on November 17-18 in Montevideo, Uruguay to discuss the future of ALADI and its contribution to regional integration. All of ALADI's members -- Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Mexico, Paraguay, Peru, Venezuela, and Uruguay -- participate in various other trade and commercial pacts, such as Mercosur, the Andean Pact, G-3, and NAFTA. Since its creation in 1980, ALADI has been overtaken by a proliferation of bi-lateral and multi-lateral trade pacts in the Americas. A recent SELA (Latin American Economic System) report showed trade within Latin America and the Caribbean growing rapidly over the past four years. Intra-regional trade rose from 13 percent of the region's commerce in 1990 to 18 percent in 1993. Exports within the region grew by nearly 25 percent per year. ALADI's secretary general, Brazilian Antonio Antunes, has proposed a two-part role for ALADI: to create, for all of the region's trade pacts, legal norms that facilitate trade, such as rules of origin and common nomenclature, and to promote the convergence of the various pacts. "We all have wanted to say that Mercosur should advance, that G-3 should advance, as much as the Andean Pact, but this has not advanced the regional aspect of integration," said Antunes. "The great characteristic of this proposal is the flexibility that will permit the coexistence of subregional systems with a project of integration of global dimension."

Source: "Aladi Redefine Su Papel en el Proceso de Integracion," SUCESOS, 10/13/94; "Report Shows Intra-Regional Trade Growth," IPS, 10/7/94.

CENTRAL AMERICAN PRESIDENTS PROPOSE NAFTA ENTRY

Meeting with US Vice President Al Gore in Managua during the "Ecological Summit," presidents Carlos Roberto Reina (Honduras), Armando Calderon Sol (El Salvador), Ramiro Leon Carpio (Guatemala), Ernesto Perez Balladares (Panama), Jose Maria Figueres (Costa Rica), and Violeta Chamorro (Nicaragua) united in a proposal for conditional and temporary membership in NAFTA. The presidents proposed that Central America, as a region, be accepted as a "temporary and special" member in NAFTA for a certain period of time, with each country to use this time to fulfill the conditions imposed for full membership. The Central American presidents also called on the United States to fulfill the promise made by Vice President Gore in May to open its market for the import of textiles and clothing from the region. The Clinton Administration recently removed the Interim Trade Program (ITP) provisions, which implemented this promise, from GATT legislation.

Source: "Centroamerica Aspira a Ser "Miembro Temporal" del TLC," SUCESOS, 10/13/94; "U-turn by US Hits Caribbean Exporters," FINANCIAL TIMES, 10/11/94.

MERCOSUR DOCKWORKERS UNITE

The dockworkers' unions of three of the four Mercosur countries announced the joint scheduling of a two-hour work stoppage on October 11 to protest plans for privatization of ports in Argentina, Brazil, and Uruguay. According to the secretary general of the Uruguayan union, "the tendency in Latin America is for the state to abandon the tasks in the ports so that they fall into the hands of transnational agencies."

Source: "Portuarios Haran Paro Contra Privatizaciones," IPS, 10/8/94

EUROPEAN UNION, MERCOSUR, ANDEAN PACT DEVELOPMENTS

Speaking in Brazil, European Commission Farm Commissioner Rene Steichen expressed hopes of liberalizing agricultural trade and opening up free trade in industrial products with Mercosur, though he rejected the idea of free trade in farm products as unrealistic. According to Steichen, the European Union (EU) may make changes that favor the less-developed nations, while withholding benefits from more developed nations, such as Brazil and Argentina. The EU is Mercosur's main trading partner, with a balance of trade of $46 billion in favor of Mercosur between 1985 and 1992. The EU bought 45 percent of agricultural and food products exported by Mercosur countries during the same years. In early October, Venezuelan Finance Minister, Werner Corrales, asked the EU to support development of Small and Medium Enterprises (SMEs) and telecommunications networks and social projects for poor communities in Venezuela. Emphasizing the request for SME development, Corrales called for "solidarity programs" to help poor communities, citing Mexico, Chile, and the Toscana region of Italy as examples of successful use of SMEs. The EU will renew trade benefits under the Generalized System of Preferences to the four Andean Pact members currently covered (Bolivia, Colombia, Ecuador, Peru) as part of its economic reform and drug fighting efforts, and is expected to extend the benefits to Venezuela for the first time. Despite open access to EU markets, Andean Pact members have a trade deficit with the EU in 1993. The Andean Pact represents less than one percent of the 12 EU countries' trade. The EU is also considering a suggestion that Cuba should be included in the GSP, but the proposal has met with opposition from Germany, Denmark, and Greece.

Source: "Steichen Promises Freer Trade with Mercosur Countries," REUTER, 10/11/94; "EU/Latin America: Plans to Boost EU Ties with Mercosur, Andean Pact and Cuba," EUROPEAN INFORMATION SERVICE, 10/8/94; Debra Percival, "Caracas Finance Minister Lobbies EU for Support," IPS, 10/10/94; Raymond Colitt, "EU to Renew Andean Pact Trade Benefits," FINANCIAL TIMES, 10/4/94; Diego Cevallos, "Andean Pact-E.U.: A Tense and Asymmetrical Relationship," IPS, 10/94

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"Border Right-to-Know Project: The 1993 Northeastern Sonora Pilot Inventories," Gildardo Acosta-Ruz, et al. ARIZONA TOXICS INFORMATION, INC./ENLACE ECOLOGICO, A.C., August 1994. About 200 pages. Arizona Toxics Information, Inc., Post Office Box 1896, Bisbee, AZ 85603. (602) 432-5374. Available in Spanish or English. $20. Advertised as "the first systematic public collection and analysis of hard data on toxics use by small farmers and US- owned maquiladoras in three communities of Mexico's northern border zone" and "a low-cost, easily replicable model for future local, state and national inventories in Mexico."

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Produced by: Mary C. Turck, Institute for Agriculture & Trade Policy, 1313 Fifth St. SE, Suite #303, Minneapolis, MN 55414- 1546 USA Tel: (612) 379-5980, Fax: (612) 379-5982, email: mturck@igc.apc.org

From iatp@igc.apc.orgMon Oct 31 18:56:09 1994 Date: 31 Oct 94 04:55 PST
From: IATP To: "Recipients of conference trade.news" Newsgroups: trade.news Subject: NAFTA & Inter-Am Monitor 10/31/94 Produced by the Institute for Agriculture and Trade Policy

NAFTA and Inter-American Trade Monitor, Vol. 1, #23 October 31, 1994

Headlines

MEXICAN BANKING OPENED TO FOREIGNERS
SCOTT PAPER EXPANDS IN MEXICO
BOYCOTT THREATENED
MEXICAN ANTITRUST AGENCY'S FIRST YEAR
US-CANADA CULTURE WAR
NAFTA & ENVIRONMENT
EU OFFER TO MERCOSUR
LOOKING TOWARD ASIA
BANANAS AND RUM

MEXICAN BANKING OPENED TO FOREIGNERS

The NAFTA-mandated opening of Mexican markets to foreign banks and brokerage houses occurred in October, with the Mexican Finance Ministry granting 52 licenses to 102 applicants. No applications were rejected outright, though some were returned for additional information. The government issued licenses to 18 commercial banks, 16 securities firms, 12 insurance companies, a leasing company for Citibank, and five financial groups. Citibank has been the only foreign bank operating in Mexico since the 1910 revolution, and is the only bank expected to compete with 35 Mexican commercial banks for retail customers. Foreigners still cannot go beyond 25 percent of the market until 2004. The new banks, including Chemical Bank, Bank of America, Bank of Boston, Banco Santander (Spain) and Bank of Tokyo, are expected to offer services in investment banking, corporate advising, trade financing, and derivatives contracts. Officials expect the new licenses to bring about $1.2 billion in new investment. "With the presence of these institutions, foreign investment will increase, access to the international market will broaden and existing capital resources will be expanded," said Finance and Public Credit Minister Pedro Aspe.

Source: Jennifer Tierney, "Foreign Banks to Get Green Light," EL FINANCIERO, 10/10-16/94; Tim Golden, "In Opening Its Finance, Mexico Bets Long Term," NEW YORK TIMES, 10/19/94; "In Mexico, Invasion Is Welcome," NEW YORK TIMES, 10/23/94; "Government Launches Financial Openness Plan," IPS, 10/18/94.

SCOTT PAPER EXPANDS IN MEXICO

The Mexican affiliate of Scott Paper Company will spend $148 million to expand plants in Mexico. The expansion will include a newsprint machine and a recycled fiber line in Morelos. Scott Paper said in August that it will slash 10,500 jobs worldwide by the end of 1994, but said the Mexican expansion will not replace US jobs.

Source: "Scott Paper Unit to Expand Mexican Plants," NEW YORK TIMES, 10/19/94.

BOYCOTT THREATENED

Mexican groups along the Tijuana-San Diego border are planning a boycott of US products to protest the anti-immigrant Proposition 187 ballot initiative in California and the US Immigration Service's Operation Gatekeeper, which deployed 200 border patrol agents, complete with helicopters, boats, and computerized data bases on October 1. The boycott was scheduled for the week before US elections, with organizers threatening an expansion if the anti-immigrant campaigns continue. California's Republican Governor Pete Wilson has made immigration the top issue in the upcoming election, actively campaigning for Proposition 187, also known as the "Save Our State" (SOS) initiative, which would deny undocumented immigrants such public services as health care and education. According to human rights activist Arturo Sols Gmez, "California has the top gross domestic product ... in the United States, and it is thanks to the cheap Mexican labor it has always exploited." On October 16, 70,000 protesters marched in Los Angeles, calling the SOS initiative racist, meanspirited, and unconstitutional. Mexico's foreign minister has called the proposal "racist and xenophobic."

Source: Jo Bedingfield, "Mexicans Call for Boycott," EL FINANCIERO, 10/10-16/94; "Californians Protest Anti- Immigrant Measure," WEEKLY NEWS UPDATE ON THE AMERICAS, 10/23/94.

MEXICAN ANTITRUST AGENCY'S FIRST YEAR

The Mexican antitrust agency -- the Federal Economic Competition Commission -- began operations in June 1993, charged with enforcing the first comprehensive antitrust law in Mexico, the Federal Law of Economic Competition. The law prohibits "absolute monopolistic conduct," such as price fixing, bidrigging, and market division, but allows most agreements among non-competitors. During its first year, the commission reached consent decrees in the credit card and gasoline station franchising markets. The credit card agreement followed an investigation of collaboration between Mexico's three largest banks -- Bancomer, Banamex, and Banco Serfin. The gasoline agreement dealt with Pemex subsidiary Pemex-Refinacin's tying arrangements and exclusive dealings in connection with granting franchises, and will make many more franchises available throughout Mexico. The commission also investigated sixteen other cases and imposed total penalties of $750,000.

Source: Sergio Garcia-Rodriguez, "Mexico's New Antitrust Agency," "Analysis of the Antitrust Agency's First Year," INTER-AMERICAN TRADE AND INVESTMENT LAW, 9/30, 10/7/94.

US-CANADA CULTURE WAR

Canada's Radio-Television and Telecommunications Commission has ordered Nashville's Country Music Television (CMT) out of Canada by January 1, to be replaced by the Canadian-based Country Network. The Country Network promises to have 30 percent Canadian content in 1995, with a goal of 40 percent by 2001. Country music is popular across Canada, with many Canadian artists succeeding on both sides of the border. The Commission acted under specific provisions of free trade agreements with the US that exempt Canadian cultural industries. Commission spokesperson Bill Allen said that the Canadian Broadcasting Act requires it to protect a domestic specialty service from foreign competition on request of the Canadian company. Cable News Network remains on the air since the Canadian Broadcasting Corporation has not requested protection for its Newsworld service.

Source: Clyde H. Farnsworth, "The Border War Over Country Music," NEW YORK TIMES, 10/23/94.

NAFTA & ENVIRONMENT

Despite the environmental side agreement to NAFTA, the agencies created in response to environmental concerns lack the authority and resources to uphold the agreement, according to both ecologists and government sources. As business seeking looser environmental regulations moved to the Mexican side of the border in recent years, the border has become, according to Carl Pope, executive director of the Sierra Club, "the world's largest toxic waste dump." Mexico's strong environmental laws have remained largely unenforced. This summer, a 13-year-old from Laredo, Texas died from an amoebic brain infection after swimming in the Rio Grande. The infection was traced to the 24 million gallons of raw sewage dumped daily in the river by the city of Nuevo Laredo. Mexico and the US have agreed that a US citizen will run the Border Environmental Cooperation Commission, based in Juarez, and a Mexican will head the less-powerful North American Development Bank, based in Texas. Nine months after NAFTA's signing, no border cleanup projects are even close to implementation. The Sierra Club's executive director maintains that "very little progress" has been made. On the record, US officials such as Robert Sussman, deputy chief of the US Environmental Protection Agency, claim that "we're doing pretty darn well, everything considered." Off the record, officials acknowledge impatience with slow progress. US House majority leader Richard Gephardt criticized rules for the Border Environmental Cooperation Commission, which he said limit public participation and enable closed-door decision-making.

Source: Allen R. Myerson, "Trade Pact's Environmental Efforts Falter," NEW YORK TIMES, 10/17/94; "NAFTA Weak on Ecological Protection," IPS, 10/17/94.

EU OFFER TO MERCOSUR

The EU has offered to create a free trade area with Mercosur by 2001, conditioned on Mercosur ending its own internal tariffs and creating a common external tariff. Mercosur countries welcomed the offer, as trade between the EU and Mercosur continues to climb. The EU countries made 48 percent of all direct foreign investments in Mercosur in 1990.

Source: "Member Countries Cautiously Welcome Pact with EU," IPS, 10/20/94; Debra Percival, "EU Keen on Free Trade Area with Mercosur," IPS, 10/19/94.

LOOKING TOWARD ASIA

Chile will join Mexico as a full member of the Asian-Pacific Economic Cooperation pact (APEC) on November 12. US opposition delayed full membership for Chile until this year. Mexico joined the 47-member "super bloc," representing about 40 percent of global trade, in 1993. APEC members include Japan, Australia, China, the United States, and the recently- industrialized Asian "tigers." Chilean imports from non-North American APEC members increased from $623 million in 1980 to $1.4 billion in 1993, with exports growing from $746 million to $2.82 billion. Chile hopes to serve as an intermediary between South America and APEC, and to balance its Mercosur and ALADI trade deficits with its Asian trade surplus. The Mexican business community refers to the Aztecs' sacred animal, the jaguar, as a parallel to the Asian tiger in describing their hopes for increased trade. Both trade and direct investment by Asian-Pacific nations in Mexico have grown dramatically since 1988, though Mexican businesses are wary of competition from low-wage manufacturers. "The country will have to be very careful to carve out niches of complementarity rather than competition, because we're talking about the world's biggest exporters. We can't teach the Pope to pray," said Alejandro Alvarez of the Autonomous University of Mexico.

Source: Gustavo Gonzalez, "Looking Ahead to an Asian-Pacific 'Super Bloc,'" IPS, 10/12/94; Maria Amparo Lasso, "In Search of Pacific Markets and 'Jaguar' Status," IPS, 10/20/94.

BANANAS AND RUM

Caribbean banana exporters are scheduled to lose their preferential access to the European Union (EU) when the World Trade Organization takes over next year. The EU currently favors banana imports from the African, Caribbean and Pacific (ACP) group over those from Latin America. GATT has failed to act on its panels' rulings that the EU quota discriminates, but the World Trade Organization has different, stricter rules. Caribbean producers have a hard time competing with Latin Americans because Caribbean production costs are higher. The United States has recently indicated that it will enter the banana dispute on the side of Latin American governments, perhaps due to the dominance of US companies such as Bandeco, Standard Fruit, and Chiquita Brands in Latin America. The EU has agreed to talk with the US on the banana dispute. Rum producers from the Caribbean oppose the European Union's new proposal to restrict dark rum imports, based on alleged competition with France's domestically-produced rum from its Overseas Departments of Guadeloupe, Martinique, and Reunion. Quota restrictions on "light" rum will be abolished in 1996 under the proposal. Anglophone Caribbean states can now export 224,000 hecto-litres duty-free under the LOME IV Convention "rum protocol," but heavy duties must be paid on any additional rum. The duty-free provision may be eliminated under the new EU proposal, just as Caribbean nations were preparing to push for an even higher duty-free quota, based on increasing European demand for dark rum.

Source: Debra Percival, "Caribbean Producers Not Happy With New EU Proposal," IPS, 10/12/94; Scott West, "Bananas Are Early Test for New Trade Body," IPS, 10/12/94; Diego Cevallos, "United States Joins EU Banana Debate," 10/2/0/94; Debra Percival, "Washington Takes on Brussels Over EU Market Policy," IPS, 10/18/94.

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From iatp@igc.apc.orgThu Jan 26 15:42:10 1995 Date: 07 Nov 94 08:35 PST From: IATP To: "Recipients of conference trade.news" Newsgroups: trade.news Subject: NAFTA & INTER-AM MONITOR 11/7/94 Produced by the Institute for Agriculture and Trade Policy

NAFTA and Inter-American Trade Monitor, Vol. 1, #24 November 7, 1994

Headlines

NAFTA TO BRING INTELLECTUAL PROPERTY LAW CHANGES
HERSHEY TO CUT JOBS
MEXICAN LEATHER WEAR COMPANY APPEALS US RULING
LABOR DEPARTMENT MAY AMEND NAFTA WORKER RETRAINING PROGRAM
AFL-CIO ENDORSES NAFTA BACKERS
PRIVATIZATION CONTINUES
TRADE WITHIN ALADI NEARLY DOUBLES

NAFTA TO BRING INTELLECTUAL PROPERTY LAW CHANGE

The International Intellectual Property Association (IIPA) names Mexico as the seventh-biggest offender in the world, with pirated software, books, music, and video products costing $293 million last year. The worldwide cost of such piracy was estimated at $8 billion in 1993. Ordinarily, the US would classify Mexico as a Special 301 Priority Foreign Country to be watched, but NAFTA provides another avenue to exert pressure. Mexico has agreed to legislate and enforce new copyright laws and has invited the US-based IIPA to submit proposals for change. According to the IIPA, lax enforcement is the primary problem, and the current level of fines does not meet NAFTA standards. As an example, copyright violation fines are set at 50 to 500 times the minimum daily wage in the Federal District -- $225 to $2,250. Mexican law also exempts copyright violators who commit crimes "to satisfy their most basic necessities." The IIPA considers this defense too broad.

Source: Justin Bicknell, "Property Rights," EL FINANCIERO, 10/17- 23/94.

HERSHEY TO CUT JOBS

Hershey Foods Corporation, headquartered in Pennsylvania, announced plans to consolidate and streamline its North American operations, probably cutting about 400 jobs. Hershey makes chocolate, candies, and pasta products in the US, Canada, and Mexico. The Canadian plants have been performing "below expectations for three to four years," according to one analyst, and NAFTA will enable Hershey to close those plants.

Source: Richard Ringer, "Hershey Plans Streamlining and Will Cut About 400 Jobs," NEW YORK TIMES, 11/2/94.

MEXICAN LEATHER WEAR COMPANY APPEALS US RULING

Maquiladora Pieles Pitic, S.A. de CV and its US importer, Pitic Leather, have appealed a US Commerce Department ruling that assessed countervailing duties (CVD) on some of its leather wearing apparel. The Commerce Department review focused on 1992 imports and determined a net subsidy of zero for 65 Mexican companies, but assessed a 13.35 percent CVD on other firms, including Pieles Pitic. This is the first challenge of a US trade remedy decision by a Mexican company under the international panel review established by NAFTA. The company argued in its appeal to the US NAFTA Secretariat that the US government "neither informed Pieles Pitic or Pitic Leather of the 1992 review nor requested any information from either company, and that its first information about the CVD came after a shipment was held up for payment of the CVD. Moreover, said attorneys for Pieles Pitic, the CVD amount was arrived at by taking the highest rate of subsidy in the 1980s under two Mexican subsidy programs that no longer exist. The NAFTA review process has also been used by US and Canadian firms.

Source: "Leather Wear Co. Is First Mexican Firm to Appeal U.S. CVD Ruling," INSIDE NAFTA, 10/5/94.

LABOR DEPARTMENT MAY AMEND NAFTA WORKER RETRAINING PROGRAM

The US Labor Department is considering whether to ask Congress to make it easier for displaced workers to qualify for worker retraining programs under NAFTA Trade Adjustment Assistance (NAFTA-TAA). State representatives at a recent meeting raised a number of concerns about the program, and organized labor sources have maintained that problems include lack of familiarity with the program by local officials, inaccurate or incomplete advice given to workers, and too-rigid time limits. Because of the difficulty in qualifying for NAFTA-TAA, many organized labor officials have encouraged workers to apply for standard TAA benefits.

Source: "Labor Dept. May Seek to Amend NAFTA Worker Retraining Program," INSIDE NAFTA, 10/5/94.

AFL-CIO ENDORSES NAFTA BACKERS

Despite threats of retribution against members of Congress who voted for NAFTA, the AFL-CIO is supporting 64 members who backed NAFTA. AFL-CIO President Lane Kirkland said that labor support could not hinge on a single vote. Union leaders have been concerned about Democratic losses in the coming elections for the Senate and House of Representatives.

Source: "Bygones Are Bygones: AFL-CIO Endorses 64 Who Backed NAFTA," NEW YORK TIMES (reprinted in STAR TRIBUNE), 10/27/94.

PRIVATIZATION CONTINUES

-- In Venezuela, the sale of the state thermoelectric plant "Plantacentro" has been delayed until 1995 to allow time for six interested investment groups to participate. Southern Electric Company of the US has reserved the right to equal the best offer. Plantacentro is Latin America's largest thermoelectric plant, and its value approaches one billion dollars. GTE, another US company, already holds 40 percent of the shares in CANTV.

-- Venezuela may also be ready to abandon public auctions as a method of privatization, selling the government's 49 percent of the national telephone company (CANTV), estimated at $5-6 billion in value, directly and without bids. A consortium led by GTE already holds 40 percent of the shares in CANTV, with 11 percent reserved for employees. The agreement to let Southern Electric equal the best offer on Plantacentro is another retreat from public bidding, as are plans to privatize three racetracks and a recreation center by using concessions. Thirty projects are scheduled for privatization by 1996. Companies from Canada, Italy, Japan, and Switzerland have indicated interest in buying the government's 39.6 percent interest in the Venezuelan Dairy Products Industry, with Italy planning to offer cash payment if the stock is put up for direct sale.

-- In Brazil, the government hopes to sell provincial banks that are currently owned by state governments. The provincial banks often call on the national government for bailouts, and many are dedicated more to financing local governments than to fostering economic development.

-- In Nicaragua, the legislature has proposed privatization of the state telecommunications firm, TELCOR. The sale is strongly opposed by the opposition Sandinista party, but government officials say that the president may pass it by decree if the legislature fails to act. Privatization of TELCOR has been promised to international credit institutions.

-- As the Grenadian government put the light and power company on the market, Grenadians rushed to buy shares, quickly using up all available share application forms. The government is selling 40 percent of the shares to the public and holding on to 10 per- cent. A controlling 50 percent interest has already gone to the US firm, WRB Enterprises. Polls taken prior to the sales showed 61 percent of Grenadians opposed to the privatization.

-- In Mexico, speculation on the future of Pemex, the state-owned oil monopoly continues, with analysts identifying three scenarios: maintenance of the status quo, which allows strictly limited private participation; complete privatization of Pemex and deregulation of the oil industry, which seems unlikely; and gradual deregulation and opening, primarily in the areas other than exploration and production. The Mexican Constitution prohibits opening the oil industry to private or foreign investment, so the Zedillo Administration will have to work around the constitutional provision, possibly through mixed participation subsidiaries.

-- In Panama, newly-elected President Ernesto Prez Balladares, a wealthy businessman, says his government will sell state-run companies to raise funds for social investment. Panama may also repeal labor laws to make its work force more attractive to foreign investors. The minimum wage is presently 94 cents an hour, with benefits at least 31 cents an hour more, due in large part to mandatory social security and insurance and job security for workers. Panama also plans to slash import tariffs.

-- Cuba will allow foreign investment in any productive sector of the economy, including sugar production, said Vice-President Carlos Lage. Lage said that representatives of 69 US companies interested in doing business in Cuba had visited the island during the first six months of the year.

-- Bolivia is planning for the transfer to the private sector of state enterprises together making up one-eighth of all economic activity in the country, though not calling the process privatization. The Bolivian plan, called capitalization, will invite foreign companies to buy strategic equity stakes in six enterprises, and then will distribute up to half of the remaining shares to the 3.9 million adult Bolivians in the form of special pension accounts to be drawn on as annuities when the holders turn 60. The companies to be capitalized include the state oil and mining industries, railway and airline, and electricity and telephone.

Source: "Electric Company Privatization Set for 1995," IPS, 10/27/94; Humberto Marquez, "An End to 'Public' Privatization?" IPS, 10/94; "Minister Rules Out Rapid Sale of Phone Company," IPS, 10/14/94; "Dairy Industry Intrigues Foreign Companies," IPS, 10/20/94; "Government to Privatize Provincial Banks," IPS, 10/21/94; "Storm Brewing Over Planned Privatisation," IPS, 10/20/94; "Power Company's Shares are a Hot Item," IPS, 10/12/94; Victor Rodrguez-Padilla, "The Future of Mexico's Oil Industry," EL FINANCIERO, 10/17-23/94; "Cuba is Removing Limits for Foreign Investments," WALL STREET JOURNAL, 10/31/94; Stephen Fidler, "Bolivia's Way to Shed State Sector," FINANCIAL TIMES, 10/26/94.

TRADE BETWEEN ALADI MEMBERS NEARLY DOUBLES

The volume of trade between members of the Latin American Integration Association (Aladi) grew by 92 percent from 1991 to 1993, totaling $23.4 billion in 1993. The increase was attributed to consolidation of regional commercial blocs such as the Andean Pact (Bolivia, Colombia, Ecuador, Peru, and Venezuela), Mercosur (Argentina, Brazil, Paraguay, and Uruguay), and the Group of Three (Mexico, Colombia, and Venezuela.) Mercosur will realize a free trade zone and customs union in 1995, while the Group of Three plans a free trade zone by 2005 and the Andean Pact is negotiating a common external tariff. All is not rosy, however, as Argentina continues to experience a growing trade deficit, which includes a deficit of more than half a billion dollars with fellow Mercosur members during the first half of 1994, and a $1.6 billion deficit with NAFTA members. Peru has also had a growing negative balance of trade with the US since the former eliminated tariffs and import limitations in 1991.

Source: "Trade Between Aladi Members Up 92 Percent," IPS, 10/26/94; "El Deficit Comercial de Argentina con el Mercosur y el TLC Sigue Creciendo," SUCESOS, 10/94; "Trade Imbalance With United States Grows," IPS, 10/24/94

RESOURCES/EVENTS

"The NAFTA Handbook: Your Real-Life Guide to Business Under NAFTA." Baker & MacKenzie. CCH INCORPORATED, 1994. 273 pages. Attn: International Organization, CCH Incorporated, P.O. Box 5490, Chicago, IL 60680-9882; Fax (708) 940-9570. Telephone 1- 800-835-5224, Dept. 4819. $38 plus postage and handling. According to CCH, "The NAFTA Handbook is a thorough resource for agriculturalists and other business people who are interested in exploring trade options with Mexico and Canada. The structure of NAFTA's agricultural provisions is explored in-depth, as are tariffs, safeguards, subsidies, dispute resolution, sanitary and phytosanitary measures and selected country perspectives."

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From iatp@igc.apc.orgMon Nov 14 15:12:03 1994 Date: 13 Nov 94 19:01 PST
From: IATP To: "Recipients of conference trade.news" Newsgroups: trade.news
Subject: NAFTA & Inter-Am Monitor 11/1 Produced by the Institute for Agriculture and Trade Policy

NAFTA and Inter-American Trade Monitor, vol. 1, #25 November 14, 1994

Headlines

CHILE MAY PLAN NAFTA TALKS WITHOUT U.S.
AT&T BIDS FOR MEXICAN LONG DISTANCE MARKET
INVESTMENT NOTES
APPROACHING THE MIAMI SUMMIT
COMMERCE AND THE ENVIRONMENT
CUBA TRADE PROSPECTS

CHILE MAY PLAN NAFTA TALKS WITHOUT U.S.

Disappointed by the Clinton administration's failure to obtain fast-track negotiating authority from Congress, Chile is contemplating beginning negotiations for NAFTA membership with Canada and Mexico. According to a Chilean foreign ministry official, his country will begin exploratory talks with Canada and Mexico and will invite the U.S., "and then it is going to have to decide if it can participate without the fast track. Instead of using the fast track and the U.S. as the starting point, we're starting with NAFTA." Mexico and Canada have previously expressed support for Chile's entry to NAFTA. Chile wants a free trade zone throughout the hemisphere, from the Arctic Circle to Tierra del Fuego. Its entrepreneurs are investing throughout South America, building supermarkets and helping to run the telephone system in Peru, banking in Argentina, setting up a pension fund in Colombia, and investing in manufacturing in a number of countries.

Source: Matt Moffett, "Chile, Eager to be Part of Nafta, May Aim for Talks Without U.S.," WALL STREET JOURNAL, 11/1/94; Matt Moffett, "Chilean Firms Blaze Cross-Border Trails," WALL STREET JOURNAL, 11/7/94.

AT&T BIDS FOR MEXICAN LONG DISTANCE MARKET

AT&T announced a $1 billion alliance with Grupo Industrial Alfa S.A., with plans to provide long-distance telephone service when Mexico's Telmex monopoly ends in 1997. Analysts were surprised that AT&T chose to enter the market with Alfa, rather than with Mexico's largest telephone company, Telefonos de Mexico (Telmex.) AT&T spokespersons said that they ended negotiations with Telmex itself because of concerns about possible US antitrust law applications. Southwestern Bell bought 10 percent of Telmex in 1990, when the latter was privatized, and the US Federal Communications Commission bars US regional phone companies from competing in the long-distance market. Alfa is one of Mexico's largest corporations, with $2.49 billion in sales in 1993. The company has four business groups, with products ranging from steel to plastics to food but it has no previous telephone background. Alfa also has substantial experience in working alliances with 15 other foreign companies from the US, Japan, Germany, Belgium, Netherlands, Italy, and France. MCI and Sprint have joined Mexican partners to bid for the Mexican long-distance business, and GTE Corporation and Motorola have also expressed interest. None has the expertise and technological advantages of the giant AT&T or the financial resources of Alfa.

Source: Anthony DePalma, "AT&T Gets Mexico Partner for Long- Distance Service," NEW YORK TIMES, 11/10/94.

INVESTMENT NOTES

-- Mexican entrepreneur Bernardo Domnguez Cereceres has pulled out of a deal for the purchase of most of the Westin hotel chain, blaming rising interest rates for his inability to obtain financing. Other sources noted the widespread belief that he was overpaying for Westin. % Michigan-based Upjohn Company agreed to sell its Asgrow Seed Company to the Mexican agribusiness firm, Empresa La Moderna, for $300 million in cash in December. The deal is part of Upjohn's plan to divest its nonpharmaceutical operations. Asgrow is the world's fifth-largest seed producer, with sales last year of $270 million. Empresas had a small agribusiness unit focused on vegetables in southern California, but earned 90 percent of its 1993 revenues of $300 million in its Mexican cigarette operations. % Beta Funds, based in London, is planning a $50 million investment fund for Cuba under the aegis of its newly created subsidiary, Havana Asset Management. Expected areas of investment include hotels and tourism, mining, food and beverages, high-tech pharmaceuticals, and specialized manufacturing.

-- The United Kingdom's Confederation of British Industry (CBI) and London's Department of Trade and Industry (DTI) will both launch major initiatives promoting closer economic ties between Britain and Latin America. According to Howard Davies, the CBI's Director-General, the move is spurred by high growth rates in Latin America relative to the European Union and the trend toward more open, free market economies. With $15 billion in investments, Britain is the leading European investor in the region, and its exports to the region have been rising.

-- Venezuelan iron industry is attracting investments of $1.5 billion, including $1.2 billion from foreign groups led by Japan's Kobe Steel. Kobe Steel is associated with Oregon Steel of the US and Hanbo Steel of South Korea in its Venezuelan projects, and plans to produce ingots for the North American market.

-- Citing a domestic shortage, Ecuador announced a reduction to zero of the import tariff for Portland Gray cement.

-- US oil and gas companies are moving to take advantage of new Brazilian openings for oil investment. Two US companies, Tenneco and Enron, have signed agreements as minority partners with Petrobras in a $1.8 billion construction project. Other US oil companies are awaiting approval of a constitutional amendment next year to open more of the oil industry to foreign investment.

Source: Anthony DePalma, "Mexican Abandons Purchase of Westin Hotels," NEW YORK TIMES, 11/1/94; Richard Ringer, "Upjohn Set to Sell Unit to Empresa," NEW YORK TIMES, 11/8/94; Pascal Fletcher, "Beta to Launch Fund for Cuba," FINANCIAL TIMES, 10/17/94; Chris Brogan, "British Business Returns to the 'New World,'" IPS, 10/27/94; "Iron Industry Attracts Foreign Investment," IPS, 10/25/94; "Arancel Cero Para Importar Cemento," SERVIDATOS, 10/20/94; James Brooke, "U.S. Oil and Gas Companies Test Waters in Brazil, Again," NEW YORK TIMES, 11/7/94.

APPROACHING THE MIAMI SUMMIT

A year ago, US Vice President Al Gore cited free trade as a focus for the Summit of the Americas, to be held in Miami on December 9-11. Initial draft agendas for the summit, circulated from the US to Latin American countries, emphasized promoting democracy and human rights, combating corruption, and environmental protection. One US official was quoted as saying sarcastically, in regard to the summit agenda: "In my experience, Latin Americans truly enjoy patronizing lectures from the United States about good governance and sustainable development." Critics fault the US for its perceived lack of commitment to hemispheric free trade, including the de-linking of fast-track and Interim Trade Program legislation from the GATT treaty. A group of public and private leaders gathered as the Inter-American Dialogue called for the Summit of the Americas to be used primarily to build free trade in the region. That outcome seems unlikely at present. Responding to criticism, US Trade Representative Mickey Kantor said that "trade will be the centerpiece" of the summit, though he expressed doubt that any specific timetables for hemispheric free trade would be reached. Colombia and Venezuela are among countries prepared to raise specific trade questions at the summit, their resolve sharpened by recent US restrictions on Colombian and Ecuadoran flower exports and Venezuelan oil. The Colombian finance minister, Guillermo Perry, has noted that developed countries preaching the virtues of free trade to the developing world should not then erect non-tariff barriers against goods from those countries. US Agency for International Development official Mark Schneider said that the US will sign a broad economic and technical cooperation agreement at the summit. "We want to be Central America's main partner," said Schneider, "and that is why we will be signing this agreement at the Americas Summit, as something separate from the bilateral cooperation already granted to the countries." Schneider reiterated previous US commitments to a special trade program for Caribbean Basin Initiative (CBI) countries. Department of Commerce International Trade Specialist Carrie Clark also affirmed continuing commitment to the so-called CBI parity initiative, describing the provision as currently stalled, not dead. Caribbean governments are displeased with the agenda for the summit, saying that some of their concerns, such as the debt question, have been ignored in the agenda set by the US. The 13 Caricom members have a combined foreign debt of $9.2 billion. Caricom members are also concerned about Cuba's exclusion from the meeting. According to Kenneth Hall, deputy Caricom secretary general, the attitude of regional governments is that "it's very difficult for guests to invite other guests."

Source: "United States Promises Cooperation Agreement," IPS, 10/25/94; "Region Displeased With Agenda of Americas Summit," IPS, 10/27/94; M. Delal Baer, "The Miami Vision Thing: An Agenda for the Summit," WALL STREET JOURNAL, 10/28/94; "Trade Should Be 'Centerpiece' of the Summit, US Tells Partners," INSIDE NAFTA, 10/5/94; "Trade Row With US at Miami Summit Looks Likely," LATIN AMERICA WEEKLY REPORT, 10/20/94; "DOC Specialist Says the Administration Is Committed to CBI Parity Provisions," BNA INTERNATIONAL TRADE DAILY, 10/21/94; Henry Tricks, "U.S. Seen Dragging Feet on Hemispheric Free Trade," REUTER, 9/29/94; "No U.S. Timetable Seen for Hemispheric Trade," WALL STREET JOURNAL, 11/3/94; "Clinton Supports Anti-Corruption Talks at Summit," IPS, 10/31/94.

COMMERCE AND THE ENVIRONMENT

The World Wildlife Fund (WWF) warned that the Paraguay- Parana Waterway, planned to cross the world's largest marshland in Brazil, will devastate the environment. The waterway is planned to promote commerce for farmers and businesses in the interiors of Argentina, Brazil, Bolivia, Paraguay, and Uruguay at a cost of $1.3 billion by 2015, with billions more needed for maintenance and operation. The WWF says the waterway will not only divert enough water to supply the entire population of Brazil, but will also change climatic conditions of the marsh region and cause serious losses of plants and animals. According to a study by the European Union, Ecuador's Amazon has been severely damaged by deforestation, petroleum extraction, and colonization. The research was requested by Ecuador's Energy Ministry, and found that soils and rivers in eastern Ecuador are polluted with petroleum, waste water, fuel and oil. The Ecuadoran Amazon, home to 95,000 indigenous people, covers 48 percent of the nation's territory, and has suffered from petroleum exploitation since the 1970's. Indigenous people of the Amazon are resisting petroleum exploitation and demanding government recognition of their ownership and control of ancestral lands. They own three million hectares, but are denied control over use of the sub-soil, which is designated as government property. Petroleum is Ecuador's leading export, and President Sixto Duran Ballen is presently promoting new contracts for increased petroleum extraction.

Source: "WWF Foresees Disaster in South American Waterway," IPS, 10/22/94; "Study Confirms Severe Damage in Amazon," IPS, 10/26/94

CUBA TRADE PROSPECTS

In late October, Cuba moved to open up its economy by allowing free sale of a variety of materials and consumer products previously controlled by the state. Cuban Vice-President Carlos Lage also announced plans to open all of Cuba's economy to foreign investment, including the areas of real estate, services, and sugar production. Letters of intent for future contracts, to take effect after the US embargo is lifted, have been signed with various US companies.

Source: Tim Golden, "Cuba Again Moves to Open Up Its Economy," NEW YORK TIMES, 10/27/94; Pascal Fletcher, "Cuba Opens Up to More Investment From Overseas," FINANCIAL TIMES, 11/1/94.

The NAFTA and Inter-American Trade Monitor is available in both English and Spanish on Association for Progressive Communications (APC) computer networks on the conference eai.news. It can also be faxed or sent via mail on request. We welcome your comments and contributions. - - - For more information about the Institute for Agriculture and Trade Policy, send email to iatp-info@igc.apc.org. Produced by: Mary C. Turck, Institute for Agriculture & Trade Policy 1313 Fifth St. SE, Suite #303, Minneapolis, MN 55414-1546 USA Tel: (612) 379-5980, Fax: (612) 379-5982, email: mturck@igc.apc.org

From iatp@igc.apc.orgThu Jan 26 15:42:28 1995 Date: 20 Nov 94 20:46 PST
From: IATP To: "Recipients of conference trade.news" Newsgroups: trade.news
Subject: NAFTA & Inter-Am Monitor 11/21/94 Produced by the Institute for Agriculture and Trade Policy

NAFTA and Inter-American Trade Monitor, vol. 1, #26 November 21, 1994

Headlines

PROPOSITION 187 ANGERS MEXICO

California's newly-passed Proposition 187 "creates the wrong spirit," according to U.S. Trade Representative Mickey Kantor. Mexicans agree. Delegations of California business leaders visiting Mexico in October were snubbed, with the Mexican commerce secretary and his undersecretary failing to show up at a trade show. Prominent Mexican guests were no-shows at a reception given by the U.S. ambassador. The American Chamber of Commerce of Mexico denounced Proposition 187, warning that it "potentially damages U.S.-Mexican relations and trade ... breeds distrust and damages years of collaboration ... [and] threatens to damage the promising future on both sides of the border." Proposition 187, which denies most public benefits to illegal immigrants and their families, was also the target of an election-day action at a McDonald's restaurant in Mexico City. Dozens of masked protesters invaded the McDonald's, throwing cash registers to the floor, overturning tables, and smashing windows. About 150 peaceful protesters gathered outside the U.S. embassy. Mexican Deputy Foreign Minister Andres Rosenthal recently pointed out that Mexico does $16 billion in trade with California yearly. California ships 10 percent of its exports to Mexico, making it second only to Texas among U.S. states trading with Mexico. Mexican President Carlos Salinas de Gortari suggested that the U.S. and Mexico need to enter into negotiations on a more free flow of Mexican migrant workers, just as they have agreed on free trade. Salinas noted that he had first proposed such an agreement when free trade negotiations began, but that the Bush administration had said that an immigration side accord was politically impossible.

Source: "Measures Against Immigrants and Incumbents Pass," IPS, 11/9/94; "Ballot Issue May Hurt U.S.-Mexican Trade," EL FINANCIERO, 10/31-11/6/94; John M. Nagel, "US Executives in Mexico Denounce Calif. Proposition," JOURNAL OF COMMERCE, 11/7/94; Paul B. Carroll, "A McDonald's in Mexico City Is Trashed in Protest Against California Proposition," WALL STREET JOURNAL, 11/9/94; Ernest Sander, "Prop. 187 - Trade Fallout," ASSOCIATED PRESS, 11//7/94; Tim Golden, "Salinas Urges Talks on Free Migrant Flow," NEW YORK TIMES, 11/14/94.

PRIVATIZATION AFFECTS MEXICAN BANKING

Mexico's privatized banks have seen their return on equity fall from 40.59 percent in 1992 to 27.39 percent by June of this year. The number of domestic banks has risen from 18 to 37, and in October the Finance Secretariat authorized 18 foreign banking subsidiaries to begin operations. Mexico's private banks are handicapped by undercapitalization and past-due loan portfolios, as well as volatile interest rates and a sluggish economy. Bad loans have risen to a total of $12.02 billion in June 1994, up from $3.48 billion in June 1992. Problem loans include a large load of credit card debt, incurred when newly-privatized banks rushed to issue credit cards despite lack of credit bureau information. The three largest financial groups in Mexico, Banamex-Accival, Bancomer, and Serfin, hold a combined total of 60 percent of the market. For each of them, non-performing loans make up more than 10 percent of their debt portfolio, compared to an international average of about four percent. The nineteen newer banks, authorized in 1993, have the advantage of beginning without bad-loan loads, but they also lack existing client bases. Most of the new banks aim at regional rather than national coverage. Most of the private banks are run by non-bankers coming out of industrial or stock market backgrounds. Some attribute the banks' loan problems to the less conservative attitudes of brokerage firm presidents, while others point with concern to the increasing possibility of conflicts of interest when industrialists sitting on bank boards of directors approach those banks for loans. The financial groups that run banks are also active in other arenas. Bancomer brokerage, for example, plans to place a NAFTA Fund on the Mexican Stock Exchange in January. The fund, which is administered separately in each country, began operating in Canadian markets last week and will open on the New York Stock Exchange before the end of 1994. Meanwhile, the NAFTA opening is bringing foreign banks into Mexico. Citibank will invest $100 million in new financial operations in Mexico, and J.P. Morgan and Co. plans an initial capital base of $100 million, with operations beginning by early next year.

Source: "Bancomer to Launch NAFTA Fund in January;" "Foreign Banks Announce Investment Plans;" "Dangerous Liaisons;" Claudia Fernandez, "The Rookie Season;" Jennifer Tierney, "Playing With Fire," EL FINANCIERO, 10/31-11/6/94.

TELMEX STOCK FALLS

Telmex, the Mexican telecommunications giant, suffered two blows in October, with a lower-than-expected third quarter earnings report followed by

AT&T's announcement that it would compete against Telmex rather than joining with it to provide long distance services. Telmex shares fell eight percent, dragging the Mexican Stock Exchange, the Bolsa, along with them for a drop of almost five percent in a single day. Telmex makes up 26 percent of the Bolsa's entire capitalization. Telmex's American Depository Shares also dropped sharply on the New York Stock Exchange.

Source: Barry Grant, "Telmex Sends Bolsa Into Tailspin," EL FINANCIERO, 10/31-11/6/94; Anthony DePalma, "Mexican Telephone Shares Drop Sharply," NEW YORK TIMES, 11/11/94; John J. Keller, Craig Torres, "AT&T Corp. and Grupo Alfa Plan Venture," WALL STREET JOURNAL, 11/10/94.

MEXICAN EXPORTS TO U.S. INCREASE

Mexican exports to the U.S. rose from $25.26 billion in the first eight months of 1993 to $31.34 billion for the same period in 1994. The increase is attributed to the healthy U.S. economy and to NAFTA's trade-enhancing effects.

Source: "Mexican Exports to U.S. Reach $31 Billion," EL FINANCIERO, 10/31-11/6/94.

GM ANNOUNCES TRUCK EXPORTS

General Motors announced that its Janesville, Wisconsin plant has begun building Chevrolet Kodiak medium duty trucks for export to Mexico. GM plans to export 1,500 annually and will also begin building the truck in Mexico for sale there and in Central America.

Source: "GM Exports Kodiak Trucks to Mexico," EL FINANCIERO, 10/31-11/6/94.

POULTRY INDUSTRY SUFFERS UNDER NAFTA

Five years ago the Mexican poultry industry was made up of a large number of small to medium size farmers. Today the industry is dominated by five companies with North American ties, which control nearly 70 percent of the 650 million broilers produced annually. The Mexican market, which also includes nearly 80 million egg-laying hens, is the second-largest in Latin America. Increasing importation of frozen poultry from North America has also angered local producers.

Source: Ross Underwood, "Mexico's Poultry Industry Struggling with NAFTA Effects," FEEDSTUFFS, 10/10/94. -

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TIMBER DISPUTE SHIFTS

The U.S. government has finally accepted the latest finding of a binational arbitration process in favor of Canada. The U.S. Trade Representative and the Justice Department are now resisting a court suit brought by the U.S. Coalition for Fair Lumber Imports, which challenges the constitutionality of the arbitration process. The dispute began in the 1980s, with U.S. lumber producers complaining that Canadian provinces charged too little in stumpage fees, thereby subsidizing the Canadian mills. Canadian officials maintained, successfully, that the argument is over different systems for pricing natural resources. The United States government has not yet refunded the countervailing duties collected during the years of the dispute.

Source: John Maggs, "US-Canada Dispute Takes New Twist," JOURNAL OF COMMERCE, 11/7/94.

COSTA RICA FOCUSES ON TRADE

A free trade pact between Mexico and Costa Rica is scheduled to take effect on January 1, after having been signed by both countries' presidents and approved by a Costa Rican legislative committee. Costa Rican President Jos Mara Figueres steered the pact through the legislative approval process, overcoming objections from the opposition and from his own party. Costa Rica is also moving to attract U.S. manufacturers to locate there, with incentives including a 12-year tax exemption for businesses operating in free-trade zones and government- funded training for workers. With a literacy rate of nearly 93 percent, Costa Rica offers a strong work force, with labor cost averaging $3-4 per hour and the average Costa Rican general manager earning only $6,100 yearly. Like other Caribbean and Central American countries, Costa Rica fears the loss of the U.S. trading base it had developed prior to NAFTA.

Source: "Costa Rica Set to OK Mexico Free Trade Pact," EL FINANCIERO, 10/31-11/6/94; Brian Johns, "Seeking Nafta-Style Gains in Trade, Costa Rica Pursues US Manufacturers," JOURNAL OF COMMERCE, 11/1/94.

CHILE MOVES ON WORLD STAGE

After becoming the second Latin American member of the Asian Pacific Economic Cooperation forum, Chile is ready to talk trade around the world. "Chile could act as a bridge with South America, as long as we keep moving closer to regional markets," said Chilean President Eduardo Frei. Chile has often been called the leading candidate to enter NAFTA, but has been frustrated by the U.S. failure to pursue negotiations in recent months. Canada has indicated its willingness to pursue bilateral talks with Chile, though the government's preference is expansion of NAFTA. Frei said his country has had good experience with country-by-country bilateral agreements, citing agreements with Argentina, Mexico, and Colombia, as well as others under negotiation with Brazil and Peru. Chile's economy appears strong, with inflation projected at 8.3 percent for 1994. This will be only the second time in 30 years that Chile has seen single digit inflation. Growth will be about 4.3 percent, but is projected to expand to more than 6 percent in 1995. Chile currently shows a trade surplus, which is expected to continue through the end of the year.

Source: Roger Atwood, "Chile Hopes to be Bridge for APEC, Latin America," REUTER, 11/8/94; Barrie McKenna, "Chile Woos Canada as NAFTA Hopes Dim; Country Feels Spurned by U.S,." GLOBE AND MAIL, 11/2/94; "Frei Predicts Early Trade, NAFTA Talks With U.S. After Election," ASSOCIATED PRESS, 11/8/94; "Peru-Chile: Free Trade Zone Negotiations Resumed," IPS, 11/8/94; "Chile Inflation at Annual 8.3%," FINANCIAL TIMES, 11/10/94; "Trade Balance Shows Surplus Thanks to Copper," IPS, 11/8/94.

RESOURCES/EVENTS

"Economic Justice Report." Ecumenical Coalition for Economic Justice, 11 Madison Avenue, Toronto, Ontario MSR 2S2. Telephone 416/921-4615; Fax 416/924-5356. Subscriptions: $25-$40 annually for quarterly newsletter covering global economic issues from the perspective of progressive church people. Ecumenical Coalition for Economic Justice also publishes a number of books and pamphlets on topics ranging from "The Global Garment Industry: Industrial Model of the Future" to "Ethical Reflections on North American Economic Integration."

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From iatp@igc.apc.orgThu Jan 26 15:42:36 1995 Date: Tue, 29 Nov 1994 16:56:42 -0800 (PST)
From: IATP <iatp@igc.apc.org> To: Recipients of conference <trade-news@igc.apc.org>
Subject: NAFTA & Inter-Am Monitor 11/28/94 Produced by the Institute for Agriculture and Trade Policy

NAFTA and Inter-American Trade Monitor, vol. 1, #27 November 28, 1994

Headlines

FOCUS ON THE MIAMI SUMMIT
NAFTA, GATT AND AGRICULTURAL EXPORT ISSUES
ECONOMIC STABILIZATION, PRIVATIZATION CONTINUE PROBLEMS
U.S. TRADE DEFICIT INCREASES
TELECOMMUNICATIONS MARKET MOVES
RESOURCES/EVENTS

FOCUS ON THE MIAMI SUMMIT

The U.S. government designated three themes for the Inter-American Summit in Miami on December 9-10. The first theme is "Making Democracy Work: Reinventing Government," and includes specific initiatives on fighting drug trafficking, protecting investors and financial markets, funding and legal/tax frameworks for non-governmental organizations (NGOs), and enhancing the Organization of American States (OAS). The second theme, "Making Democracy Prosperous: Hemispheric Economic Integration," includes initiatives for hemispheric free trade through "open regionalism," promotion of the free flow of capital and reducing corruption. The third theme, "Making Democracy Endure: Sustainable Development," includes focuses on people (education, health care, and microenterprises) and on environmental protection.

Despite the hopes of many Latin American governments for entrance to NAFTA, prospects for hemispheric free trade have worsened over the past year. Latin American regional free trade agreements continue to increase integration, but the U.S. Clinton administration has failed to obtain either "fast track" negotiating authority to extend NAFTA or the NAFTA parity that it promised the countries of Central America and the Caribbean. Both Canada and Mexico appear ready to push for enlargement of NAFTA, with Canada planning negotiations with Chile and Mexico voicing support for Central American efforts to join NAFTA.

Some Latin American governments, notably including Brazil, express reservations about bilateral trade agreements with the U.S. and about the desirability of making NAFTA a priority. They advocate, instead, consolidation and expansion of Latin American regional groupings, such as Mercosur, and later to negotiate access to NAFTA for such regional trade groupings.

Leaders of the Caribbean Community (Caricom) have asked the U.S. to address some of their concerns at the summit, including parity with Mexico for some Caricom exports, protected access to European banana markets for Caricom members, and the foreign debt of Caricom members. Caricom leaders have also criticized the exclusion of Cuba from the summit, and called for institutionalization of the summit on a regular basis through the OAS.

Various NGOs are pushing for changes and additions to the agenda, such as incorporating language on labor rights. Others criticize the omission of any focus on indigenous issues and on human rights issues, particularly since December 10 is Human Rights Day. The exclusion of Cuba has also been protested.

The summit itself will consist of closed meetings, to be attended by the president and one designated minister from each country. Various conferences and seminars meeting concurrently with the summit will be attended by business persons, academics, and NGOs. As many as 3,000 journalists are expected to cover the summit and related activities.

Luis Lauredo, a Cuban-American business person named by President Clinton to organize the summit, said in recent interviews that the summit should be seen as a process rather than an end, but that a communiqu might be signed on the final day.

Source: Karen Hansen-Kuhn, "9-10 December Miami Summit," DEVELOPMENT GAP, 11/4/94; "CARICOM Leaders Say U.S. Now Listens," REUTER, 11/18/94; "Caribbean Leaders Still Unhappy With Agenda of Americas Summit," IPS, 11/18/94; "Miami Summit is a Process and Not an End," IPS, 11/10/94; Eugenio Valenciano, "Cambio de las Expectativas Relativas a la Cumbre de las Americas," SUCESOS, 11/10/94; "Mexico's Zedillo Backs Centam Entry to NAFTA, REUTER, 11/18/94; Stephen Fidler, Nancy Dunne, Bernard Simon, "Hope Dims for All-Americas Trade Bloc," FINANCIAL TIMES, 11/18/94; Diane Lindquist, "Latin America Free Trade Debated," SAN DIEGO UNION-TRIBUNE, 11/19/94; Marco Antonio Sibaja, "Human Rights: Conspicuous Absentee from Summit," IPS, 11/94.

NAFTA, GATT AND AGRICULTURAL EXPORT ISSUES

Despite projected widening of opportunities for beef exports from Texas to Mexico under NAFTA, Texan meat processors are critical of progress to date. Liborio Hinojosa, a 47-year veteran of meat processing and exporting, said that his H&H Meat Products Company did brisk business with Mexico, about half a million dollars weekly, during the first three months of NAFTA. Since then, he charges, Mexican authorities have constructed non-tariff barriers to access, including rigid inspection and labeling requirements, and some of his Mexican customers have been harassed.

Australian beef exporters complain that recently-imposed limits on their access to tariff-free imported beef and veal will seriously disrupt their operations and cause increased prices to meat processors and consumers in Canada. Complex new Canadian restrictions come under the terms of the GATT agreement. Canadian meat processors say they need more imported beef and veal to remain competitive with U.S. processors, who are increasing their Canadian market share.

Texas vegetable and citrus producers also complain about Mexican import restrictions, and about competition from a bumper harvest of Mexican onions.

Source: Steven H. Lee, "The State of Texas Agriculture," DALLAS MORNING NEWS, 11/6/94; "Beef Quota Threatens Processors and Consumers," CANADA NEWSWIRE, 11/9/94.

ECONOMIC STABILIZATION, PRIVATIZATION CONTINUE PROBLEMS

Despite an inflow of privatization dollars across Latin America, many countries are still struggling with high unemployment and drastic cuts in social programs. Overall, the Latin American economy grew 14.1 percent from 1991 to 1994, but one person in five still lacks an adequate diet, according to the Latin American Economic System (SELA), and 46 percent live below the poverty line. Experts at the SELA meeting in Venezuela in mid-November said that 83 percent of the new jobs created in Latin America from 1990-93 were in the low-paying informal sector, evidencing continuing stagnation of the productive sector.

Brazil's economic stabilization plan, credited with winning the presidential election for former Finance Minister Fernando Henrique Cardoso, is now threatened as inflation approaches three percent a month. Current Finance Minister Ciro Gomes, trying to impose economic controls, denounced business leaders as "villains, scoundrels, and thieves." Wage hikes are scheduled to take effect in November.

Since the beginning of the 1980s, the Mexican government has divested itself of 911 enterprises ranging from banking to bicycle manufacture, from coffee shops to mines and airlines. Privatization made many of the small to medium-sized businesses more efficient and productive, and brought $22.1 billion into the national treasury under the Salinas administration alone. But privatization also cost the jobs of more than 400,000 workers and concentrated production in the hands of a small number of owners. Rather than breaking up state monopolies, privatization transformed many into private monopolies, say critics.

"In international forums, they are enchanted with the privatization process," said Roberto Salinas, director of the Mexico City-based Center for Free Trade Research. "But in Mexico, the public reaction is one of general discontent." That discontent focuses not only on job losses and benefits flowing to a small number of people, but also on failure to achieve any significant improvement in services provided by the newly-private companies. Telmex, the national telephone company, is a case in point. Tens of thousands of complaints against Telmex have been filed since privatization, and Telmex's rates remain significantly higher than telephone rates in other countries.

Source: "Economic Growth Fails to Abate Poverty," IPS, 11/9/94; Mario Osava, "Snags in Economic Plan Increase Tensions," IPS, 11/10/94; Jane Holligan, "Trade Gaps, Unemployment Nag Latam Economies," UPI, 11/15/94; Claudia Fernndez, "Private Matters," EL FINANCIERO, 10/31-11/6/94; Estrella Gutierrez, "Over 80 Percent of New Jobs in Informal Sector," IPS, 11/17/94.

U.S. TRADE DEFICIT INCREASES

The U.S. merchandise trade deficit increased from $14.1 billion in August to $14.6 billion in September, the second-highest level ever. Exports of goods and services declined from $59.9 billion in August to $59.7 billion in September. Economists say the deficit is due to macroeconomic factors, and the US Chamber of Commerce says exports to NAFTA partners are growing. Nonetheless, Congress is expected to use the trade gap to attack the GATT legislation in debate this month.

During the first nine months of 1994, according to U.S. Commerce Department officials, the total merchandise trade deficit ran at an annual rate of $148.8 billion. The record annual trade deficit of $152.1 billion was set in 1987.

Source: "U.S. Trade Deficit Widens," NEW YORK TIMES, 11/19/94; Nancy Dunne, "US Trade Gap Widens as Exports Fall," FINANCIAL TIMES, 11/19-20/94.

TELECOMMUNICATIONS MARKET MOVES

In October, the United States and Argentina signed a memorandum of understanding, beginning a five-year effort to share telecommunications information, ensuring that U.S. firms will have access to new market openings in areas ranging from fiber optics to cellular phones. Even before this opening, Continental CableVision, the third-largest cable operator in the U.S., agreed to buy a 50 percent equity interest in Fintelco SA, a holding company for Argentina's Video Cable Communicacin SA. The Fintelco cable companies have more than half a million subscribers in Argentina.

US West International has acquired a 49 percent share in Listel, Brazil's largest printer and publisher of telephone directories. US West International publishes more than 300 white and yellow pages directories in the western United States, and has British and Polish units as well, but this is its first venture into Latin America.

The Brazilian government has also proposed legislation to lift barriers to importing telecommunications equipment.

Source: "US Cable Company Buys Into Fintelco SA;" Paula L. Green, "US Sees Telecom Gains With Argentina Deal," JOURNAL OF COMMERCE, 11/9/94; "US West Takes Stake in Brazilian Firm," JOURNAL OF COMMERCE, 11/10/94; "Government to Lift Import Barriers," IPS, 11/9/94.

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"The New Supremacy of Trade: NAFTA Rewrites the Status of States," Robert Stumberg with Timothy Boller and Karen Wendelowski. Center for Policy Alternatives. Testimony before Pennsylvania House of Representatives, 9/22/93, 23 pages and Testimony before Florida House of Representatives, November 3, 1993, 33 pages. Center for Policy Alternatives, 1875 Connecticut Ave. NW, Suite 710, Washington, DC 20009. Telephone 202/387-6030; Fax 202'986-2539. $10 each. Testimony covers NAFTA-related issues of particular relevance to state legislators, including conflicts between NAFTA and state laws.

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Produced by: Mary C. Turck, Institute for Agriculture & Trade Policy, 1313 Fifth St. SE, Suite #303, Minneapolis, MN 55414-1546 USA Tel: (612) 379-5980, Fax: (612) 379-5982, email: mturck@igc.apc.org

From iatp@igc.apc.orgTue Dec 6 10:04:34 1994 Date: Tue, 06 Dec 1994 04:11:03 -0800 (PST)
From: IATP <iatp@igc.apc.org> To: Recipients of conference <trade-news@igc.apc.org>
Subject: NAFTA & Inter-Am Monitor 12/5/94
Produced by the Institute for Agriculture and Trade Policy

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NAFTA and Inter-American Trade Monitor, vol. 1, #28 December 5, 1994

Headlines

NAFTA IMPACT FELT BEYOND ITS BORDERS
MOVES TOWARD INTEGRATING REGIONAL TRADE AGREEMENTS
ECOLOGICAL CONCERNS RAISED ON GLOBAL TRADE
FOOD PRODUCTION, POVERTY INCREASE IN LATIN AMERICA
LATIN AMERICAN TRADE NOTES

NAFTA IMPACT FELT BEYOND ITS BORDERS

After almost a year, NAFTA's impact on the economies of its three member countries remains a matter of debate. While trade between Mexico and the United States has continued the upward trend begun prior to NAFTA, many regulations governing trade and investment have become even more complex.

No improvement in enforcement of Mexican labor or environmental laws has been seen. Unions cite the dismissal of claims against General Electric and Honeywell as clear indications that NAFTA's labor side agreement is toothless and that the National Administrative Office (NAO) set up to hear claims will do nothing to protect workers. While the NAO Secretary Irezema Garza says her office's function is to gather and publicly report information about labor practices in the three countries, she barred electronic media from recording the first hearings and limited witnesses to about 15 minutes of testimony each.

Caribbean countries report negative effects from NAFTA, with the region's garment exporters claiming that they are losing ground to Mexico. The rate of growth of Caribbean Basin imports slowed from 28 percent from January to June 1993 to 9.9 percent for the same months in 1994. Mexican garment exports to the United States grew by 19.4 percent during the first half of 1993, and by 39.2 percent in the first half of 1994. The garment industry employs 450,000 workers, mostly women, in the Caribbean Basin, and last year earned $3.9 billion.

Source: Damian Fraser, "Trade Balance Still Largely Unchanged," FINANCIAL TIMES, 11/23/94; Peter White, "False Teeth," IN THESE TIMES, 11/14/94; Scott West, "Garments Lose Ground to Mexico," IPS, 11/24/94.

MOVES TOWARD INTEGRATING REGIONAL TRADE AGREEMENTS

Canadian Trade Minister Roy MacLaren recently criticized the United States for backtracking on promises to integrate Latin America into a free trade zone stretching from Alaska to Tierra del Fuego, calling Chilean accession to NAFTA "the key to opening the emerging South American market as a whole." According to MacLaren, Latin American frustration over delays in NAFTA expansion have led countries to create a "confusing myriad" of regional groupings.

Regional groupings include the Andean Pact (Colombia, Ecuador, Venezuela, Peru, and Bolivia as an observer), with zero internal tariffs and significant agreement on common external tariffs; Mercosur (Brazil, Argentina, Uruguay, and Paraguay), which is moving toward a customs union and a common external tariff; the Group of Three (G-3, composed of Mexico, Colombia, and Venezuela), which has liberalized trade provisions among its members.

Chile, still eager to begin negotiations for entry to NAFTA, is also pressing for an association with Mercosur. Chile's proposal to Mercosur would lead to creation of a free trade zone within six years. Bolivia and Ecuador have also expressed interest in association with Mercosur. The European Union (EU) has approached Mercosur for a cooperation agreement in 1995, though it is unlikely to give easy access to its markets for Mercosur's agricultural products. The EU is Mercosur's primary trading partner, with a balance of trade in Mercosur's favor of $46 billion from 1985-1992.

The Andean Pact nations are also interested in a trade agreement with Mercosur, though the Pact is still working toward agreement on its own common external tariffs. .

Source: "Canada Says NAFTA Will Lose Steam Without Chile," REUTER, 11/25/94; "Chile Reaffirms Intention to Join Mercosur," REUTER, 11/25/94; Elaine Flaherty, "Canada Backs Chile's Inclusion in Trade Pact," OTTAWA CITIZEN, 11/26/94; "Las Prioridades de Chile Son el NAFTA y el Mercosur," SUCESOS,11/24/94; "O Mercosul E Apenas O Come o," IBASE, 11/18/94; Debra Percival, "EU Wants Mercosur Accord Signed in 1995," IPS, 11/16/94; "Europeus Se Aproximam do Mercosul," IBASE, 11/17/94; "Ministers to Discuss Common Foreign Tariff," IPS, 11/22/94; "Ecuadorean, Colombian Businessmen Analyse Trade," IPS, 11/16/94.

ECOLOGICAL CONCERNS RAISED ON GLOBAL TRADE

Brazil's government and logging industry successfully opposed plans to clamp down on trade in Amazonian mahogany trees at the November meeting of the intergovernmental Convention on International Trade in Endangered Species (CITES). Environmentalists, led by delegates from the Netherlands, criticized lumbering for its impact on both the mahogany trees and the Amazonian eco-system.

Meanwhile, petroleum companies operating in Latin American countries, meeting in Ecuador in mid-November, agreed to create an environmental policy center in 1995 "in order to efficiently deal with environmental issues in the petroleum industry's different activities." Latin America produces seven million barrels of petroleum each day and consumes about four million barrels a day.

Source: William Schomberg, "Brazil, Logging Industry Resist Calls for Tighter Controls on Mahogany," JOURNAL OF COMMERCE, 11/11/94; John H. Cushman, Jr., "Tigers, Elephants and Sharks Gain at Conference," NEW YORK TIMES, 11/20/94; "Petroleum Companies to Create Environmental Centre," IPS, 11/16/94.

LATIN AMERICAN TRADE NOTES

-- Jamaica is studying the feasibility of increased bauxite exploration, mining, and processing. Bauxite/alumina is Jamaica's second-largest export earner, and world demand is expected to grow as plants in the former Soviet Union become idle.

-- Chile was showing a $394.3 million trade surplus by October, due to rising international copper prices. Copper makes up more than 40 percent of Chile's exports. Total 1994 trade may show a surplus, though industrial exports show a serious decline.

-- In Ecuador, exports increased more than ten percent over 1993 during the January-August time period. Banana, coffee, seafood, flower, and manufactured goods exports rose, offsetting a decline in sales of crude oil, the country's main export product.

-- Venezuela's automotive exports rose to more than $500 million in 1994, with $150 million in auto parts and 20,000 assembled vehicles, nearly double last year's 11,000 exported vehicles. The United States imports 58 percent of Venezuelan auto parts, but 88 percent of the vehicles go to Colombia, with 10 percent going to Ecuador and the remainder to various Caribbean nations. Colombia, Ecuador, and Venezuela signed a tariff agreement on auto parts and vehicles in 1993.

-- Italy looks to increasing business deals in Mexico, along with increased investment there, according to the president of the Italian Chamber of Commerce. Italian sales to Mexico increased from $240,000 to one billion dollars over the past five years. Mexican exports to Italy, and to the rest of the European Union, are minimal.

-- A Brazilian company, the Andrade Gutierrez company, will invest $400 million in Chile to build two hydroelectric plants. The plants, on the Chachapoal River, will be used by the state-run Chilean Copper Corporation, Codelco, and will have a capacity equal to ten percent of Chile's current electric capacity.

-- Mexican businesses will invest $300 million in a geothermal plant in Nicaragua, part of the renegotiation of Nicaragua's one billion dollar plus debt to Mexico. Half of the debt is scheduled to be paid over 40 years, while the other half will be made up by purchase of shares and investments by Mexican businesses. Another deal involves the Mexican purchase of Nicaragua's only cement company for $60 million.

Source: "Bauxite Industry Looking Up," IPS, 11/8/94; "Trade Balance Shows Surplus Thanks to Copper," IPS, 11/8/94; "Exports Up More Than 10 Percent," IPS, 11/11/94; "Automotive Exports Hit 500 Million Dollars," IPS, 11/10/94; Eduardo Molina y Vedia, "Italy/Mexico Trade: Good Prospects for Business and Investment," IPS, 11/12/94; "Brazilian Company to Build Chilean Hydroelectrics," IPS, 11/17/94; "Mexico Invests $300 Million in Geothermal Plant," IPS, 11/18/94.

FOOD PRODUCTION, POVERTY INCREASE IN LATIN AMERICA

South American grain production rose in 1994, but will still not meet 1994-95 demand, according to the UN Food and Agriculture Organization (FAO). The already-complete rice harvest produced higher yields in Peru and Brazil, with slightly lower yields in Argentina and Uruguay. In Brazil, less wheat was planted in 1994 than in 1993, due to lower prices and competition from imported wheat. Chilean farmers have also been affected by competition from imported grain.

According to Jacques Chonchol, ex-Minister of Agriculture in Chile (1970-73), who has been at the Institute of Advanced Studies of Latin America at the University of Paris since 1974, free trade is increasing rural poverty. Chonchol argues that, while agricultural exports from Latin America have grown from $7 billion in the 1970's to $30 billion at present, the rate of rural poverty or misery has increased from 56 percent to 61 percent. While larger landowners benefit, tenants and non-owners have become poorer.

Worldwide agricultural production will rise by 2.2 percent in 1994, according to the FAO. Citing "enormous contrasts and unequalities" in world food and agricultural production, FAO General Director Jacques Diouf said that many people will continue to suffer from chronic malnutrition. Diouf cited Haiti, El Salvador, Honduras and Nicaragua as Latin American countries with problems of food scarcity or emergency.

Causes of malnutrition include increased food prices in some areas. In Jamaica, the rising cost of basic foods has hit the elderly particularly hard. According to a 1992 UN Development Program (UNDP) report, 80 percent of the rural elderly live below the poverty line of $15 weekly, the amount of the weekly minimum wage. Food stamp program recipients, including 320,000 elderly, pregnant women, disabled persons, children between one and five years of age, and low income families, receive less than three dollars per person per month for food.

Source: "Latin America: 1994 Rise in Grain Production Insufficient," IPS, 11/17/94; Jorge Pina, "FAO Director Outlines Growth Trends," IPS, 11/15/94; Misha Lobban, "Increasing Food Costs Wiping Out Effect of Food Subsidy," IPS, 11/7/94; "Zonas de Livre Comercio Desprezam Mao-de-Obra Rural," IBASE, 11/17/94.

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"Economic Restructuring and Rural Subsistence in Mexico: Corn and the Crisis of the 1980s," edited by Cynthia Hewitt de Alcntara. Published by the United Nations Research Institute for Social Development and the Center for U.S.-Mexican Studies of the University of California at San Diego. Publications Office of Center for U.S.-Mexican Studies, University of California, San Diego, La Jolla, CA 92093-0510. Telephone 619/534-4503; fax 619/534-6447. $18. Expanded version of Spanish-language UNRISD Discussion Paper of the same name, including eight case studies of how different kinds of farmers, in different regions of Mexico, are coping with free trade and the reorganization of the public sector, and final chapter on policy changes to the end of 1993.

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Produced by: Mary C. Turck, Institute for Agriculture & Trade Policy, 1313 Fifth St. SE, Suite #303, Minneapolis, MN 55414-1546 USA Tel: (612) 379-5980, Fax: (612) 379-5982, email: mturck@igc.apc.org

From iatp@igc.apc.orgMon Dec 12 20:26:47 1994 Date: Mon, 12 Dec 1994 09:35:39 -0800 (PST)
From: IATP <iatp@igc.apc.org> To: Recipients of conference <trade-news@igc.apc.org>
Subject: NAFTA & Inter-Am Monitor 12/12/94 Produced by the Institute for Agriculture and Trade Policy

NAFTA and Inter-American Trade Monitor, vol. 1, #29 December 12, 1994

Headlines

CHILE INVITED TO JOIN NAFTA
SUMMIT OF THE AMERICAS: FOCUS ON TRADE
ZEDILLO CONTINUES FREE TRADE POLICIES
TRADE BEYOND THE AMERICAS
AGRICULTURAL EXPORTS: FISH, FORESTS, WINE, CRANBERRIES, BANANAS
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CHILE INVITED TO JOIN NAFTA

In a surprise move at the close of the Summit of the Americas, Mexico, Canada and the United States invited Chile to join the North American Free Trade Agreement. Chile has long been considered the leading candidate to expand NAFTA. With only 13 million people, Chile does not pose the challenge that is seen in larger economies, particularly Brazil and Argentina, both of whom are expected to eventually join NAFTA. Smaller countries fear that the rapid liberalization of trade is not in their interest, with the Prime Minister of Barbados, Owen Arthur, warning that "a rising tide can also overturn small boats."

Chilean Finance Minister Eduardo Aninat said that his country's entrance to NAFTA will be "simple, clear and straightforward" with bipartisan support in the US Congress. Chile and the current NAFTA members will now begin a series of negotiations over exact conditions of entrance.

Source: David E. Sanger, "Chile is Admitted as North American Free Trade Partner," NEW YORK TIMES, 12/12/94; MONITOR RADIO REPORT, 12/12/94

SUMMIT OF THE AMERICAS: FOCUS ON TRADE

The Summit of the Americas produced an agreement to reach an agreement: by 2005, they will complete negotiation of a treaty establishing a free-trade zone for the Americas. The US appeared to be the least enthusiastic about moving forward, with some Latin American presidents saying that the timetable is too slow. Although President Clinton was forced to drop fast-track free-trade negotiating authority from his legislative agenda in 1994, five Republican representatives led by Newt Gingrich, the next Speaker of the House, have written a letter offering their support for fast-track legislation -- provided that no labor or environmental conditions are imposed on trade agreements.

Other agreements reached at the summit included measures for reducing corruption by adopting conflict-of-interest standards for government workers and extradition agreements for people charged with corruption; for fighting drug trade by pushing for legislation to confiscate the proceeds of money laundering; for encouraging private investment in highways, electricity, and telecommunications projects. Leaders also called for universal access to education, for lowering child and maternal mortality rates, and for ending the use of leaded gasoline in the hemisphere.

A Brazilian diplomat complained that "the corruption and democracy talk is a little patronizing," noting that the US doesn't bring up corruption with the Europeans because it might embarrass Italy and France and doesn't bring up democracy with the Pacific Basin for fear of offending China. Democracy and human rights appeared on the agenda mainly by exclusion -- that is, the US excluded Cuba on the grounds that it is undemocratic and violates human rights. On the opening day of the summit, Human Rights Watch issued a report critical of the US and European nations for adopting "commercial diplomacy" as their human rights policy, "hawking trade and investment deals while relegating human rights to the ineffectual realm of private diplomacy."

Source: James Brooke, "U.S. and 33 Hemisphere Nations Agree to Create Free-Trade Zone," NEW YORK TIMES, 12/11/94; Barbara Crossette, "Human Rights Group Urges Stronger U.N. Action," NEW YORK TIMES, 12/11/94.

ZEDILLO CONTINUES FREE TRADE POLICIES

Ernesto Zedillo, inaugurated December 1 as president of Mexico, will continue his predecessor's emphasis on free markets and free trade. His cabinet includes Jaime Serra Puche, the Yale-educated economist who led Mexico's way to NAFTA, as Finance Minister. Herminio Blanco, another NAFTA figure, will be Minister of Commerce and Industrial Development.

Responding to criticism of government investigations of recent political assassinations, President Zedillo named an opposition PAN member, Antonio Lozano, as Attorney General. Deputy Attorney General Mario Ruiz Massieu investigating the September assassination of his brother, PRI Secretary General Francisco Ruiz Massieu angrily resigned before the inauguration, charging PRI president Ignazio Pichardo with blocking the investigation. Mr. Pichardo was named Energy Minister in the new government.

About 4,000 demonstrators protested the inauguration, and unrest continues in Chiapas. Zedillo promises decentralization and political and economic reform, as well as fostering economic expansion, fighting poverty, and overhauling the justice system. His inauguration was marked by a five-page advertising section in the New York Times titled "Mexico Investor."

Source: John Rice, "Mexico-Inauguration," AP, 12/1/94; Martin Langfield, "President-elect Names More Open, Free-Trade Cabinet," REUTER, 11/30/94; Anthony DePalma, "New Cabinet in Mexico is Pro-Market," NEW YORK TIMES, 12/1/94; Damian Fraser, "Zedillo Names Reformists to Join Cabinet," FINANCIAL TIMES, 12/1/94.

TRADE BEYOND THE AMERICAS

The European Union (EU) is ready to increase trade with Latin America, and Latin American regional trade alliances seem ready, too. The EU plans to move ahead on upgrading relations with Mexico in the first three months of 1995, with a leaked document warning that "relations with Mexico could be eroded or stalled if it is not compensated with a new framework for Mexico/EU relations." The EU has tripled exports to Mexico since 1985, to $7.6 billion in 1993. Mexico reportedly prefers a full-fledged free trade agreement, while the EU is not yet ready to move that far, preferring a partial free trade agreement. A partial agreement, however, could violate GATT, and would still allow the US a comparative advantage. Another option would be a free trade agreement between the EU and the Group of Three -- Mexico, Colombia, and Venezuela.

The EU also plans negotiations with Mercosur. "The central idea is to work in a realistic and pragmatic way towards a common free trade zone," says Celso Amorim, Brazil's foreign minister. The EU has been the largest trading partner for Mercosur since 1986, and the southern cone nations are still the fastest-growing market for European exports.

Source: Debra Percival, "EU Weighs Up Options for Upgrading Mexican Relations," IPS, 11/30/94; David Gardner and Stephen Fidler, "EU Plans Trade Zone with S Americans," FINANCIAL TIMES, 11/25/94; Nathaniel Nash, Europe Seeks Latin Free-Trade Ties," NEW YORK TIMES, 12/7/94.

AGRICULTURAL EXPORTS: FISH, FORESTS, WINE, CRANBERRIES, BANANAS

% Chilean seafood sales, already representing 12 percent of the country's total export income, is projected to reach a new high of $1.3 billion export dollars in 1994. The increase represents increased catches in the species used to produce fishmeal and in salmon, though prices for both have dropped this year.

% Uruguayan forestry, employing about 14,000 people, pays workers better and realizes higher profits than the more traditional livestock production sector, according to Rosario Pou, of the Forestry Office of the Ministry of Livestock, Agriculture and Fishing. Pou maintains that forestry is revolutionizing rural living conditions and stemming the rural exodus to the cities. About 40,000 hectares of trees destined for lumber are planted each year. Exports include paper, peeled trunks for cellulose, and sawed wood for cargo pallets, carpentry and panels. Foreign investors, including Shell, Kymene, The Spanish National Cellulose Company, and other Spanish, Brazilian and Chilean firms, have been drawn by tax exemptions on the importation of machinery and on land used, and by government subsidies and credits.

% After succeeding on the world market by virtue of low prices, Chilean exporters are now looking to expand into higher-quality varieties. About half of the market is dominated by large producers, including Concha y Toro, which produces one-fifth of Chile's wine exports and has its stock traded as American Depository Receipts on the New York Stock Exchange. Because of limited shelf space in liquor stores, established producers have an advantage in export sales.

% US investors, aided by a Wisconsin cranberry expert and former Peace Corps worker, have invested in cranberry bogs in Chile and plan to produce massive amounts of large Chilean cranberries for the world market, beginning in 1996. Chile will become the world's third-largest cranberry producer, following the United States and Canada. The cranberry market has expanded with the wide use of cranberry juice in mixed-juice drinks. The Chilean bogs, constructed near the German settlement of Valdivia in the central valley, are expected to benefit from the highest per-acre production in the world.

% With world banana prices stagnant and transportation costs rising, the Ecuadoran government imposed a ban on expansion of banana plantations. A ban on participation in the export market by producers who fail to meet productivity and quality standards is also being considered. Ecuador currently has 118,000 hectares planted in bananas with exports of three million tons expected in 1994. Salomon Larrea, head of the largest banana exporting company, said that Ecuador must target Russia and China and the countries of Mercosur in order to increase its exports.

% Caribbean banana producers are defending their industry against claims from US producers that the European Union's (EU) quotas are unfair trade practices. The charges have been made by Chiquita Brands International and the Hawaiian Banana Industry Association under Section 301 of the US trade law. The EU has applied to GATT for a waiver of its provisions for the Lome IV Convention, which benefits Caribbean countries, among others.

Source: "Unprecedented Rise in Seafood Exports," IPS, 11/23/94; Marcelo Jelen, "Forestry Sector "Revolutionises" Rural Area," IPS, 11/2/94; Calvin Sims, "Making the Affordable Chilean Wines Even Finer," NEW YORK TIMES, 11/25/94; Laurie Goering, "Cran Chile: New Flavor for Berry," CHICAGO TRIBUNE, 11/24/94; "New Markets Needed for Ecuadorian Bananas," IPS, 11/21/94; "Banana Crop Restrictions Not Permanent," IPS, 11/24/94; Canute James, "Caribbeans Defend EU Banana Regime Against US Criticism," FINANCIAL TIMES, 11/25/1994; Region Confident of GATT Waiver for Lome IV," IPS, 11/30/94.

RESOURCES/EVENTS

"Trade and Migration: NAFTA and Agriculture" by Philip L. Martin. Institute for International Economics, October, 1993. 158 pp. Credit card orders: telephone 202/328-9000; fax 202/328-5432. $15.

Examines impact of NAFTA on Mexican migration to the United States, concludes that NAFTA will increase migration by as many as 100,000 persons annually, citing displacement of up to a million people a year from the land in Mexico.

"Labor Law Enforcement in Mexico and the Role of the Federal and State Conciliation and Arbitration Boards," National Law Center for Inter-American Free Trade, 255 W. Alameda, P.O. Box 27210, Tucson, AZ 85726-7210. Telephone 602/622-1200 or 800/529-3463; fax 602/622-0957; email natlaw@ccit.arizona.edu. $50.

Source of information for businesses, attorneys, and students on current labor law and practice in Mexico.

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From iatp@igc.apc.orgThu Jan 26 15:42:41 1995 Date: Mon, 19 Dec 1994 08:44:21 -0800 (PST)
From: IATP <iatp@igc.apc.org> To: Recipients of conference <trade-news@igc.apc.org>
Subject: NAFTA & Inter-Am Monitor 12/19/94
Produced by the Institute for Agriculture and Trade Policy
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NAFTA and Inter-American Trade Monitor, vol. 1, #30 December 19, 1994

Headlines

ENVIRONMENTAL COMMISSION HEARS CRITICS
MEXICAN AUTO INDUSTRY GROWS
UNION LEADER COMPLAINS OF LOW WAGES
EXPLOITING IMMIGRANTS -- INSIDE MEXICO
CANADA AND MEXICO LOOK TO CUBA
AGRICULTURE CHARGES ABANDONMENT IN TRINIDAD AND TOBAGO
BRAZIL'S ECONOMY UNDER PRESSURE
RESOURCES/EVENTS

ENVIRONMENTAL COMMISSION HEARS CRITICS

The first public meeting of the NAFTA-created Border Environment Cooperation Commission (BECC) in mid-November was dominated by concerned individuals who spoke to urge BECC to listen to private citizens and local governments. BECC is responsible for determining environmental infrastructure needs on both sides of the border, including projects such as waste-water treatment and hazardous waste management facilities. Six million tons of hazardous waste are produced in Mexico each year, for example, but only 200,000 tons are safely disposed of. The North American Development Bank (NADB) will provide some financing for such projects. BECC's first public meeting was held in the polluted Mexican border city of Ciudad Juarez. Because 51 individuals requested time to speak, the time per speaker was cut from 10 to three minutes.

Source: John M. Nagel, "Critics Dominate Border Cleanup Group's 1st Session," JOURNAL OF COMMERCE, 11/21/94; Jo Bedingfield, "Late Bloomer," EL FINANCIERO, 12/5-11/94.

MEXICAN AUTO INDUSTRY GROWS

Mexico's northern corridor -- the states of Nuevo Leon, Coahuila, Sonora, Durango, and Baja California -- expect investment in auto manufacturing to reach $1.5 billion during 1994 and 1995, generating 60,000 new jobs in the auto and auto parts industries. Fully one-third of Mexico's auto exports and even more of the auto parts production will center in the northern corridor. Vitro, Alfa, IMSR, Visa, and Protexa, all based in the northern corridor, are among the largest auto parts producers in Latin America. The Mexican automotive industry is growing at an annual rate of 16.1 percent, particularly in bus and truck production, which are more labor-intensive segments of the industry.

In December, General Motors Corporation said it will use output from a new assembly plant in Silao, Mexico to produce sport-utility vehicles for the US market, where demand has outstripped the production capacity of GM's US and Canadian plants. GM plans to double its light-vehicle exports from the US to Mexico in 1995, to arrive at an overall export-import balance with about 15,000 vehicles going each way. This year GM exported 4,500 vehicles to Mexico and imported 26,000 from Mexico to the US.

Textron, Inc., a U.S. firm, announced in November that it will build a plant in Coahuila to manufacture dashboards and other auto parts. Germany's Volkswagen will mass produce a new version of the Beetle in Mexico, aiming production at North and South American markets.

Source: "Northern Mexico Auto Industry Booms," UPI, 11/25/94; Robert L. Simison and Gabriella Stern, "GM to Retool Delaware Plant and Use Mexican Factory to Meet U.S. Demand," WALL STREET JOURNAL, 12/1/94; "Textron to Manufacture Auto Parts in Mexico," EL FINANCIERO, 11/21-27/94; "Volkswagen to Export Mexican-Made Beetle," EL FINANCIERO, 12/5-11/94.

UNION LEADER COMPLAINS OF LOW WAGES

Concepcion Guerrero Flores, speaking to the International Labor Conference Against Labor-Management Cooperations Programs in San Francisco on November 13, blasted NAFTA and Mexican labor laws. Charging the new Federal Labor Law denies all Mexican workers the right to strike for higher wages, Guerrero attributed downward wage pressure to privatizations, factory closings, and the threat of plant closures. "In Mexico, as per the law, workers' wages are increased every year on the first of January," Guerrero noted. "This year's increase was the lowest ever: only 4 percent."

"Cooperation programs" between employers, government, and labor have also resulted in problems in education and health care, with teachers forced to agree to increased class sizes and with higher patient loads imposed on nurses. Guerrero faults "charro unions," which are subservient to the government, and warns that the government is infiltrating independent unions and attempting to divide and destroy them.

Source: Concepcion Guerrero Flores, "Independent Unions in Mexico, in the Age of NAFTA, Are Under Attack More Than Ever," NOVEMBER 13 CONFERENCE.

EXPLOITING IMMIGRANTS -- INSIDE MEXICO

Immigrant workers from Central American countries, pushed to southern Mexico by economic necessity, meet with some of the same prejudice and discrimination meted out to Mexican immigrants in California and other U.S. states.

Most jobs are in the agricultural sector (from coffee picking to shark fishing), urban construction, and domestic services. Mexican wages are higher. Coffee picking, for example, pays almost twice as much in Mexico as in Guatemala. Social services are not readily available to immigrants. Work permits for legal immigrant workers, for example, do not give children the right to attend public schools. Although health services are available, many immigrants believe they are not eligible.

About 125,000 immigrant work permits are issued each year. One Mexican border official estimated that an average of 6,000 illegal immigrants are deported through Chiapas monthly.

Source: Sallie Hughes, "Mirror Image," EL FINANCIERO, 11/21-27/94.

CANADA AND MEXICO LOOK TO CUBA

Canada and Mexico are finding in Cuba an inviting and potentially profitable partner for trade and investment, while U.S. businesses are kept out of the market by the U.S. economic blockade of Cuba. Strengthened legislation cut trade from about $700 million in 1991-92 to almost zero at present.

Canadian metal refinery, Sherritt Gordon, has begun a joint venture with the Cuban government to build a nickel refinery. Canadian tourism is also strong, with the number of Canadian visitors increasing by 20 percent yearly. Canadian exports to Cuba increased by 18.3 percent in 1993, compared to 1992. Cuba's economic crisis has hampered efforts to increase trade, with overall trade volume falling from $188.5 million in 1990 to $102.5 in 1993.

Mexican telecommunications and environmental services company Grupo Domos International signed a $2 billion contract with the Cuban government this summer, with Grupo Domos purchasing 49 percent of the Cuban telephone system. Unlike other South American countries, Mexico maintained diplomatic relations with Cuba continuously, never yielding to U.S. pressure to break relations.

Source: Jo Bedingfield, "Running the Blockade," EL FINANCIERO, 11/21-27/94.

AGRICULTURE CHARGES ABANDONMENT IN TRINIDAD AND TOBAGO

Economists critical of the government in Trinidad and Tobago charge that plans to allow unlimited agricultural imports in several categories will impact more than 20,000 farm families, costing many half of their income over the next three to five years. The trade liberalization is part of a Common External Tariff agreed upon by Caribbean governments as a move to prepare for possible admission to NAFTA in the undefined future. Economists at the Caribbean

Agricultural Research Development Institute (CARDI) say that Caribbean nations are unable to match even the reduced support given to agricultural sectors by "developed" countries, leaving poor farmers even more vulnerable to foreign competition. In the oil-based economy of Trinidad and Tobago, agriculture accounts for only three percent of the gross domestic product, while employing 14 percent of the work force.

Source: "Government Accused of Forsaking Sector," IPS, 11/30/94

BRAZIL'S ECONOMY UNDER PRESSURE

Higher than expected inflation, slightly more than three percent per month, is creating pressure for the government to abandon mandates for salary increases to keep up with rising price indexes. The government index, known as the IPC-r, has risen nearly 20 percent since the Real currency was launched this summer. One proposed remedy would be to allow companies to negotiate directly with workers instead of participating in industry-wide union agreements and indexing. Many in congress believe that indexes and industry-wide bargaining are necessary protections for Brazilian workers.

Oil workers went on strike in late November over a long-running wage claim. Outgoing President Itamar Franco had ended an earlier strike by agreeing to most of the workers' demands, but the state-owned oil monopoly, Petrobrs, rejected the accord, which would have cost more than $400 million. When Franco realized the high cost of the accord and its impact on the Real currency and inflation, he also canceled it. Franco still maintains that he wants to raise the minimum wage from 80 to 100 Reals per month before leaving office at the end of the month, though government economists advise against the move.

With the most-developed industrial base in South America, Brazil is boosting both production and exports. Lower tariffs, increased trade with Mercosur partners, and increased foreign investment, particularly in the past two years, contribute to continuing economic expansion. Workers complain that the opening of the Brazilian market to imports has cost 300,000 jobs since 1990.

President-elect Fernando Cardoso, who will take office on January 1, is expected to step up sales of government-owned businesses in order to finance debt service and other public expenses. Sales planned in the coming weeks include petrochemical companies, two electric companies, a shipping company, and a railroad company. Rioting broke out at the December 7 privatization sale of Embraer, the aircraft manufacturer and a national symbol of Brazilian high technology production. Privatization of the state oil company, PetroBras, is likely to meet with opposition from sectors ranging from the military to unions.

Brazil's darker side is largely ignored by the optimistic government and international forecasts of continued economic growth. Despite a per-capita income of $2,920, the highest in Latin America, and a gross national product that has tripled to $450 billion in the past two decades, the richest 20 percent of Brazilians earn 26 times what the poorest 20 percent make -- a ratio far greater than the 9:1 gap in the United States or the 5:1 gap in India. The economic reforms still underway are expected to increase unemployment, and a better economic future for the poor is nowhere in sight.

Source: Angus Foster, "Brazil Under Pressure on Indexation," FINANCIAL TIMES, 11/22/94; Angus Foster, "Brazil Refineries Hit by Oil Workers' Stoppage," FINANCIAL TIMES, 11/24/94; Chris Brogan, "Privatization Process to Pay the State's Bills," IPS, 11/22/94; Angus Foster, "A Chance to Flex Some Muscle," FINANCIAL TIMES, 11/30/94; Todd Lewan, "Summit-The Rich and the Poor," AP, 12/12/94; "November Inflation Falls to 3.02 Percent," REUTER, 12/5/94; Tad Simpson, "Brazil President Still Wants to Raise Minimum Wage", REUTER, 12/7/94; Arnaldo Cesar, "President-Elect to Aim for Moderate, Steady Growth," IPS, 12/3/94; "Riots Result From Privatisation Sale," IPS, 12/7/94; "Opening to Imports Has Cost 300,000 Jobs," IPS, 12/12/94.

RESOURCES/EVENTS

"Reform of Mexican Agrarian Reform" -- conference at Columbia University, April 6-7, 1995. Topics include introduction to land reform, land reform and economic organization, and economic output: the reform of the Ejido, who gains, who loses; land reform, agrarian organizations and the structure of Mexican politics; land use and the environment, land reform and migration, and U.S. and Mexican views of NAFTA.

"Agrarian Reform", 606 Dodge Hall, Columbia University, New York, NY 10027; email LRRHC@CUNYVM.CUNY.EDU; phone 212/854-2389.

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Produced by: Mary C. Turck, Institute for Agriculture & Trade Policy, 1313 Fifth St. SE, Suite #303, Minneapolis, MN 55414-1546 USA Tel: (612) 379-5980, Fax: (612) 379-5982, email: mturck@igc.apc.org

From iatp@igc.apc.orgThu Jan 26 15:42:49 1995 Date: Mon, 26 Dec 1994 14:44:27 -0800 (PST)
From: IATP <iatp@igc.apc.org> To: Recipients of conference <trade-news@igc.apc.org>
Subject: NAFTA & Inter-Am Monitor 12/26/94Produced by the Institute for Agriculture and Trade Policy

NAFTA and Inter-American Trade Monitor, vol. 1, #31 December 26, 1994

Headlines

NAFTA'S FIRST YEAR

YEAR-END ROUND-UP: INTER-AMERICAN TRADE AGREEMENTS

RESOURCES/EVENTS

NAFTA'S FIRST YEAR

While complete trade figures are not available, some changes can be clearly seen from NAFTA's first year. Among them:

-- Trade between Canada and Mexico increased by 40 percent during 1994, and Canadians invested more than $2 billion in Mexico. Primary Canadian exports to Mexico include furniture, beer, textiles, and telecommunications.

-- Mexican textile manufacturers have signed trade alliances with 10 Canadian companies and with 14 Spanish companies. Most of the manufactured textiles would be re-exported.

-- Mexican agricultural exports are expected to total $1.55 billion in 1994, representing 31 percent of all exports. Lower duties under NAFTA significantly boosted agricultural exports.

-- Mexican trade with the U.S. jumped 21.4 percent during the first eight months of the year, according to the Mexican Commerce Secretariat.

-- U.S.-based companies, including Exxon, Shell, and Amoco, are investing a billion dollars in oil fields in the Gulf of Mexico area, which are predicted to contain 50 percent more crude oil than in the Alaskan Prudho fields. During the first nine months of 1994, Pemex, the Mexican national oil company, sold nearly 70 percent of production to the United States.

-- The Bank of Montreal has launched the first mutual fund for NAFTA investments to be marketed in all three countries.

Source: "Mexico-Canada Trade Increases 40% This Year," "U.S. Beef Exports to Mexico Rise 55%," Alva Senzek, "Exporters Flock Together," EL FINANCIERO, 11/21-27/94; "Agricultural Exports to Total $1.5 Billion," "Mexico's Trade With U.S. and Canada Soars," EL FINANCIERO, 12/5-11/94; "Major Foreign Investments in Oil Fields," IPS, 12/8/94; Douglas Harbrecht, William C. Symonds, and Elizabeth Malkin and Geri Smith, "What Has NAFTA Wrought? Plenty of Trade," BUSINESS WEEK, 11/21/94.

YEAR-END ROUND-UP: INTER-AMERICAN TRADE AGREEMENTS

December's Summit of the Americas in Miami focused hemispheric attention on trade issues. Cuba was the only country in the hemisphere that was excluded, and the clear consensus among the heads of state in attendance was to move toward hemispheric free trade. A complex web of bi-lateral and multilateral trade agreements are already in effect. Intra-regional trade in Latin America has nearly doubled in the past five years. Just within the four member countries of Mercosur (Mercosul in Portuguese), trade has tripled since 1990 to $10 billion in 1994. Looking to the north, many Latin American countries have talked about joining the U.S., Mexico, and Canada in NAFTA.

After a mostly disappointing year, Chile finally received the coveted invitation to join NAFTA at the end of the Miami Summit of the Americas in December. Formal negotiations will begin in May, and Chilean Finance Minister Eduardo Aninat predicted that the agreement may be finalized within 14 months. Other Chilean and U.S. diplomats said this time frame may be too optimistic.

MERCOSUR, which includes Brazil, Argentina, Paraguay, and Uruguay, ended the year with approval of significant tariff reductions, though each country still maintains lists of exceptions for protected products. The Brazilian and Argentinean economic ministers also reached bilateral agreements on sensitive sectors, such as Brazilian wheat imports from third countries and the two nations' automotive industries, and on a common external tariff proposal that might be imposed on the two smaller member countries.

The European Union is eager to maintain its trading relationship with the Mercosur countries, despite any efforts to form a single free trade zone encompassing the Americas. The EU recently proposed talks on a free trade pact between its members and Mercosur. Brazil, a leader in Mercosur and in South American trade generally, has also been considered cool to the idea of an all-American free trade zone, which would presumably be dominated by the United States. Brazil has been a leader in pushing for negotiations between Mercosur and the Andean Pact for a South American Free Trade Agreement or SAFTA.

THE ANDEAN PACT has a variable membership, including Ecuador, Colombia, Bolivia, Peru, and Venezuela. Peru is a non-active member, and will remain so until mid-1995.

The Andean Pact approved common external tariffs ranging from five to 20 percent to go into effect in February 1995. Exceptions to the tariffs will be made, particularly to protect the less-developed countries of Bolivia and Ecuador. The Andean Pact's financial arm, the Andean Promotion Corporation, loaned member states a total of $2.15 billion in 1994. Two-thirds of the loans went to the private sector, up from 22 percent in 1993. Private sector loans were primarily in the areas of environment, transportation infrastructure, privatization, and co-financing of development projects.

THE GROUP OF THREE (G-3), composed of Mexico, Colombia, and Venezuela also comes into existence in 1995, with the goal of phasing out all trade barriers between the three countries within a decade.

CARICOM unites a dozen small Caribbean countries, the largest of which are Trinidad & Tobago, Jamaica, and Suriname. Since its inception in 1975, Caricom has worked toward free trade.

THE CENTRAL AMERICAN COMMON MARKET joins Guatemala, Costa Rica, El Salvador, Honduras, and Nicaragua in a common purpose of eliminating regional tariffs and establishing a common external tariff. Since its beginning in 1960, the Common Market's movement in that direction has been slow.

ALADI, the Latin American Integration Association, includes Mexico and all South American countries except Guyana, French Guiana, and Suriname. Founded in 1980, ALADI is struggling to remain relevant as newer trade groups mushroom around it.

Not all agree that free trade, whether a web of bilateral and multi-lateral pacts or a single grand free market of the Americas, is the answer to the region's problems. Organizations of indigenous people from Brazil, Colombia, Ecuador, Panama, and Venezuela rejected economic integration as leading to "the ruin of traditional cultivation based on small farm and communal work when confronted with competition from multinational agroindustry." In a letter to the presidents attending the December Summit of the Americas, the indigenous leaders wrote that "integration will reenforce the economic and political dominance of one country over the entire continent."

Trade unionists, human rights activists, environmentalists, development, and religious groups also rejected the free trade gospel of the summit. Meeting in an "anti-summit" in Venezuela, many of the groups drew up a "Latin American Social Charter" listing rights and grievances, which will be presented to governments by the Latin American Workers' Association (CLAT).

According to former Chilean president Patricio Aylwin, who proposed the meeting, 94 million people (22 percent of the population) in Latin America are "hungry, without health services, education, housing, security or hope." CLAT reports that half of Latin Americans do not have enough to eat and nearly a third lack access to clean drinking water.

Source: "Chilean Minister Hopes for NAFTA Membership in 14 Months," IPS, 12/12/94; "Mercosur: Uruguay to Have Longest List of Tariff Exceptions," IPS, 12/7/94; Cardoso Questions Trade Negotiations with Argentina," "Cardoso Clarifies Views on Negotiations With Argentina," IPS, 12/12/94; "Andean Pact: Affiliated Bank Lent 2.15 Billion Dollars to Members in 1994," IPS, 12/12/94; Estrella Gutierrez, "Andean Group-Trade: Unified Tariffs Approved," 11/28/94; Stephen Fidler and George Graham, "Bonds That Bind a Hemisphere," FINANCIAL TIMES, 12/8/94; Stephen Fidler and George Graham, "Pledging a Market Partnership," FINANCIAL TIMES, 12/12/94; "Indigenous People Reject NAFTA-Style Integration," IPS, 12/15/94; Humberto Marquez, """Anti-Summit" Underlines Social Rights," IPS, 12/9/94; Dan Coughlin, "Greens Worried About One More Free Trade Zone," IPS, 12/11/94; Dan Coughlin, "Human Rights Groups Slam Leaders' Agenda," IPS, 12/10/94; "Trade in the Americas: Adding It Up," NEW YORK TIMES, 12/9/94; James Brooke, "South America's Big Trade Strides," NEW YORK TIMES, 12/10/94; Joachim Bamrud, "Summit of the Americas," U.S./LATIN TRADE, 12/94.

RESOURCES/EVENTS

"On the Line: Life on the US-Mexican Border" by Augusta Dwyer. Latin American Bureau. Monthly Review Press, 122 West 27th Street, New York, NY 10001. Telephone 212/691-2555; fax 212/727-3676. $15. Considers the impact of maquiladora industrialization and worker migration from the standpoint of individual workers in the borderland.

"Estado y agricultura en Mexico: Antecedentes e implicaciones de las reformas salinistas," edited by David E. Lorey and Enrique C. Ochoa. The 6th volume of the Cycles and Trends in 20th Century Mexico series directed by James W. Wilkie (UCLA / PROFMEX) and Sergio de la Pena (UNAM). This volume is published by the Universidad Autonoma Metropolitana-Azcapotzalco with support from the William and Flora Hewlett Foundation. For ordering information, contact Arturo Grunstein at grunst@profmexis.dgsca.unam.mx.

"NAFTA's First Year: Lessons for the Hemisphere," edited by Sarah Anderson and John Cavanagh, Institute for Policy Studies and David Ranney and Paul Schwalb, University of Illinois at Chicago, Center for Urban Economic Development. Institute for Policy Studies, 1601 Connecticut Ave. NW, Washington, DC 2009, credit card orders 202/234/9382. $5. The report includes sections on work ("Where are the Jobs? ... Quality of Work"), the environment, agriculture, immigration, women and people of color, NAFTA deals, and "Integration That Works," with appendices on NAFTA-TAA certifications resulting from a shift in production to Mexico and on "NAFTA Pork: Who Got What?"

"For Richer, For Poorer: Shaping U.S.-Mexican Integration" by Harry Browne with Beth Sims and Tom Barry. Co-published by Inter-Hemispheric Education Resource Center and Latin American Bureau. 1994. 128 pages. The 4th volume in the U.S.-Mexico series. Resource Center, Box 4506, Albuquerque, New Mexico 87196, fax 505/1601, telephone 505/842-8288 and Latin America Bureau, 1 Amwell Street, London EC1R 1UL, fax +44 71 278 0165, telephone +44 71 278 2829. US$9.95 plus $3 s&h inside US, $4 s&h outside US. "Explains the nuts and bolts of globalization, and explores the winners and losers in NAFTA-style free trade, ... examines who supports and opposes NAFTA in the US and Mexico and looks at their arguments, ... outlines alternative strategies to promote a more balanced process of integration that protects workers' rights and the environment as well as business interests."

"NAFTA's Impact on the North American Automobile Industry," Vol. 5, No. 1 of North American Outlook, a journal of the National Planning Association, 1424 16th Street NW, Suite 700, Washington, DC 20036, telephone 202/265-7685, fax 202/797-5516. 1994. 92 pages. 4 issues yearly, $35.

Three articles by James P. Womack, Isabel Studer, and Lorraine Eden and Maureen Appel Molot look at the North American auto industry under NAFTA and specifically at the Mexican auto industry and the Canadian auto industry. Back issues of this journal include "An Environmental Agenda for North America: Post-NAFTA," Vol. 4, No. 3; "The Social Charter Implications of NAFTA," Vol. 3, No. 3; and "Adjusting to NAFTA: Strategies for Business and Labor," Vol. 4, No. 1-2.

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Vol. 2 -- 1995

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http://www.etext.org/Politics/NAFTA.Monitor/Volume.2/

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From iatp@igc.apc.orgMon Jan 2 20:10:28 1995 Date: Mon, 02 Jan 1995 05:59:16 -0800 (PST) From: IATP <iatp@igc.apc.org> To: Recipients of conference <trade-news@igc.apc.org> Subject: NAFTA & Inter-Am Monitor 1/2/95 Produced by the Institute for Agriculture and Trade Policy

NAFTA and Inter-American Trade Monitor, vol. 2, #1 January 2, 1995

HEADLINES
POPO AND THE PESO
COFFEE PRODUCERS TRY TO BOOST PRICES
BANANA UPDATE
RESOURCES/EVENTS

POPO AND THE PESO

As smoking Popocatepetl's new rumblings sent tens of thousands of people fleeing from their homes, the international reverberations of Mexican President Zedillo's devaluation of the peso sent investors scrambling for safety. The crisis began on December 20 when, after months of denying rumors of devaluation, the government lowered the bottom of the band within which the peso was allowed to trade against the dollar. As the peso immediately plunged and investors panicked, the government abolished the band and let the peso float. By the time that the government finally announced an emergency stabilization plan, more than a week later, the peso had lost more than a third of its value. Despite government insistence on a 60-day price freeze, prices of such staple items as rice, beans, chicken, and Mexican-made cigarettes shot up by as much as 40 percent by December 24.

In Latin America, investor confidence appeared shaky, with the Argentine stock market dropping by eight percent and the Brazilian market dropping by six percent on December 20-21. Foreign investment makes up an increasingly large share of all investment in Mexico and the rest of Latin America. Foreign investors had $75 billion invested in Mexican securities before the crisis. The value of such investments dropped along with the peso. Mexican depository receipts traded on the New York Stock Exchange also dropped sharply.

The government initially blamed the faltering peso on renewed unrest in Chiapas and the Zapatista guerrilla announcement of an end to the 11-month ceasefire. A more plausible explanation lay in the country's booming trade deficit, estimated at $30 billion at the end of 1994. Devaluation will cut the trade deficit, possibly by half, in the coming year. With the peso worth less, Mexican exports will be more attractive to foreign consumers and imported goods more expensive to Mexicans.

While manufacturers who export to Mexico, such as United States auto makers, will be hurt by the devaluation, businesses that manufacture goods in Mexico for export may benefit. They will pay less in dollar terms for both inputs purchased in Mexico and for Mexican labor.

Greater sacrifices by labor and government austerity were two key elements of President Zedillo's emergency plan. Unions will be asked to accept wage increases substantially lower than the 15-20 percent inflation rate predicted in 1995. According to government figures, inflation was 6.9 percent in 1994. Government spending, now at about 10 percent of the gross domestic product, will be cut by 20-30 percent. Mexico will also use an international aid package that includes a $6 billion line of credit from the United States, $1 billion from Canada, and up to $8 billion from other countries and foreign banks. Privatization will be accelerated.

Finance Minister Jaime Serra Puche, a key figure in NAFTA negotiations under former President Salinas, was dismissed on December 29. Investors and stockbrokers denounced Serra Puche for his failure to warn them about the devaluation, and for his failure to produce an immediate public plan to rescue the peso. His replacement will be Guillermo Ortiz Martinez, a Stanford-educated economist who has been under-secretary of finance for six years. Ortiz is a new face who cannot be blamed for the precipitous devaluation, and who appears to have good connections with the international business and finan ce community.

Source: Anthony DePalma, "Casualty of the Peso: Investor Confidence;" NEW YORK TIMES, 12/27/94; Craig Torres and Paul B. Carroll, "Mexico Reverses Currency Policy; Peso Falls 12.7%," WALL STREET JOURNAL, 12/21/94; Anthony DePalma, "Mexico's Leader, Breaking Silence, Outlines A Rescue;" Tim Golden, "A Quick Fall for Mexico's Rising Star," NEW YORK TIMES, 12/30/94; Tim Golden, "With Peso's Devaluation, Political Problems Loom," NEW YORK TIMES, 12/25/94; Craig Torres, "Mexico's Devaluation Stuns Latin America -- And U.S. Investors," WALL STREET JOURNAL, 12/22/94; Tim Golden, "Boom Shows Its Dark Side," Anthony DePalma, "With Peso Freed, Mexican Currency Drops 20% More," James Bennet, "Mexican Shock for U.S. Concerns," Kenneth N. Gilpin, "Investors Weigh a Market's Safety," NEW YORK TIMES, 12/23/94; Stephen Fidler and Ted Bardacke, "Nerves Over Deficit and Dissidence," FINANCIAL TIMES, 12/21/94; Eduardo Molina y Vedia, "Peso Devalued 15 Percent Against the Dollar," INTERPRESS SERVICE, 12/20/94; Anthony DePalma, "Dogged Doctor for Mexico's Morass," NEW YORK TIMES, 12/31/94; Paul Lewis, "Awaiting Mexico's Plan to Revive Peso," NEW YORK TIMES, 1/1/95.

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COFFEE PRODUCERS TRY TO BOOST PRICES

Latin American coffee producers meeting in Guatemala on December 21 agreed to reintroduce a coffee retention program, beginning in January. They will hold back 20 percent of exports until prices reach $1.90 per pound, and will re-evaluate the plan when that goal is achieved, or at their next meeting on February 28.

After the implementation of a coffee retention plan from October, 1993-January, 1994, and after two severe frosts and a drought damaged Brazil's 1994-95 and 1995-96 coffee crops, coffee prices nearly tripled. More recently, prices have seesawed dramatically. During December, London coffee prices ranged from $2,870 per ton for January coffee to $3,523 per ton.

The Brazilian government reported a total of 15.17 million sacks of 60 kilograms each on hand in early December, despite poor harvests last year. Each sack is worth approximately $130 dollars, for a total of nearly two billion dollars. The government releases its coffee stocks from time to time to keep domestic coffee prices stable. Central American producers, who sold coffee early and missed much of the benefit of 1994's price increases, pushed for the retention scheme. Coffee futures prices in London and New York rose in reaction to the announcement.

Coffee futures prices affect government coffee sales and large traders. Small growers and farm workers see less profit from increased prices. Guatemalan workers typically pick 100 pounds of coffee daily to earn two dollars. The gourmet coffee that they pick sells for nine dollars or more per pound at retail.

Source: Andi Spicer, "Latin Americans Restart Coffee Retention Scheme," INTERPRESS SERVICE, 12/22/94; Andi Spicer, "Price Hits Floor Before Reversing Slide," INTERPRESS SERVICE, 12/16/94; "Over 15 Million Sacks of Coffee in Reserve," INTERPRESS SERVICE, 12/8/94; "Central American Growers to Discuss Coffee Alliance," JOURNAL OF COMMERCE, 12/14/94; Carol Richardson, "Starbucks Coffee and Guatemala Workers," 50 CALLS A WEEK NETWORK, 12/5/94.

BANANA UPDATE

Caribbean banana producers and the United States government discussed their differences at the Summit of the Americas, after the former won a major victory at a GATT meeting, with two-thirds of the member countries voting to continue preferential treatment for Caricom banana producers. The U.S. has now agreed to back the Lome Convention preferences until 2002.

The new agreement seems to avert the threat of U.S. trade sanctions under Section 301. The sanctions were requested by two U.S. companies, Chiquita Brands International and the Hawaii Banana Producer Association. The Section 301 investigation technically continues. Latin American producers also charge that the Lome Convention preferences unfairly discriminate against them in favor of smaller Caribbean nations.

Source: Bert Wilkinson, "Caribbean, U.S. Agree to Skin Banana Differences," INTERPRESS SERVICE, 12/10/94; Debra Percival, "Germany to Renew Attack on EU Import Rules," INTERPRESS SERVICE, 12/9/94; Scott West, "Temporary Truce in Banana War," INTERPRESS SERVICE, 12/14/94.

RESOURCES/EVENTS

"Structural Adjustment and Inequality in Latin America: How IMF and World Bank Policies Have Failed the Poor." Oxfam UK and Ireland Policy Department, September 1994. Oxfam, 274 Banbury Road, Oxford, England, OX2 7DZ. 24 pages. Challenging a recent World Bank report praising market-oriented reforms, Oxfam charges that "the free-market revolution of privatisation, fiscal discipline, and deregulation, which has swept Latin America, has done little to improve most people's lives. Rather, IMF and World Bank policies are encouraging a pattern of economic growth based on social exclusion. Growth has bypassed the poor and most people are even poorer than they were in 1980."

"NAFTA: Reflections on the First Year and Visions for the Future." Symposium at the University of Arizona, February 22-24, 1995. Co-sponsored by Arizona Journal of International and Comparative Law, National Law Center for Inter-American Free Trade, International Law Society of the University of Arizona, and Arizona Department of Commerce. Topics include environmental issues, banking and credit issues, trade and customs issues, and labor issues. Call 602/621-5593 or write Arizona Journal of International and Comparative Law, University of Arizona College of Law, Tucson, AZ 85721. $225 per person before 1/15/95, $275 after 1/15/95.

"The Impact of Trade Policy and the Flow of Global Finances on Sustainable Development." Conference in Ecuador on April 25-27, 1995. Sponsored by Ecuadorian Foundation for Environmentally Sustainable Development in the Energy Sector (Fundacin Ecuatoriana para el Desarrollo Medio-Ambiental Sostenible de los Sectores Productivos (o de Servicio) Energticas Nacionales). Themes include Trade and Sustainable Development, External Indebtedness and Finance, Macroeconomic Policy for the Environment and Development (including privatization and environmental accounting), and Environmental Sustainability. Papers invited. Fax Eduardo Aguiar, President at 011-5932-330534.

"A Giant Spraying Sound," by Esther Schrader. Article in MOTHER JONES, January/February 1995. 5 pages. Examines agricultural pesticide use in Mexico, focusing on impact on worker safety and health.

"Rural Latin America: Wrestling With the Global Economy," NACLA REPORT ON THE AMERICAS, November/December 1994. North American Congress on Latin America, 475 Riverside Drive, Suite 454, New York, NY 10115. Telephone 212/870-3146. 48 pages. $4.75 for single issue, $27 one year. Articles in this special issue include: "The Legacy of Latin American Land Reform" by Solon L. Barraclough; "New Harvests, Old Problems: Feeding the Global Supermarket" by Lori Ann Thrupp; "Will Central America's Farmers Survive the Export Boom?" by Edelberto Torres Escobar; "Interviews With Three Campesino Activists" by Marc Edelman; "Rural Upheaval and the Survival of the Maya" by Edgar Gutirrez; and "The Greening of Cuba" by Peter Rosset.

"Chiapas and the Crisis of Mexican Agriculture" by Roger Burbach and Peter Rosset. December 1994. Institute for Food and Development Policy. To order, write Subterranean Company (distributor), Box 160, 265 S. 5th Street, Monroe, OR 97456. Fax 503/847-6018. $4 plus s&h. Original title was "Land, Liberty & Food in Chiapas." Argues that the profound agricultural crisis of Chiapas is "symptomatic of a larger malaise affecting the entire country."

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From iatp@igc.apc.orgThu Jan 26 15:43:03 1995 Date: Mon, 23 Jan 1995 11:51:54 -0800 (PST)
From: IATP <iatp@igc.apc.org> To: Recipients of conference <trade-news@igc.apc.org>
Subject: NAFTA & Inter-AM ade Monitor 1-

NAFTA and Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

January 24, 1995 Volume 2, Number 3

HEADLINES

"TEQUILA EFFECT" IN LATIN AMERICA AND BEYOND
SELLING MEXICO: PRIVATIZATION AND LOANS
IMPACT OF DEVALUATION ON U.S. LABOR AND INDUSTRY

"TEQUILA EFFECT" IN LATIN AMERICA AND BEYOND

The devaluation of the Mexican peso initially rattled markets and confidence throughout Latin America.

Lines of Argentines waited at banks to change pesos into dollars in late December, and markets plunged 19 percent. Economic Minister Domingo Cavallo said that the government would not devalue, and that Argentina would prefer total "dollarization" of its economy to devaluation on the Mexican model. Cavallo also announced continuing privatization during 1995, including planned sales of several hydroelectric plants, a petrochemical plant, and three nuclear power stations, to raise a total of three billion dollars.

The Argentine experience of hyperinflation in the 1980's led to adoption of convertibility, which fixes the peso by law at a strict one-to-one ratio with the dollar. Argentina's trade deficit is proportionately half that of Mexico and its growth rate has been at seven percent annually for four years. After the initial shock, Argentines appeared to regain confidence in their economy, though foreign investors remained wary of all Latin American markets.

Brazil's markets also fell in response to the peso's devaluation, losing nearly 20 percent in the first few days after the devaluation, and continuing to slide in the succeeding weeks. Announcement of a billion dollar error in December trade figures, resulting in a total trade deficit for the month of nearly a billion dollars also shook investor confidence, though Brazil will still show a total trade surplus of about $10.5 billion for 1994.

The Brazilian government's move to take over two of the country's biggest banks, Sao Paulo's Banespa and Rio de Janeiro's Banerj, did not seem to affect customer and banking confidence. The bank takeover was made in response to liquidity problems, not to the peso devaluation. Banks owned by states and the central government hold slightly more than half of the country's banking assets, but are widely seen as inefficient, and have survived until now mainly due to inflationary windfalls.

Peruvian markets fell by 19 percent, and even Asian and Eastern European investments suffered from shaken investor confidence. All of the so-called emerging markets suffered from loss of investor confidence, with Hong Kong's stock market sliding by 12.7 percent since the end of November, Poland by seven percent, and Morgan Stanley's emerging markets index, based on 768 large companies in 19 nations, falling by 14.91 percent.

In addition to stock market and currency fluctuations sparked by the peso devaluation, Caribbean and Central American countries fear the devalued peso will further handicap their own apparel export sectors. Mexico's apparel exports to the United States were already taking market share away from these countries, aided by Mexico's NAFTA preference, and the devaluation will give Mexico an added advantage.

According to a study by the German non-governmental organization, World Economy, Ecology and Development (WEED), Latin American debt has increased by nearly $40 billion since the end of 1990, to a total of $513 billion at the end of 1993. Debt service charges increased from $46.1 billion in 1990 to $57.3 billion in 1993. In Argentina alone, debt service during 1995 will require $5.2 billion.

WEED warned that the rise in interest charges may signal an impending crisis, especially as interest rates continue to increase. Nearly half of Latin American foreign debts are on variable interest rates. The WEED report noted that much recent foreign investment in Latin America is short-term and speculative and could be quickly withdrawn. "Increasing interest charges and at the same time growing withdrawal of capital: precisely this constellation had led Latin America into a debt crisis in the 1980's," warned WEED.

Source: David Pilling, "Argentina Battered by 'Tequila Effect,'" FINANCIAL TIMES, 1/5/95; Michael R. Sesit, "Dollar Darwinism," WALL STREET JOURNAL, 1/12/95; David Pilling, "Argentina Combats Mexican Wave," FINANCIAL TIMES, 1/9/95; "Watching for the Tequila Hangover," FINANCIAL TIMES, 1/9/95; Angus Foster, "Brazil Makes $1bn Error in Trade Figures," FINANCIAL TIMES, 1/17/95; David Pilling, "Argentina to 'Raise $3bn in Sell-Offs,'" FINANCIAL TIMES, 1/11/95; Ramesh Jaura, "German Study Warns of Another Debt Crisis," INTERPRESS SERVICE, 12/13/94; Paul B. Carroll and Craig Torres, "Doubts Persist on Mexico's Rescue Plan," WALL STREET JOURNAL, 1/5/95; Canute James, "Caribbean Apparel Sector Fears Fall of Peso to Aid Mexico Exports to US," JOURNAL OF COMMERCE, 1/10/95; Angus Foster, "Brazil Bank Takeover Heralds an Overhaul," FINANCIAL TIMES, 1/6/95; Matt Moffett, "Central Bank of Brazil Takes Over 2 Lenders," WALL STREET JOURNAL, 1/2/95; Francis Flaherty, "In Emerging Markets, Mexico Is Everywhere," NEW YORK TIMES, 1/14/95; "A Testing Time for South America's Markets," FINANCIAL TIMES, 1/9/95.

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SELLING MEXICO: PRIVATIZATION AND LOANS

Finance Minister Guillermo Ortiz announced plans to expand Mexico's privatization program as part of the government's move to respond to the current financial crisis. Privatization will now extend to sale of significant parts of CFE, the state electricity monopoly, generating as much as $6 billion from CFE alone. The government also plans to sell toll roads ($1-1.5 billion), its remaining 23 percent share in Bancomer bank ($500 million to $1 billion), airports ($250 million to $1 billion), satellite access ($1.5 billion), petrochemicals ($1.3 billion), long-distance and local telephones ($1-1.5 billion), and ports ($200 million). According to Ortiz, total new privatization revenues will reach $12.2-$14.5 billion over the next four to five years. The finance minister made the announcement at a meeting of bankers and investors in New York on January 5.

Like Pemex (the national oil company), CFE itself will continue to be state-owned, according to the Mexican Energy Ministry, with the government merely continuing "processes already begun of private capital participation in secondary petrochemicals and electricity generation." The government will allow private investment in building new electricity plants, and will also sell securities backed by current generating plants' future income. Given these limitations, industry experts doubt that CFE sales will generate as much income as Ortiz has projected.

Under NAFTA, Mexico agreed to gradually open its borders to foreign banks, allowing a 15 percent share in the Mexican market by 1999. Last year, Mexico approved opening of a limited number of foreign branch banks. Now, as part of its response to the crisis, the Mexican government has proposed allowing 100 percent foreign ownership of any of the country's financial institutions. Foreign purchase of Mexican banks would have an added advantage of recapitalizing banks that see a large increase in outstanding and overdue loans as a result of the current financial crisis. On the other hand, the increase in overdue loans makes the banks less attractive to foreign purchasers.

Under NAFTA, Mexico also retained exemptions for a number of government-owned industries, including railroads and satellite operations. Both are now up for sale. Analysts say, however, that privatization may not bring as much income as projected by the Mexican government because of both investor uncertainty and loss in value of some assets, such as railroads and container terminals, due to diminution of trade.

None of the multi-billion dollar rescue package from foreign sources is coming to Mexico as aid. All of the money pledged is in the form of loans or loan guarantees. Thus, Mexican debt will grow in proportion to the amount of the loan guarantees that eventually are used to strengthen the peso. The latest U.S. package, which would come on top of the initial $18 billion international credit line, may run as high as $40 billion.

If the U.S. loan guarantees, proposed by the Clinton administration and agreed to by Republican leaders in Congress, are used, Mexico will issue bonds underwritten by Wall Street and will pay investors only the U.S. Treasury rate or slightly more. A one-year U.S. Treasury bill pays 6.44 percent interest, in contrast to a one-year Mexican tesobono (pegged to the dollar exchange rate), which pays almost 20 percent. In addition to the interest, Mexico will make up-front, non-refundable fee payments to the U.S. government if and when the loan guarantees are used. These fees, still under negotiation, could run as high as 10 percent.

While Republican leaders have agreed to the loan package, rank-and-file Republicans, and some Democrats, oppose the package, and its passage is far from certain. One month after the peso devaluation, the Mexican stock market had lost one-third of its value and the peso was trading at about 5.5 to the dollar, down from the pre-devaluation level of 3.46 to the dollar. Mexican markets continued to slide in response to doubts over the loan package.

Source: Stephen Fidler and Lisa Bransten, "Mexican Sell-offs to Help Solve the Debt Crisis," FINANCIAL TIMES, 1/8/95; Kevin G. Hall, "Weak Peso Jeopardizes Privatization Calculations," JOURNAL OF COMMERCE, 1/12/95; Ted Bardacke, "Mexico to Revamp Power Sell-Off Plan," FINANCIAL TIMES, 1/13/95; "Mexico's High Expectations Puzzle Energy Analysts," REUTERS (via JOURNAL OF COMMERCE, 1/13/95); Daniel Dombey, Banks Take Devaluation Beating," EL FINANCIERO, 1/9-15/95; Ted Bardacke, "Investors Get Jitters Over Mexican Banks," FINANCIAL TIMES, 1/11/95; Bob Davis, "Nafta is Key to Mexico's Rescue of Peso; U.S. Exporters May Not See Tariff Help," WALL STREET JOURNAL, 1/4/95; Anthony DePalma, "Mexico Says It Will Pay Loan Fees," NEW YORK TIMES, 1/14/95; Keith Bradsher, "U.S. Debates Price for Mexican Aid," NEW YORK TIMES, 1/14/95; David E. Sanger, "Leaders of G.O.P. in Congress Back Clinton on Mexico," NEW YORK TIMES, 1/13/95; Anthony DePalma, "Aid Doubts Strain Mexican Markets," NEW YORK TIMES, 1/21/95; Anthony DePalma, "U.S. Dispute on Loan Guarantees Hurts Mexican Stocks," NEW YORK TIMES, 1/20/95.

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IMPACT OF DEVALUATION ON U.S. LABOR AND INDUSTRY

Two U.S. administrations have used theoretical calculations to defend NAFTA as a job-creating mechanism. The calculations were based on an assertion that increased exports created U.S. jobs. With the peso's devaluation, U.S. exports to Mexico are certain to decrease, because U.S. goods have become more expensive. Now the U.S. looks toward projected trade deficits with Mexico, on top of actual trade deficits in the last quarter of 1994. Even the theoretical calculations previously used to show job growth cannot paint an encouraging picture.

"[NAFTA has] cost tens of thousands of U.S. jobs already," said Rep. Peter DeFazio (D-OR), a long-time NAFTA opponent, "and is now well on its way to becoming the biggest taxpayer bailout for banks and foreign interests since the savings and loan scandal."

Retailers have been forced to hold back shipments of consumer goods to Mexico, while canceled orders and delayed payments have stalled shipping at the border. Both Wal-Mart and Kmart report drastic decreases in shipments to Mexico, and Wal-Mart has laid off 250 people in its Laredo warehouse.

The prices of imported capital goods will rise, slowing Mexican acquisition of technology for its manufacturing and telecommunications sectors. If industrial development slows as a result, jobs will be lost. As Mexican wages decrease in value, and as small businesses close their doors, many Mexicans are considering a move north.

The impact of the peso devaluation on burgeoning U.S. agricultural-sector exports to Mexico remains unclear, according to the U.S. Department of Agriculture. Poultry exports more than quadrupled between 1989 and 1993. Fish and seafood products, soybeans and wheat benefited from reduced import barriers in the first year of NAFTA. Total U.S. agricultural exports to Mexico from January-October 1994 were $3.7 billion, up 23.6 percent from the same period in 1993. U.S. beef exporters, however, estimate that their shipments to Mexico have fallen 70-80 percent in the last month. U.S. beef exports to Mexico totaled 63,800 tons during the first ten months of 1994.

Source: Bob Davis, "Nafta is Key to Mexico's Rescue of Peso; U.S. Exporters May Not See Tariff Help," WALL STREET JOURNAL, 1/4/95; Martin Crutsinger, "Fallout From Peso's Fall," ASSOCIATED PRESS, 1/14/95; Daniel Dombey, "Post Devaluation Outlook Unclear for U.S. Agricultural Exports," EL FINANCIERO, 1/2-8/95; Kevin G. Hall, "Peso Woes Leave Cargo Languishing in Ports, Railyards," JOURNAL OF COMMERCE, 1/9/95; Gregory Johnson, "Crisis Keeps Consumer Products in the US," JOURNAL OF COMMERCE, 1/17/95; John M. Nagel, "Devaluation Trade-Off," EL FINANCIERO, 1/2-8/94; Al Taranto, "Devaluation Will Fuel Immigration," EL FINANCIERO, 1/2-8/95.

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The NAFTA and Inter-American Trade Monitor is available in both English and Spanish on Association for Progressive Communications (APC) computer networks on the conference eai.news. It can also be faxed or sent via mail on request. We welcome your comments and contributions.
Produced by the Institute for Agriculture and Trade Policy. Editor: Mary Turck. For information on other publications available from IATP, contact: 1313 5th Street SE, Suite 303, Minneapolis, MN 55414. Phone: 612-379-5980; fax: 612-379-5982; e-mail: <iatp@igc.apc.org> NAFTA & INTER-AMERICAN TRADE MONITOR is available via fax at the rate of $60/six months or $100/year. E-mail versions are available free of charge for Econet/IATPnet subscribers.

From iatp@igc.apc.orgFri Mar 3 21:09:48 1995 Date: Fri, 03 Mar 1995 09:05:03 -0800 (PST)
From: IATP <iatp@igc.apc.org> To: Recipients of conference <trade-news@igc.apc.org>
Subject: NAFTA & Inter-Am Monitor 3/3/95

The NAFTA and Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

March 3, 1995 Volume 2, Number 5

Summaries:

- CONDITIONS IMPOSED IN EXCHANGE FOR U.S. LOAN GUARANTEES
- IMPACT OF PESO CRISIS ON UNITED STATES
- MEXICAN ECONOMY CONTINUES TO SLIDE
- NEGOTIATIONS UNLIKELY IN CHIAPAS
- OIL AND REBELLION
- REGIONAL FREE TRADE NOTES
- RESOURCES/EVENTS

CONDITIONS IMPOSED IN EXCHANGE FOR U.S. LOAN GUARANTEES

After intense negotiations, Mexico agreed to conditions set by the United States in order to receive the $20 billion in U.S. loan guarantees that make up an essential part of the $40 billion peso bailout package. Some of the conditions were straightforward and public. Others remain secret and objects of speculation.

Most of the $20 billion promised by the U.S. to Mexico will come from the Exchange Stabilization Fund, which has $25 billion in foreign currency reserves. Under the plan, the U.S. will exchange these reserves for dollars and will use the dollars to buy pesos. Mexico will have to pay back the dollars within 3-5 years.

Mexico agreed to pay a fee for any of the loans that it uses, to raise interest rates, and to end the year with a budget surplus. On February 20, as the conditions were finalized, the Bank of Mexico raised short-term interest rates from 38 percent to more than 47 percent. The rate on some government debt rose to 50 percent.

Mexico will also deposit all oil receipts in the U.S. Federal Reserve, though the Mexican central bank can draw freely on the funds unless there is a default on loan payments. Concession of any control over Mexican oil is a blow to Mexican nationalists. Other conditions also exist, but their terms have not been made public. Some of these "political" conditions involve control of undocumented immigration from Mexico into the U.S. and action to stop drug trafficking,

"Putting Mexico Together Again," THE ECONOMIST, 2/4/95; Leslie Crawford, "Peso Rallies Strongly as Bank of Mexico Raises Interest Rates," FINANCIAL TIMES, 2/21/95; Anthony DePalma, "Rates Up Sharply in Mexico," NEW YORK TIMES, 2/21/95; Tim Carrington, "U.S., Mexico Make Headway on Rescue Pact," WALL STREET JOURNAL, 2/21/95; Tim Golden, "Mexico Said to Promise Some Steps in Exchange for U.S. Loans," NEW YORK TIMES, 2/23/95; David E. Sanger, "Peso Rescue Sets New Limits on Mexico," NEW YORK TIMES, 2/22/95.

IMPACT OF PESO CRISIS ON UNITED STATES

Dreams of massive exports to Mexico under NAFTA have given way to harsher realities since the December 20 peso devaluation -- lines of trucks back up on the Mexican side of the border, but southbound traffic has fallen dramatically. Last year Mexico was the second-largest market for American exports, with the U.S. running a large trade surplus. This year, the U.S. will suffer a bi-lateral trade deficit and job losses.

Mexican ranchers have shipped herds north of the border to get dollars, and Mexican consumers can no longer afford North American beef, so U.S. beef prices have fallen. Auto sales in Mexico fell 22.2 percent in January, with bigger declines expected in the months to come. Manufacturers inside Mexico are shutting down many plants. Grupo Dina, Mexico's largest manufacturer of buses and trucks, closed three plants for three months. U.S. auto-makers have also stopped production for the Mexican market.

Federal Reserve economists forecast a $13 to $28 billion loss in U.S. production this year as a direct result of lost exports, and job losses of 380,000 in the United States over the next four years as a direct result of the peso devaluation. Texas (which provides one-third of all U.S. exports to Mexico), Arizona, and California will be the most dramatically affected, but other places will also be hurt. In Kansas, food export businesses fueled by NAFTA during 1994 will be hurt and in Delaware, chemical sales that rose in 1994 will now fall.

Wal-Mart has stopped work on 25 new stores in Mexico and has cut shipments to Mexico. Nike, attracted in part by lower labor costs in Mexico, is shifting production of some of its athletic shoes from China to Mexico. The director of development for an industrial park in Mexico reports that at least five companies plan to accelerate their plans to move south because of falling labor costs in Mexico. Textile manufacturers who supported NAFTA initially continue to benefit by relocating south of the border. Labor leaders point out that the cost to U.S. workers comes also in lower settlements agreed to by unions when owners threaten to move south.

The U.S. dollar has also suffered from Mexico's economic crisis, falling sharply against the German mark and the Japanese yen on February 16, due to concerns over the Mexican bailout package and economy. Traders also expressed concern that the U.S. balance of trade will suffer as it loses a substantial portion of its export market because of Mexico's economic crisis.

Paul Lewis, "Dollar Falls on Fears in Peso Crisis," NEW YORK TIMES, 2/17/95; Philip Gawith and Philip Coggan, "D-Mark Rises as Mexican Financial Crisis Hits Dollar," FINANCIAL TIMES, 2/17/95; Frederick Rose, "Mexican Crisis to Hurt U.S. Economy With Substantial Loss of Jobs, Exports," WALL STREET JOURNAL, 1/24/95; Neal Templin, "Mexico's Financial Crisis Sparked Tumble in Auto Sales Last Month," WALL STREET JOURNAL, 2/23/95; Allen R. Myerson, "U.S. Firms Cutting Shipments, Dumping Workers as Peso Falls," MIAMI HERALD (from NEW YORK TIMES), 2/15/95; "Mexico's Dina to Close Its Three Factories for 60 Working Days," WALL STREET JOURNAL, 2/7/95; Ken Geppert, "Nafta Booster Scrambles to Adapt to Unstable World of Free Trade," WALL STREET JOURNAL, 1/25/95; Allen R. Myerson, "Strategies on Mexico Cast Aside," NEW YORK TIMES, 2/14/95.

MEXICAN ECONOMY CONTINUES TO SLIDE

The president of the Consejo Coordinador Empresarial (CCE - a business organization) warned that the economy is practically paralyzed due to unaffordably high interest rates and uncertainty about the future, and that more than 250,000 workers have lost their jobs since the December 20 devaluation of the peso. The director of the Confederacin de Ejecutivos de Ventas placed the number of jobs lost at 500,000, and warned that a precipitous drop in food imports and the failure of support programs in the countryside could lead to a national food scarcity.

Both business executives warned that high interest rates are severely damaging businesses. Rates on some government treasury certificates have reached 59 percent, with one interbank interest rate rising to 74 percent and home mortgage, car loan, and credit card interest rates now hovering at 97 percent per year.

Two months after the devaluation, inflation is soaring, the stock market continues to fall, and the peso remains unsteady. Inflation for the first two weeks of February was 2.2 percent, an annualized rate of 67 percent. The market fell 212 points during the last full week of February, for a 15 percent decline, despite the finalization of the "bailout" package. On Monday, February 27, the market slid another 106 points, or 6.85 percent, to its lowest point since 1992.

Grupo Sidek, a tourism and construction conglomerate, became the first major Mexican company to default on its debt since the economic crisis began in December, failing to meet a February 15 debt payment of $19.5 million. A week later, after Mexican finance officials and bankers arranged credit lines for Sidek, the company released a payment of $29.5 million to short-term creditors. On February 27, Banamex, one of Mexico's largest banks, announced that it will let go up to 35 percent of its 33,000 employees, further shaking investor confidence.

Devaluation of the peso has increased the bad loan problems of Mexican banks, already weakened by bad loans and inadequate capital reserve funds. About $8 billion in dollar-redeemable certificates of deposit are about to fall due. If investors cash these in and take their money out of the country, banks will not have enough money to loan to businesses to keep the economy moving. New banking laws passed in January allow foreign banks to buy up to 100 percent of existing Mexican banks and authorize banks to increase their capital by selling bonds that can be converted into shares.

Political factors continue to contribute to general lack of confidence in the government, as investigations of two political assassinations have produced new arrests and allegations of cover-ups by the previous Salinas government and parts of the governing PRI party. The brother of former president Carlos Salinas de Gortari was arrested on February 28 on charges of masterminding and paying for the assassination of PRI deputy leader Francisco Ruz Massieu last September. Charges against Ral Salinas de Gortari came just days after special prosecutor Pablo Chapa Bezanilla, in charge of both cases, ordered the arrest of an alleged second gunman in the March 1994 assassination of PRI presidential candidate Luis Colosio.

Responding to the continuing crisis, President Zedillo's advisers are working on a soon-to-be-announced new economic plan. The new plan acknowledges that 1995 economic growth is likely to be zero or even negative, and that inflation will be double the originally-predicted 19 percent for the year. Taxes will increase sharply, as will gasoline and electricity prices, and the government's budget will be slashed. Mexican government officials say that the social pact between the government, business, and labor will soon be abandoned in favor of government controls.

Raul Llanos Samaniego, "500,000 Puestos Cancelados," LA JORNADA, 2/23/95; Anthony DePalma, "Economy Reeling, Mexicans Prepare Tough New Steps," NEW YORK TIMES, 2/26/95; Ted Bardacke, "Zedillo to Push Ahead With State Sell-Off," FINANCIAL TIMES, 2/13/95; Stephen Fidler and Leslie Crawford, "Mexican Package Gets Short Shrift," FINANCIAL TIMES, 2/23/95; Anthony DePalma, "Mexico Market Has Nearly 7% Drop," NEW YORK TIMES, 2/28/95; Andrea Becerril, "250 Mil Desempleados," LA JORNADA, 2/24/95; Andrea Becerril, "CCE: La Economia Paralizada," LA JORNADA, 2/17/95; Craig Torres, "Mexican Markets Are Hit by Fresh Blows," WALL STREET JOURNAL, 2/16/95; "Mexican Firm in Default Puts a Check in the Mail," WALL STREET JOURNAL, 2/21/95; Anthony DePalma, "Mexico's Banks: A Weak Link in the Rescue Plan," NEW YORK TIMES, 2/9/95; Tim Golden, "Mexico Party Aide Arrested in Killing of Candidate in '94," NEW YORK TIMES, 2/26/95; Tim Golden, "Ex-Leader's Brother Held in Mexican Assassination," NEW YORK TIMES, 3/1/95.

NEGOTIATIONS UNLIKELY IN CHIAPAS

While saying it is ready to negotiate in Chiapas, the Mexican government has made negotiations extremely unlikely by its current military and political posture. Prior to the current offensive, the Zapatistas and their followers and sympathizers occupied the "free zones" of Guadalupe Tepeyac, Las Margaritas, Morelia, Altamirano, San Miguel, and Ocosingo. Now the government maintains that these free zones no longer exist and the military can move anywhere in the country in pursuit of the EZLN (Zapatista Army of National Liberation.)

The government also excludes the possibility of any international involvement or mediation to end the armed conflict. An EZLN commander asked for the immediate return of the International Red Cross to the Lacandon jungle, saying that dozens of children are suffering gastrointestinal illnesses and that there are serious problems of nutrition and sanitation for the thousands of refugees who have fled into the jungle to escape advancing government forces. Some international observers estimate that there are 20,000 internal refugees from the Chiapas conflict. The refugees are indigenous people who have fled the advancing Mexican army in fear of persecution. Foreign press corroborated the continued advance of the military and the reinforcement of their positions in previously- Zapatista towns.

In a February 20 communiqu, the EZLN said it remains willing to resume negotiations, noting that it was the government which broke off the dialogue and began military operations. The EZLN maintains that withdrawal of the military now pursuing them is a necessary condition of dialogue, together with annulment of arrest warrants against them.

Nistor Martinez y Mireya Cuillar, "Propuesta Com. Legis. a CONAI," LA JORNADA, 2/24/95; Blanche Petrich, LA JORNADA, 2/25/95 (translated by Cindy Arnold); "Lacandon Jungle," LA JORNADA, 2/25/95; EZLN Communique, 2/20/95; Jose Gil Olmos, "20 Mil Refugiados," LA JORNADA, 2/24/95.

OIL AND REBELLION

Petrleos Mexicanos (Pemex) has an extensive communications network in southern Mexico, which the military has used to monitor and move against the Zapatista (EZLN) armies. The National Security Commission last year proposed a project to use all private telecommunications networks as a super-network for voice, information, and video transmissions for national security purposes.

Pemex also has a vested interest in defeat of the Zapatistas, since recent exploration points to large, highly productive new oil fields in the middle of Chiapas, in EZLN-controlled territory.

Alva Senzek, "Drilling for Dollars," EL FINANCIERO, 2/13-19/95; Daro Celis, "Privatization vs. National Security," EL FINANCIERO, 2/13-19/95.

REGIONAL FREE TRADE NOTES

United States Trade Representative Mickey Kantor announced that the U.S. will host the first hemispheric meeting of trade ministers on June 30 in Denver, as a step toward fulfillment of the Summit of the Americas Plan of Action. The meeting will be followed by a forum for business leaders and government officials to discuss commercial integration.

In South America, movement toward integration continues with talks between the Mercosur and Andean Pact nations on proposals for SAFTA, the South American Free Trade Area, and Mercosur member are moving forward with plans to incorporate Chile into the Pact. Andean Pact nations have invited Panama to become a permanent observer in the group, moving toward membership. Colombia opposes the move because of illegal imports from Panama, allegedly totaling $9 billion yearly.

"Kantor Announces Date of Hemispheric Trade Ministers Meeting," NEWS RELEASE, 2/8/95; "Colombian Exporters Oppose Membership for Panama," INTERPRESS SERVICE, 2/6/95; Estrella Gutierrez, "Mercosur Offers the Lure of Brazil," INTERPRESS SERVICE, 2/21/95; "Negotiations Progress Toward Incorporation of Chile," INTERPRESS SERVICE, 2/23/95.

RESOURCES/EVENTS

Public Citizen information packets. Compilations of news clippings, fact sheets, and other information from Ralph Nader's Public Citizen organization, 215 Pennsylvania Avenue SE, Washington, D.C., 20003. Telephone 202/546-4996, fax 202/547-7392. The February 16 edition of approximately 70 pages includes news and background papers on the Mexican peso crisis, bailout, and Zapatista uprising; NAFTA information; and a copy of Rep. Peter DeFazio's (D-OR) bill to withdraw the U.S. from NAFTA.

The Polarization of Mexican Society: A Grassroots View of World Bank Economic Adjustment Policies by Carlos Heredia and Mary E. Purcell, Equipo PUEBLO, 1995, approx. 35 pp. The Development Group for Alternative Policies (The Development GAP), 927 Fifteenth Street NW - 4th Floor, Washington, DC 20005. Telephone 202/898-1566, fax 202/898-1612. email: dgap@igc.apc.org. Also in Spanish. summary of a study on the impact of World Bank-imposed structural adjustment policies on the poor and working class in Mexico "demonstrates the underlying weakness of the Mexican economy and other economies around the world that have been "restructured" at the insistence of the World Bank, the IMF and USAID."

IFCO/Pastors for Peace Spring 1995 Caravan to Central America and Chiapas, March 9-April 9. Seeking drivers, vehicles, material aid, host families for 20th material aid caravan to community development projects in Mexico, Guatemala, El Salvador, and Nicaragua. Pastors for Peace, 331-17th Avenue SE, Minneapolis, MN 55414. Telephone 612/378-0062. Fax 612/378-0134.

Chiapas Human Rights/Action Delegations, monthly, organized by Global Exchange. Seven-day trips include education and possibly accompaniment of individuals and documentation of human rights abuses in Chiapas. Meetings with indigenous campesino organizations, journalists, NGO's, human rights activists, government officials, women's organizations, teachers, church leaders, as possible. Global Exchange, 2017 Mission Street, Suite 303, San Francisco, CA 94110. Telephone 800/497-1994; 415/255-7296. Fax 415/255-7498. Email globalexch@igc.org.

Produced by the Institute for Agriculture and Trade Policy, Mark Ritchie, President. Edited by Mary C. Turck. The NAFTA & Inter-American Trade Monitor is available free of charge to Econet and IATPNet subscribers. Fax/mail subscriptions are available for $60/six months; $100/year. For information about subscriptions or other IATP publications, contact: The Institute for Agriculture and Trade Policy, 1313 5th Street SE, Suite 303, Minneapolis, MN 55414. Phone: 612-379-5980; fax: 612-379-5982; e-mail: iatp@igc.apc.org. For information about IATP's contract research services, contact Dale Wiehoff at 612-379-5980, ext. 233, or e-mail: dwiehoff@igc.apc.org

From iatp@igc.apc.orgSat Mar 11 10:13:08 1995 Date: Fri, 10 Mar 1995 12:04:05 -0800 (PST) From: IATP <iatp@igc.apc.org> To: Recipients of conference <trade-news@igc.apc.org> Subject: NAFTA & Inter-Am Monitor 3/10/95

The NAFTA and Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

March 10, 1995 Volume 2, Number 6

Summaries:

- **EXPLAINING MEXICO'S ECONOMIC CRISIS**
- **EZLN REJECTS ZEDILLO PROPOSAL**
- **MEXICAN GOVERNMENT TAKES OVER BANK**
- **EXPORT MARKETS FOR US AGRICULTURE**
- **DAIRY EXPORTS TO MEXICO**
- **BANANA UPDATE**

EXPLAINING MEXICO'S ECONOMIC CRISIS

After being touted as a model of neoliberal success, Mexico began an economic meltdown with December's peso devaluation. Signals of problems to come were present earlier, ranging from Mexico's 100 percent inflation between 1989 and December 1994 to the avalanche of foreign investment in the stock market and government bonds in 1993 and 1994. While money invested in new factories and equipment will stay in the country for the long term, investments in stocks and bonds tend to be easier to liquidate and generally more speculative.

The Salinas government received repeated extensions of lines of credit -- $3.5 billion from the U.S. in October 1988 to facilitate an orderly transition from the De la Madrid government, $5.4 billion from the IMF in 1989, $825 million from the U.S. in August 1989, $325 million from the U.S. in August 1992, $6 billion from the U.S. in November 1993, and another $6 billion in March 1994, increased to $8.8 billion on April 26, 1994 to respond to capital flight and a massive sell-off in the stock market.

Mexico's current account deficit, the combination of interest payments to foreign creditors and merchandise trade deficit, ballooned. The government maintained the peso's exchange rate at an artificially high level, and issued tesobonos, government securities ultimately payable in dollars, to shore up investor confidence. As foreign investment poured into the stock market, stock prices rose continuously. A rising trade deficit was justified in terms of imports that would build up the nation's industrial base.

While Mexico had a good stock of dollars at the beginning of 1994, it began to sell off this stock to shore up the peso. President Salinas and Treasury chief Pedro Aspe concealed the drain on reserves throughout 1994, maintaining a facade of stability in order to safeguard their party's election prospects and to look good for Moody's and Standard & Poors' evaluations in late 1994. They hoped that the financial risk assessment firms would upgrade Mexico's risk classification to "investment grade," which would allow U.S. pension funds and institutional investors to buy Mexican financial assets.

The $50 billion bailout package will further increase Mexico's foreign debt. According to foreign debt experts from the Autonomous National University of Mexico (UNAM), the U.S. portion of the bailout will cost Mexico around $5 billion in interest and commissions to be paid in advance. U.S. economist Carlos Marichal, a researcher at the College of Mexico, warned that many other countries face economic crises similar to that of Mexico. Marichal noted that after five years of debt renegotiation Mexico now owes $200 billion, twice the amount before renegotiation. The costs of the bailout will be paid by workers who will see further erosion of real wages and by loss of national control of Mexico's oil resources.

From the Social Summit in Copenhagen, World Bank vice-president Armeane Choksi blamed Mexico's current economic crisis on President Carlos Salinas de Gortari's government, saying that the Salinas government suspended World Bank and International Monetary Fund-mandated structural adjustment during his last two years in office. Choksi did not specify which structural adjustment measures were abandoned, but said that as a country begins to move away from state control of the economy, speculative capital is attracted to its markets. He said that as the country proves its commitment to economic reforms, foreign direct investment will come -- not in three or four years, but perhaps after seven to fifteen years of structural adjustment.

At a round table discussion on employment, poverty, and distribution at the Social Summit, Mexican participants blamed the neoliberal reorientation of the economy between 1989 and 1992 for increasing concentration of income and simultaneously decreasing the real income of workers and the standard of living of most Mexicans.

Venezuelan minister Mercedes Pulido blamed Mexico's problems in large part on foreign debt, a circumstance that makes development difficult throughout Latin America, and said conditions imposed on Mexico only make matters worse for that country.

Speaking in Mexico, former President Carlos Salinas de Gortari blamed the country's economic crisis on his successor, saying that President Ernesto Zedillo botched the peso devaluation. Salinas said that Zedillo's finance officials told bankers and business heads that the devaluation was coming, and that investors withdrew nearly $13 billion from the country within a single day.

James M. Cypher, "NAFTA Shock: Mexico's Free market Meltdown," DOLLARS & SENSE, March-April/95; "Banco Mundial - Crisis Se Debe a Suspension de Reformas," LA JORNADA, 3/5/95; "Laura G"mez Flores, "Mesa - Empleo, Pobreza, y Distribucion," LA JORNADA, 3/7/95; Eduardo Molina y Vedia, "Crisis Reflects Worldwide Debt Problem," INTERPRESS SERVICE, 1/31/95; Eduardo Molina y Vedia, "Experts Call for New Controls on World Economy," INTERPRESS SERVICE, 2/1/95.

EZLN REJECTS ZEDILLO PROPOSAL

Representatives of the Legislative and Executive branches of Mexican government approved an Initiative of Law for Dialogue, Conciliation, and a Just Peace in Chiapas on March 1, with President Ernesto Zedillo and representatives of the Legislative Commission signing the proposed law and presenting it to Congress for debate. The proposal would suspend the arrest warrants for Zapatista Army of National Liberation (EZLN) leaders for 30 days, but would not give permanent amnesty nor re-establish "free zones" that existed prior to the current Mexican army campaign nor free presently-jailed political prisoners. The government proposal also fails to name CONAI as the mediator for negotiations, and makes no provisions for an army pullback that would enable refugees to return to their homes and villages.

The EZLN characterized the initiative as "a genuine step backwards in the road to a dignified and just solution to the conflict," noting that the government does not even call them by name, referring instead to "the self-proclaimed EZLN" or a "group of malcontents."

The EZLN notes that the government does not propose any free zones between the two armed forces, but only physical space for negotiation. Charging that Mexican military units have begun to destroy towns, the EZLN reports that troops in Ocosingo burned three homes, looted others, killed all the animals, and threw away food left in people's homes. They also destroyed the hydroelectric plant.

While rejecting the government proposal, the EZLN continues to call for negotiations for peace with justice and dignity, and asks that CONAI communicate with President Zedillo to obtain a renewed dialogue. During congressional debate, some deputies said that they could make changes to meet the objections raised by the EZLN, while others complained that it was too late for revisions.

Rosa Icela Rodr!guez, "Ley de Amnistia Aprobada," LA JORNADA, 3/1/95; EZLN COMMUNIQUES, 3/2,5/95; Luis Hernandez Navarro, "Chiapas: La Ley de la Selva," LA JORNADA, 3/4/95; Nstor Mart!nez and Ricardo Aleman, "Ley e Amnistia," LA JORNADA, 3/7/95.

MEXICAN GOVERNMENT TAKES OVER BANK

As the Mexican economic crisis continues to unfold, the government's Bank of Mexico put in place a massive rescue plan for the banking system and took over Banpais, the country's eighth-largest bank on March 3. The Grupo Financiero Asemex-Banpais, which owns both Banpais and the country's largest insurance company, Aseguradora Mexicana, was placed under central bank management.

Banking regulators warned that as many as 10 of Mexico's 16 banks will need capital infusions from the government's Bank Savings Protection Fund, Fobaproa. Only Banamex and Bancomer, the country's two largest banks, have said they do not need Fobaproa help, although their reserves are also below desirable levels. Banks have felt the impact of the December 20 peso devaluation in the sharp appreciation of dollar-denominated assets, in steeply rising interest rates, and in climbing rates of defaults on loans.

Leslie Crawford, "Harsh World for Mexican Banks," FINANCIAL TIMES, 3/6/95; Roberto Gonzalez Amador, "15 Bancos en Crisis," LA JORNADA, 3/5/95.

EXPORT MARKETS FOR U.S. AGRICULTURE

August Schumacher, chief of the USDA's Foreign Agriculture Service, forecasts $45 billion in exports in 1995, with an increase to $60 billion by 2000. Schumacher asks who would have thought that "the Japanese would be eating American rice, that the Mexicans would be importing our tomatoes, that the French would be drinking American wines, ... that our canned salmon would capture over half the Australian market?" California leads the nation with $10.4 billion in exports last year, followed by Iowa, with $3.5 billion.

Some U.S. farm groups warn that focusing on low-cost export production has high costs in natural resources, and others insist that raising domestic farm prices is a priority. While corn exports are likely to rise again in 1995, U.S. farmers note that the export boom of the 1970s led to a crash in the 1980s that brought economic disaster to U.S. farmers.

Mexico remains an important and growing market for U.S. agricultural products. In 1994, Mexico bought six percent of California's agricultural exports. Growers expected 1995 to bring even greater sales as the NAFTA-mandated decreases in Mexican tariffs on agricultural goods continued. Although the devaluation of the Mexican peso has made California's agricultural goods 30-60 percent more expensive in Mexico, California producers hope to continue expanding their food exports to Mexico.

The USDA's Economic Research Service predicted that the peso's fall would hurt U.S meat exports, due to declining personal income in Mexico. Mexico accounts for 15 percent of all U.S. beef exports, 45 percent of pork exports, and 58 percent of turkey exports, according to the U.S. Meat Export Federation and the USA Poultry & Egg Export Council. Because U.S. corn is still cheaper than Mexican corn, grain exports are expected to continue to be strong. Turkey producers saw a 50 percent drop in turkey exports to Mexico by early January.

The USDA's Agricultural Export Program manager, James Zion, noted at a January 27 meeting that land value in Mexico has dropped by 50 percent. Zion said "now is the time" for U.S. growers to buy land in Mexico and set up operations there.

Brian Johns, "Huge Mexican Market Feeds Optimism of Calif. Growers," JOURNAL OF COMMERCE, 1/20/95; Rod Smith, "Exporters Expect Peso to Stabilize, Trade Resume," FEEDSTUFFS, 1/18/95; Charles House, "USDA Reports Pressure Soybeans; Peso's Fall May Hurt U.S. Exports," FEEDSTUFFS, 1/18/95; Robert H. Brown, "Turkey Exporters Especially Hard Hit by Peso's Sharp Drop," FEEDSTUFFS, 1/18/95; George Anthan, "Ag Officials See 'Golden Era' in Export Trade," DES MOINES REGISTER, 2/19/95; Chuck Harvey, "Market Has Profit Potential," THE PACKER, 2/6/95.

DAIRY EXPORTS TO MEXICO

Dairy exports remain a contentious issue for U.S. and Mexican producers and regulators. The Mexican government recently unveiled stringent food safety standards, including regulations requiring that the expiration date on fluid milk be no more than 48 hours after the time of pasteurization. The proposed rules also require vitamins to be labeled as "additives."

An executive of Dean Foods in Chicago, a $2.5 billion-a-year food company that is the largest U.S. producer of fluid milk, says that technology available in both Mexico and the U.S. allows milk to have a shelf life longer than two days. He charges that the new regulations are desig Organization waiver, as a development policy instrument. A recent World Bank report, "Bananarama III," says that the EU rules cost European consumers $2.3 billion dollars yearly in artificially inflated prices, $700 million more than under the previous quota regime. According to the report, most of the increased cost goes to European banana marketers, and the banana-producing countries would be better served by the EU scrapping the quotas and giving them $300 million yearly in direct aid.

Debra Percival, "EU Commission Defends Its Single Market Policy," INTERPRESS SERVICE, 1/31/95; "EU-U.S. Talks Produce No Change in Banana Dispute," INTERPRESS SERVICE, 1/31/95.

RESOURCES/EVENTS

Free or Fair Trade? Monthly newsletter published by the Latin American Institute for Alternative Legal Services (ILSA) and the Regional Coordinator of Economic and Social Investigation (CRIES), with the cooperation of CUSO. Available in English and Spanish, by post and electronic mail. 10 pp. ILSA, A.A. 077844, Bogot , Colombia. Email: Ilsabog@ax.apc.org. Fax (571) 2884854.

Living with FTA/NAFTA: Six Years of Free Trade Fallout in Canada. Special four-page pullout of the CCPA Monitor, February 1995. Canadian Center for Policy Alternatives, 804-251 Laurel Avenue West, Ottawa, Ontario K1P 5J6. Part I, published in the February 1995 issue, includes "The State of the Economy: Prosperity for Whom?" and sections on social programs, environment, and agriculture. Part II will follow in March 1995.

Chiapas, Mexico: Alternative Development Models for the Indigenous of Chiapas, June 21-28, 1995; Chiapas, Mexico: Challenge for a Changing Church, June 10-19, 1995; Mexico: Poor, Yet Making Many Rich, August 7-14, 1995 -- three travel seminars from the Global Education Center, Augsburg College, 2211 Riverside Ave, Minneapolis, MN 55454. For further information, call 612/330-1159

Economic and Financial Cycles and NAFTA: Macro and Micro Issues and Analysis, international symposium in Mexico City, June 7-9, 1995, sponsored by the Graduate School of Political and Social Sciences of the Universidad Nacional Autonoma de Mexico. Focus on economic and financial cycles in NAFTA countries and their relationship to world cycles, and relationship between financial liberalization, deregulation and business cycles. Call for papers - send abstract or proposal to Edgar Ortiz, Apartado 20-712 Col Coyoacan Del Coyacan 04000 Mexico, D.F. by April 10. Tel/Fax: 525/659-1949. Email edgaro@servidor.unam.mx.

Dollars and Sense, March-April 1995 issue includes "NAFTA Shock: Mexico's Free Market Meltdown" and "GATT: A View from the South." Dollars and Sense, Economic Affairs Bureau, Inc., One Summer Street, Somerville, MA 02143, telephone 617/628-8411. Single issue $4.50; one year $22.95 individuals, $42 institutions.

Produced by the Institute for Agriculture and Trade Policy, Mark Ritchie, President. Edited by Mary C. Turck. The NAFTA & Inter-American Trade Monitor is available free of charge to Econet and IATPNet subscribers. Fax/mail subscriptions are available for $45 for three months. For information about subscriptions or other IATP publications, contact: The Institute for Agriculture and Trade Policy, 1313 5th St SE, Suite 303, Minneapolis, MN 55414. Phone: 612-379-5980; fax: 612-379-5982; e-mail <iatp@iatp.org>. For information about IATP's contract research services, contact Dale Wiehoff at 612-379-5980, ext. 233 or e-mail <dwiehoff@iatp.org>.

From iatp@igc.apc.orgSat Mar 18 19:11:28 1995 Date: Fri, 17 Mar 1995 15:30:30 -0800 (PST)
From: IATP <iatp@igc.apc.org> To: Recipients of conference <trade-news@igc.apc.org>
Subject: NAFTA & Inter-Am Trade Monitor 3/17

NAFTA and Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy
Friday, March 17, 1995 Volume 2, Number 7

Headlines:

- TROUBLE AHEAD FOR NAFTA AND THE "BIG EMERGING MARKETS"?
- EXPANDING NAFTA? FOCUS ON CHILE
- FACING CRISIS, ARGENTINA ACCEPTS IMF LOANS
- BRAZILIAN REAL DEVALUED
- ZEDISHOCK
- EFFECT OF WAR ON RESIDENTS OF CHIAPAS
- FLORIDA TOMATO GROWERS SEEING RED
- U.S. MEAT EXPORTS SLASHED

TROUBLE AHEAD FOR NAFTA AND THE "BIG EMERGING MARKETS"?

While voicing continued faith in NAFTA, U.S. Undersecretary of Commerce Jeffrey E. Garten acknowledged that the Clinton administration has scaled back its expectations for the 10 countries it calls the "big emerging markets" or BEMs -- Mexico, Brazil, Argentina, Poland, Turkey, China, South Korea, Indonesia, India, and South Africa. Mexico's peso devaluation, pressure on Brazil's new currency, severe economic problems in Argentina, imminent bankruptcy in Turkey, divisive elections in India, and steeply declining foreign investment in China mean that the "prospect of a prosperous BEM was shaken in just a few weeks," said Garten.

According to Garten, the Mexican crisis has made other BEMs more cautious and quicker to deal with economic and currency difficulties. Still, he says, "We ought to realize we're going to see recurring disturbances (in these countries) and we've got to learn how to deal with instability." The administration will move ahead with its plans for expanding free trade, and has invited trade ministers from all Latin American countries to Denver in June to plan for hemispheric free trade.

Milan Ruzicka, "US Committed to Nafta Despite Perils of Peso," JOURNAL OF COMMERCE, 3/13/95; Graham Bowley, "Shockwaves Spread Beyond Latin America," FINANCIAL TIMES, 3/13/95

EXPANDING NAFTA: FOCUS ON CHILE

In a March speech, U.S. House Democratic Leader Richard Gephardt signaled problems ahead for Chile's admission to NAFTA. Gephardt said that, given the financial turmoil in Mexico, "I don't believe that we ought to be trying to do other free-trade agreements with Central and South America." Gephardt had also opposed passage of NAFTA. The Clinton administration plans formal talks on Chile's admission to NAFTA later this year. Chile had seemed willing to sign on to the environment and labor "side accords" of NAFTA. However, U.S. Republicans say that there will be no side accords for Chile, setting up an immediate conflict within the U.S. Congress.

Overall, Chile trades more than half the value of its gross domestic product. Its fruit, wine, forestry products, fish meal, and salmon reinforce the diversity of Chile's exports. Agricultural and fishing products make up only 15 percent of Chilean exports, with mining accounting for 41 percent and industry for 44 percent. The government recently created a fund for agricultural export promotion, in response to a serious agricultural crisis that resulted in a 13 percent decline in agricultural profits last year. The hardest hit agricultural sectors are those producing food and basic goods for the domestic market.

A flood of dollars, resulting from foreign investment in stocks and higher prices for Chilean commodities (such as copper), strengthened the Chilean peso in 1994. Chilean exports to other Latin American countries increased by 26.7 percent between January and October 1994, with sales to Asia rising by 21 percent, exports to North America rising by 8.4 percent, and exports to Europe growing by 1.5 percent during the same period. The Chilean peso appreciated by about nine percent against the dollar during 1994, with Chile showing a trade surplus of about $600 million. Chile's gross domestic product (GDP) grew by 4.5 to 5 percent in 1994, and growth of six percent is expected in 1995. Inflation is expected to be eight percent in 1995 (down from nine percent in 1994), and unemployment is expected to average 5.5 percent (down from 6.5 percent in 1994). The single-digit inflation rate for 1994 was even lower than the government projections of 10-11 percent and represented a dramatic drop from the 12 percent inflation rate of 1993.

Chile is also negotiating with Mercosur (Argentina, Brazil, Paraguay and Uruguay), aiming for a five-nation free trade zone within 10 years.

Source: Stephen Fidler and George Graham, "Nafta Aims for Swift Chilean Entry," FINANCIAL TIMES, 12/10-11/94; Kevin G. Hall, "GOP Trade Leader: No Side Accords for Chile," JOURNAL OF COMMERCE, 12/15/94; "More Growth, Less Inflation Foreseen for 1995," INTERPRESS SERVICE, 12/21/94; Matt Moffett, "Chile Faces Embarrassment of Riches as Dollars Flood In, Boosting Peso," WALL STREET JOURNAL, 12/16/94; "Latin American Market is the Fastest Growing," INTERPRESS SERVICE, 12/13/94; David Piling, "Global Player," U.S./LATIN TRADE, 1/95; Violetta V. Argueta and Juan P. Llambas, "Chile: Business News Watch," LATIN AMERICAN LAW & BUSINESS REPORT, 1/31/95; "Agricultura Chilena Vive la Peor Crisis de los Ultimos 20 Aos," SUCESOS, 1/12/95; Gephardt Opposes Further Latin America Trade Pacts," WALL STREET JOURNAL, 3/14/95.

FACING CRISIS, ARGENTINA ACCEPTS IMF LOANS

On March 13, Economy Minister Domingo Cavallo announced agreement on an $11 billion loan package, including $2.4 billion from the International Monetary Fund (IMF), $1.3 billion from the World Bank, $1 billion from regional development banks, and $2 billion from bond issues. He said taxes will increase to help achieve a $4.4 billion fiscal surplus. In the recent past, Argentina had rejected IMF loans, saying that Argentina did not want IMF economic supervision and conditions.

With Argentina's May 14 presidential election on the horizon, President Carlos Menem's government sent to Congress a $3.3 billion austerity package that will cut spending by $1 billion and raise taxes by $2.3 billion. Economy Minister Domingo Cavallo said the tough measures are necessary to head off a 1995 budget deficit and restore investor confidence in Argentina. The cuts follow January's $1 billion of budget cuts.

In the aftermath of the Mexican peso devaluation, the Argentine stock market lost more than 30 percent of its value, as did many government bonds. Bank deposits fell by $4 billion. Alto Paran became Argentina's first major company in default since the 1980s when it said on March 1 that it could not make payments due. The default will make it more difficult for other Argentine companies to refinance $1 billion in corporate debt that comes due this year. Alto Paran is owned by international investment and financial institutions, including Citicorp.

As the government instituted privatization and other economic measures in recent years, inflation fell sharply, the gross domestic product grew, and official unemployment figures doubled, to more than 12 percent last year. An additional 10.4 percent of the work force is under-employed, according to the National Institute of Statistics and Census. The government has proposed labor law changes, including cuts in social security and disability benefits paid by employers, extension of working hours, and easier procedures for firing workers, as an incentive to businesses to hire more workers.

David Pilling, "Drive to Enact Argentine Austerity," FINANCIAL TIMES, 3/2/95; "Major Argentine Paper Company Defaults," NEW YORK TIMES, 3/2/95; Calvin Sims, "Argentina Booming, Bypassing Jobless," NEW YORK TIMES, 2/5/95; Marcela Valente, "Crisis Looms Among Work Force," INTERPRESS SERVICE, 2/22/95; Timothy L. O'Brien and Thomas T. Vogel Jr. and Michael R. Sesit, "Argentina Seeks $3 Billion Credit to Boost Banks," WALL STREET JOURNAL, 3/14/95; "Argentina Announces Package of Financing to Bolster Peso," NEW YORK TIMES, 3/14/95.

BRAZILIAN REAL DEVALUED

Brazil's Real currency fell more than two percent against the dollar immediately after a March 6 central bank announcement of a new exchange rate policy and a two-step devaluation. Exporters welcomed the announcement of "floating bands" for the Real, hoping it will reverse the trade deficit that the country has run since November. The band will be set at 86-90 centavos to the dollar until May 1 and widened to 86-98 centavos to the dollar on May 2, representing a maximum possible devaluation of more than 15 percent. On March 9, Brazil's central bank intervened 32 times to support the Real and keep it trading above the 90 centavo floor, and then changed the band's lower limit to 93 centavos. Finance Minister Pedro Malan said the change was "not a devaluation in the conventional sense of the word," since the Real was supposed to be equivalent to the dollar when it was introduced and its initial appreciation against the dollar was unplanned.

President Fernando Henrique Cardoso, who took office on January 1, has proposed major constitutional reforms and vetoed an increase in the minimum wage from 70 Reales (about $80) to 100 Reales per month. About 20 percent of Brazilians receive the minimum wage. Cardoso said that the increase would bankrupt the government social security system, and said he must make budget cuts to avoid a deficit. Congress also voted to more than double its own salaries, bringing them to 120,000 Reales yearly, about 50 times the average Brazilian salary of 5,200 Reales. Congressional members also have medical, postage, and most telephone bills paid, and get rent subsidies and three free air flights home per month.

The constitutional changes proposed by Cardoso include provisions for privatizing state companies, lifting limitations on foreign-controlled companies, simplifying the tax system, and implementing changes in the national social security and retirement system.

Angus Foster, "Brazil Allows Real to Fall," FINANCIAL TIMES, 3/7/95; Leslie Crawford and Angus Foster, "Mexican, Brazilian Currencies Under New Pressure," FINANCIAL TIMES, 3/10/95; George Graham and Angus Foster, "Brazil Brings in Emergency Support for Real, US Hails Mexican Resolve Over Tough Austerity Measures," FINANCIAL TIMES, 3/11-12/95; "Minimum Wage Hike Vetoed," CENTROAMERICA, 3/95.

ZEDISHOCK

Although neither business nor labor would sign on to the new economic plan, President Zedillo announced a new economic emergency package on March 10. Dubbed "Zedishock" by Mexicans, the package provides for immediate price hikes of 20 percent for electricity and 35 percent for petroleum, to be followed by monthly price hikes for the next year. The value-added tax was increased from 10 percent to 15 percent.

Family income is expected to drop by 25 percent, and inflation is forecast at 42 percent during 1995, with negative economic growth of two percent predicted. The minimum wage is set to increase by 10 percent. Thirteen years after Mexicans adopted austerity measures to cope with the 1982 debt crisis, dissatisfaction with the new measures was evident. According to Liliana Flores, an economist who leads the El Barzon "can't pay, won't pay" agricultural movement, "We are all indebted to the banks -- we have mortgages, car loans, credit card debts, and we stand to lose everything we own."

The prices of basic grains -- except corn -- are expected to rise by 42-50 percent, according to government agricultural officials. The price of tortillas, bread, and milk will be subsidized.

The peso began to rebound, increasing 18 percent against the dollar on March 10, after the plan was announced. Brazilian, Argentinian, and Chilean stock markets followed the rebound of Mexico's markets, with increases in market indices of 25.6 percent, 12.8 percent, and 9.4 percent, respectively. "The markets have a manic-depressive nature," commented a Brazilian newspaper editor.

Mexico has also advised the World Trade Organization (WTO) that it will increase tariffs to protect its apparel industry. The average tariff for textiles will rise from about 20 percent to about 35 percent, the upper limit under WTO rules. Tariffs on footwear, confectionery goods, and leather products will also rise. U.S. retailers operating in Mexico criticized the action as a virtual embargo on Asian goods, which the U.S. retailers sell.

Roberto Gonzalez Amador, "Plan Economico - Severo Ajuste," LA JORNADA, 3/10/95; Matilde Prez, "Nuevos Precios en Granos Basicos," LA JORNADA, 3/12/95; Kevin G. Hall, "Mexico Tells WTO of Plan to Raise Tariffs on Apparel," JOURNAL OF COMMERCE, 3/3/95; Diane Solis and Craig Torres and David Wessel, "Salinas May Be Leaving Mexico; Markets Gain on Austerity Plan," WALL STREET JOURNAL, 3/13/95; Leslie Crawford, "Anger on the Streets as Mexico Swallows the Economic Medicine," FINANCIAL TIMES, 3/13/95; James Brooke, "Latin Rallies Follow Gains in Mexico," NEW YORK TIMES, 3/13/95.

EFFECT OF WAR ON RESIDENTS OF CHIAPAS

On March 13, Mexican President Zedillo announced that troops will be moved out of villages formerly occupied by the Zapatista National Liberation Army (EZLN), but will continue to patrol roads to ensure their own safety. The announcement followed by one month Zedillo's earlier order that troops stop pursuing the EZLN. The first order had little impact on residents of Chiapas, an estimated 20,000 of whom are living in hiding from the Mexican army. According to human rights organizations, the state of Chiapas has been militarized, with soldiers suspending all individual constitutional liberties.

The presence of the military has altered the daily lives of Chiapans. They face army checkpoints when they enter or leave occupied communities. People working in their cornfields are stopped, interrogated about the EZLN, sometimes threatened. Soldiers enter people's homes to question them about what they know of the Zapatistas.

In one community, Ejido Santa Elena, the people fled when the military marched in. Soldiers found them in the mountains and forced them to return. Now soldiers check each person who leaves the village to gather firewood, to be sure they are not carrying food to the EZLN. Those who leave are given a time to return. The school has been turned into a jail. Soldiers give bags of Maseca to the village women, ordering the women to make tortillas for them, and take the villagers' chickens for their meals. The village women are also required to wash the soldiers' clothing.

Eighty Mexican observers who traveled through Chiapas in early March at the request of the National Mediation Commission (CONAI) concluded that the government-military strategy closely corresponds to the strategic hamlet program implemented in Vietnam and Guatemala. Soldiers entering communities sympathetic to the Zapatistas systematically destroy seed grain, tools, food, and household goods and empty or pollute water supplies. Some of the communities havebeen repopulated with peasants more sympathetic to the government.

The Rural Association of Collective Interest - Independent (ARIC - Independent) voiced the strong objections of the segment of the indigenous population that rejects the army's attempts to control the territory: "The government supports only those who obey. But we are different. We do not want food packages, we want to participate directly in the solution to our problems. We are working people, and we want to be allowed to work, not to be helped as they think that it is necessary to help us. We do not speak their language, but we have capacities. We are tzeltales, not idiots."

Tim Golden, "In Gesture to Rebels, Mexico Will Pull Back Its Troops," NEW YORK TIMES, 3/15/95; "Military Occupation in Chiapas Persists, 20,000 Displaced," LA JORNADA, 3/10/95; Juan Antonio Zuniga, Montanas del Sureste," LA JORNADA, 3/12,13/95; Oscar Camacho Guzman, "The Army's Blockade and the Detentions in the Lacandon Jungle Continue," LA JORNADA, 3/13/95; Jos Gil Olmos, Ejido Santa Elena Is Under Military Rule, Complain Inhabitants," LA JORNADA, 3/13/95; Sergio Zermeno, "Lacandonia: Testimonios de la Soberana," LA JORNADA, 3/13/95.

FLORIDA TOMATO GROWERS SEEING RED

The peso devaluation has given Mexican growers added incentive to export all the tomatoes they can, since even low dollar prices bring more than selling domestically for pesos. The price for a 25 pound box of Mexican tomatoes dropped from $14 to $2.50 in the U.S. after the devaluation, rebounding to $6-7. Wholesale price fluctuations rarely showed up in supermarket prices, however.

Florida tomato growers have been devastated by competition from lower-cost Mexican tomatoes since the passage of NAFTA. Florida's share of the fresh-tomato market in the U.S. fell from 73 percent in January 1993 to 57 percent in January 1994 and to 36 percent in January 1995. Florida is the leading U.S. producer of fresh tomatoes, with the $600 million earned from last year's crop last year placing tomatoes second to oranges as a Florida crop.

While California and Mexico have complementary tomato seasons, Florida and Mexico are direct competitors, especially during the winter. California exports tomatoes to Mexico.

Jane Bussey, "Mexican Growers Boost Tomato Shipments," MIAMI HERALD, 2/27/95; Bob Walter, "NAFTA Hits the Spot for Farm Exports," SACRAMENTO BEE, 1/22/95.

U.S. MEAT EXPORTS SLASHED

Because Mexico is one of the largest importers of U.S. meat, U.S. exporters are in deep trouble. The peso devaluation has stopped beef shipments as Mexican buyers cancel contracts, fearing that the now-expensive meat will spoil on the shelf. During the first six weeks after the December 20 peso devaluation, U.S. beef and pork exports to Mexico dropped about 80 percent.

Janet Day, "Peso Crisis Hits Meat Exporters," DENVER POST, 1/31/95.

Produced by the Institute for Agriculture and Trade Policy, Mark Ritchie, President. Edited by Mary C. Turck. The NAFTA & Inter-American Trade Monitor is available free of charge to Econet and IATPNet subscribers. For information about fax or mail subscriptions, or other IATP publications, contact: The Institute for Agriculture and Trade Policy, 1313 5th Street SE, Suite 303, Minneapolis, MN 55414. Phone: 612-379-5980; fax: 612-379-5982; e-mail: iatp@iatp.org. For information about IATP's contract research services, contact Dale Wiehoff at 612-379-5980, or e-mail: dwiehoff@iatp.org

From iatp@igc.apc.orgFri Mar 24 20:00:45 1995 Date: Fri, 24 Mar 1995 11:38:46 -0800 (PST)
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Subject: NAFTA & Inter-American Trade Monito

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

Volume 2, Number 8 Friday, March 24, 1995

Headlines:

- MEXICAN TAX INCREASE PASSES, DESPITE WIDESPREAD PROTEST
- CONTINUED CLASHES, POSSIBILITIES OF PEACE IN CHIAPAS
- SONY BOYCOTTS NAFTA HEARING
- NAFTA AND TRANSPORTATION
- TRINATIONAL AGRICULTURAL EXCHANGE
- ENVIRONMENTAL CLEANUP DESPITE MEXICAN CRISIS?

MEXICAN TAX INCREASE PASSES, DESPITE WIDESPREAD PROTEST

On March 17, after ten hours of bitter debate and some opposition even from ruling party PRI deputies, the Mexican government's proposal to increase the Value Added Tax (VAT) from 10 percent to 15 percent as part of its austerity program was passed by the Congress. The government threatened PRI congressional rebels with expulsion from the party, bringing all but one PRI deputy and one PRI senator back in line to vote for the VAT increase.

On March 19, various social sectors, including business, clergy, political parties, and citizen's groups in Nuevo Len, Sonora, Zacatecas, Nayarit, Yucatn, and Tamaulipas demonstrated against the VAT increase. Two PRI deputies who had voted for the VAT increase were attacked in Monterrey as they left a television station after having appeared on the air to defend their position. Business leaders around the country said that many businesses would be forced to close as a result of the tax increase. Government officials estimated that 250,000 people had lost their jobs during the first two months of 1995, and predicted that 500,000 more jobs would be lost during the first half of the year.

A nationwide debtors' strike on March 16, called by the El Barzon agricultural organization, shut down 874 bank branches. El Barzon's Mexico City coordinator, Alfonso Ramirez, characterized the organization as "members of the chamber of commerce, not your traditional leftists," and warned that the government's austerity plan presents "a problem ... more explosive than Chiapas." A committee of shopkeepers in Chiapas declared a two-year moratorium on past-due debt totaling $70 million. The Mexican Action Network on Free Trade (RMALC) has called for renegotiation of the foreign debt and for development financing focused on the domestic market.

"Mexico's Zedi-Shock 'More Explosive Than Chiapas,'"WEEKLY NEWS UPDATE ON THE AMERICAS, 3/19/95; David Carrizales, Jess Moreno, Angel Amador, Jess Narvez, Luis Boffil, LA JORNADA, 3/20/95; Roberto Gonzlez Amador, LA JORNADA, 3/21/95; Leslie Crawford, "Mexico Austerity Plan Boosted by VAT Rise," FINANCIAL TIMES, 3/20/95; Roberto Gonzalez Amador, "Onate: Quedaran 750 Mil Sin Empleo," LA JORNADA, 3/11/95.

CONTINUED CLASHES, POSSIBILITIES OF PEACE IN CHIAPAS

Renewed negotiations between the government and the Zapatista National Liberation Army (EZLN) appear likely despite continued conflict in Chiapas, including a confrontation between opposition party PRD and PRI members that left at least six people dead and eight more wounded. The EZLN maintains that it cannot begin face-to-face negotiations until the army withdraws to its pre-February 8 positions. Nonetheless, in mid-March the EZLN General Command offered to begin an exchange of letters with the government, through the National Mediation Commission (CONAI). CONAI, headed by Bishop Samuel Ruiz, has been the official mediator between the parties since early 1994. Such a dialogue could open the way, for the second time since January 1994, to replace the military conflict with political negotiation, though low-intensity conflict seems certain to continue.

The PRD-PRI battle took place in the ejido Teoquipa El Bascn in Salto de Agua, and grew from disputes over the taking of land. In parallel developments, cattle ranchers and landowners in the municipality of Venustiano Carranza, warned by members of campesino organizations that they were about to invade, evacuated 25 properties. Landowner associations in the Coalition of Organizations (COC) said they will begin to drive out people occupying more than 2,000 properties in the state.

Although President Ernesto Zedillo ordered troops to withdraw from municipalities in Chiapas on March 14, soldiers remained in the public squares and in front of churches and schools in Margaritas and Guadalupe Tepeyac a day later. CONAI noted on March 16 that the Mexican army "remains in its positions in the zone of conflict in Chiapas and up until the present we have not seen that they have withdrawn from a single roadblock."

Many of the 26,000 people displaced since January 1994 have begun to return to their communities. All returnees are registered by the army and judicial police, some are taken to new areas, and some are charged for new parcels of land they are going to receive. Many of the returnees are PRI members who left the area when the EZLN emerged in 1994, but others are more recent refugees from the advancing military. Some report being interrogated about Zapatista leaders.

The federal government has promised 15 million new pesos (about $2.5 million) to the members of the "Indigenous Groups of the Motozintla Sierra Madre" (ISMAM) to be used for the harvest and sale of over 20 thousand quintals (2,200 tons) of coffee. The government also promised to mediate in the clarification of the murder of Hipolito Hernandez and Darinel Recinos Gordillo, members of ISMAM, as well as the kidnapping of ISMAM's president, Carmelino Ramirez Garcia.

Alonso Urrutia and Jess Aranda and Candelaria Rodrguez, "Chocan Militantes del PRI y PRD en Chiapas, Al Menos 6 Muertos," LA JORNADA, 3/15/95; Elio Henrquez and Jos Gil Olmos, "Mantienen Retenes Militares en Margaritas y Guadalupe Tepeyac," LA JORNADA, 3/15/95; AMDH SPECIAL BULLETIN, 3/1-6, 7-13/95; Juan Antonio Ziga, LA JORNADA, 3/20/95; Jos Gil Olmos, "EZLN Declara," LA JORNADA, 3/17/95; "Gobierno Accepta Dialogar con EZLN," LA JORNADA, 3/17/95; "Peace in Southern Mexico, War on the Internet?" WEEKLY NEWS UPDATE ON THE AMERICAS, 3/19/95.

SONY BOYCOTTS NAFTA HEARING

Sony Corporation refused to appear at the U.S. National Administrative Office (NAO) hearing in San Antonio, Texas on February 13. Businesses argue that the NAFTA side accords apply to the governments of Canada, Mexico, and the United States, and do not obligate individual companies. NAO Secretary Irasema Garza agreed that the labor side accord is a government-to-government agreement, noting that her office has no subpoena power.

The AFL-CIO protested Sony's absence, calling it part of a pattern of U.S. companies' avoiding public participation in the NAO hearing process, but praised NAO officials' handling of the hearing. The February 13 hearing focused on complaints that management of Magneticos de Mexico (a Sony subsidiary) conspired with the Mexican government in Nuevo Laredo and the current union to prevent independent union organizing. The AFL-CIO also charged that workers who had participated in the hearing were intimidated by the company.

In related NAFTA labor news, Canadian John S. McKennirey has been named executive director of the NAFTA Labor Secretariat, located in Dallas, Texas. McKennirey will serve a three-year term at the head of a secretariat staffed by 15 consultants, lawyers, economists, and administrators from all three countries. Each country also has a National Administrative Office (NAO), which serves as a contact between the Secretariat and that country. In addition to the NAOs and the Secretariats, the NAFTA labor side accord set up a Ministerial Council, consisting of labor ministers from the three countries, and a tri-national Commission for Labor Cooperation governed by the Ministerial Council.

"Firms' Absence from U.S. NAO Hearings Comes Under Attack by Labor," INSIDE NAFTA, 2/22/95; Rafael Anchia, "The NAFTA Labor Secretariat Becomes a Reality," INTER-AMERICAN TRADE AND INVESTMENT LAW, 3/3/95.

NAFTA AND TRANSPORTATION

Mexican truckers, about to face NAFTA-mandated direct foreign competition in border states, are already reeling from deregulation, devaluation, and the sharp drop in imports caused by devaluation. Mexico's trucking industry generates five percent of the Gross Domestic Product and employs more than 1.2 million workers, carrying 85 percent of land cargo and 98 percent of passengers on public transportation. NAFTA mandates a lifting of restrictions on foreign carriers in January 1997.

Cross-border trucking grew rapidly in 1994, but southbound traffic dropped drastically this year, creating a trailer shortage for Mexican truckers. Mexican truckers have a ratio of one trailer to each tractor, while U.S. carriers typically have a higher trailer to tractor ratio. Since fewer trailers are coming to Mexico, Mexican shippers have difficulty finding trailers to carry the now-heavier northbound traffic. They are further handicapped by a fleet of trucks in which more than a third are more than 11 years old and 22 percent are 16-20 years old. Mexican truckers who want to purchase new rigs in the U.S. face steep lending rates and higher costs because of the economic crisis.

The new austerity package will also handicap Mexican truckers, most obviously in the immediate 35 percent hike in fuel prices, which will increase by an additional 0.8 percent monthly for the next year. Bridge and highway tolls and airport and railroad user fees will also rise by 2.5 percent monthly.

U.S. shippers are not allowed to engage in "cabotage," domestic point-to-point hauling within Mexico. A network of "gentleman's agreements" divides high-density routes among shippers, but also ensures that no domestic carriers operate nationwide. M.S. Carriers, one of the major U.S. truckers doing business in Mexico, has found that differences in shipping practices make their partnership with Transportes Easo more difficult than anticipated. "We felt like we could come in and spend $10 million, and we're going to equip Easo with new tractors and trailers, we're going to give them computer software ... [and] telecommunications systems ... [and] we're going to triple their utilization and we're going to make a fortune," said Craig Coyan, head of M.S. Carriers' international business division. Coyan cited different ordering and return practices as a source of expense for Mexican carriers.

Intermodal shipping between Mexico and the U.S. (where barges connect at ports directly to railroads to transfer bulk and containerized loads) has suffered from start-up problems. Traffic imbalance, with more volume going into Mexico than out during 1994, handicapped shippers, and weather conditions at Veracruz, Mexico's main barge port, also slowed traffic. Problematic rail connections in Mexico and high rates charged by Ferrocarriles Nacionales de Mexico also made intermodal shipping less attractive.

Mercosur countries, too, are experiencing transport difficulties as a barrier to free trade. High port fees make shipping expensive, but shipping between Brazil and Argentina increased by 25 percent from 1993 to 1994. Rail transport is slow and differing rail gauges make border transfers of cargo necessary. While truck transportation is favored, it also has drawbacks, as only a quarter of the trucks in Mercosur nations are authorized to operate in more than one country. Air transport is expensive for shippers.

Lino Javier Calderon, "Growth or Extinction? The Future of the Mexican Trucking Industry," EL FINANCIERO (Import/Export Supplement), February-March/95; Kevin G. Hall, "Bubble Bursts for Mexican Trckers," JOURNAL OF COMMERCE, 3/8/95; Paul Conway, Kevin G. Hall, "M.S. Carriers Finds That the Road to Mexico is Riddled With Potholes," JOURNAL OF COMMERCE, 3/9/95; Allen R. Wastler, "Mexico-US Barge Runs May Stage Comeback," JOURNAL OF COMMERCE, 3/9/95; Kevin G. Hall, "Mexican Businesses Prepare for Bitter Period of Austerity," JOURNAL OF COMMERCE, 3/13/95; Kevin G. Hall, "Mexican Turf Wars Intensify Shippers' Distribution Headaches," JOURNAL OF COMMERCE, 3/10/95; Ricardo de Bittencourt, "MERCOSUR: The Transport Challenge," INTERPRESS SERVICE, 3/95.

TRINATIONAL AGRICULTURAL EXCHANGE

Meeting in Lincoln, Nebraska, farmers from Mexico, Canada, and the United States discussed common concerns at the Trinational Agricultural Exchange in

January. About 40 farmers, rural activists, and agricultural analysts representing 22 groups from the three countries met to analyze the impact of global trade on agriculture and issues of particular concern to farmers in the three countries, including the Mexico-United States white corn market, continuing Canada-United States wheat disputes, the 1995 U.S. farm bill, and Chiapas. Farm organizations from Uruguay, Brazil, and Costa Rica also participated.

According to Karen Lehman, of the Institute for Agriculture and Trade Policy's Program on Interamerican Integration, the meeting gave participants a sense that they can cooperate together in a continuing network. Representatives from all countries agreed that agriculture is increasingly controlled by transnational corporations. Export-driven agriculture, favored by the transnationals and supported by NAFTA and GATT trade agreements, has increased rural unemployment and forced migration from rural to urban areas.

Leslie Wirpsa, "Farmers Cross Borders to Face Free Trade," NATIONAL CATHOLIC REPORTER, 2/17/95; Karen Lehman, interview, 3/20/95.

ENVIRONMENTAL CLEANUP DESPITE MEXICAN CRISIS?

According to North American Development Bank (NAD Bank) deputy director Victor Miramontes, Mexico's current economic crisis may actually benefit environmental projects along the border. With pesos in short supply and Mexican lenders charging very high interest rates, NAD Bank environmental loans are an opportunity for relatively low-interest borrowing. NAD Bank can lend to individuals, cities, corporations, or governments on either side of the border. The Border Environmental Cooperation Commission (BECC) must define criteria for projects and approve the loans, which can be made for environmental infrastructural projects. Both Mexico and the United States have deposited funds in NAD Bank, which plans to make its first loan by this summer. NAD Bank's priorities are wastewater, drinking water, and municipal solid waste treatments.

However, since the effects of Mexico's economic crisis are felt throughout the economy, Mexican businesses are likely to be less optimistic about environmental investment than the NAD Bank staff. According to the Mexican National Council of Ecological Industries, 95 percent of large industries are in compliance with ecological requirements, but the compliance rate drops to 30 percent for medium-size industry and to 11 percent for small industry. Postponing enforcement of environmental regulations may be sought, as small and medium-size businesses struggling to stay afloat scrutinize the cost of investment in environmental programs.

Ron Mader, "BECC & NAD Bank Updates," MEXICAN ENVIRONMENTAL BUSINESS, 1/25/95; "Role of NAD Bank," MEXICAN ENVIRONMENTAL BUSINESS, 2/9/95; Jos F. Garca Quintanilla, "Mexico 1995: Balancing the Environment and Jobs," INTER-AMERICAN TRADE AND INVESTMENT LAW, 1/27/95; Baron F. Levin, "Can Mexico Clean Up Its Act?" TWIN PLANT NEWS, 3/95; Kevin G. Hall, "NADBank's Leaders Want to Make an Early Mark With Small Projects," JOURNAL OF COMMERCE, 3/20/95.

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"A Citizen's Guide to NAFTA's Environmental Commission." Friends of the Earth and the Interhemispheric Resource Center, February 1995, 16 pp. Order from Friends of the Earth, 1025 Vermont Avenue NW, 3rd Floor, Washington, DC 20016; telephone 202/783-7400; fax 202/783-0444; email foedc@igc.apc.org or from Interhemispheric Resource Center, P.O. Box 4506, Albuquerque, NM 87196; telephone 505/842-8288; email resourcectr@igc.apc.org. $2 first copy, 50" each additional copy. Description of the North American Commission for Environmental Cooperation, created by NAFTA's Environmental Side Agreement, including structure and procedures of NACEC and list of advisory board members.

"North American Free Trade Agreement: Structure and Status of Implementing Organizations." United States General Accounting Office, October 1994, 46 pp. Order from U.S. General Accounting Office, P.O. Box 6015, Gaithersburg, MD 20884-6015. Telephone 202/512-6000, fax 301/258-4066 or TDD 301/413-0006. Document GAO/GGD-95-10BR. Describes organizations created to implement NAFTA, such as Free Trade Commission, Border Environment Cooperation Commission, North American Development Bank, etc.

Produced by the Institute for Agriculture and Trade Policy, Mark Ritchie, President. Edited by Mary C. Turck. The NAFTA & Inter-American Trade Monitor is available free of charge to Econet and IATPNet subscribers. For information about fax or mail subscriptions, or other IATP publications, contact: The Institute for Agriculture and Trade Policy, 1313 5th Street SE, Suite 303, Minneapolis, MN 55414. Phone: 612-379-5980; fax: 612-379-5982; e-mail: iatp@iatp.org. For information about IATP's contract research services, contact Dale Wiehoff at 612-379-5980, or e-mail: dwiehoff@iatp.org

From iatp@igc.apc.orgTue Apr 4 10:43:10 1995 Date: Mon, 03 Apr 1995 15:02:12 -0700 (PDT)
From: IATP <iatp@igc.apc.org> To: Recipients of conference <trade-news@igc.apc.org>
Subject: Nafta & Inter-American Trade Monito

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

Volume 2, Number 9 Friday, March 31, 1995

Headlines:

- **UN SOCIAL SUMMIT HIGHLIGHTS DIVISIONS BETWEEN RICH, POOR COUNTRIES**
- **MERCOSUR REJECTS ARGENTINE REQUEST TO RAISE EXTERNAL TARIFFS**
- **CONGRESS CONSIDERS CARIBBEAN PARITY**
- **CUBA TRADE UPDATE**
- **RMALC PROPOSES ALTERNATIVE PLAN FOR ECONOMIC RECOVERY AND SUSTAINABLE DEVELOPMENT**
- **CANADA-EU FISHING DISPUTE**
- **VENEZUELA IN ECONOMIC CRISIS**

UN SOCIAL SUMMIT HIGHLIGHTS DIVISIONS BETWEEN RICH, POOR COUNTRIES

With 182 of the United Nations' 185 member-states represented, the UN Social Summit that was held in Copenhagen in early March came to no concrete agreement about narrowing the gap between those whom Mexico's Minister of Foreign Relations, Jose Angel Gurria, characterized as "one billion persons [who] concentrate 70 percent of the resources and income of the planet" and "one in every four human beings [who] live in extreme poverty." Delegates approved a 90-page plan that commits governments to eradicating poverty and reducing the billions of dollars in debt owed by poor countries. However, the plan contains no binding promises or specific programs.

Non-governmental organizations (NGOs) meeting at an "alternative summit" in Copenhagen said the plan did not go far enough. The Latin American caucus declared itself in agreement with the NGO consensus that "the world is living in a profound global social crisis." The Latin American caucus went on to declare that "our continent, more than poor, is an unjust continent. The caucus said that contributing factors to the social crisis included debt, uncontrolled action of transnational corporations, over-exploitation of natural resources, expanded consumption by the North at the expense of the resources of the South, financial speculation, and capital flight as contributing factors. The Latin American caucus denounced neo-liberal economic models for providing no solutions to poverty, unemployment, and social disintegration, and even failing to stabilize economies.

A February 2 letter to the U.N. Secretary General in regard to the Social Summit, which was signed by NGOs comprising the Civil Initiative for Central American Integration (ICIC), insisted that programs of structural adjustment aimed at increasing exports do not support productive development, equitable distribution of wealth, or ecological sustainability. ICIC called on the Social Summit to negotiate with the International Monetary Fund and World Bank in order to change their policy of privileging short-term investments and commerce to a policy of supporting social development, including access for poor groups to credit, technology, education, and land for small farmers and rural workers. While expressing disappointment that no rural organizations had been consulted in drawing up preparatory documents for the Social Summit, the Comisin Coordinadora de la Va Campesina called on the Summit to give priority to ethics over technology and to put human beings at the center of the development process.

The World Bank, under attack from poorer nations at the Summit, claimed that it now gives priority to social spending, but opposed writing off the debt of the developing world.

Jose Angel Gurria, "Palabras del Secretario de Relaciones Exteriores de Mexico," 3/12/95; "Caucus Latinoamericano: Cumbre Mundial Sobre Desarollo Social," 3/10/95; Nicholas Doughty, "U.N. Poverty Summit Plods Towards Final Resolution," REUTERS, 3/12/95; "America Central: Carta a Cumbre Social," ALAI, 3/8/95; "Campesinos Contra Cumbre Social," ALAI, 3/7/95; Mahesh Unyal, "Social Summit-World Bank: Invest In People," INTERPRESS SERVICE, 3/10/95.

MERCOSUR REJECTS ARGENTINE REQUEST TO RAISE EXTERNAL TARIFFS

Argentina withdrew a proposal to its Mercosur partners to raise Mercosur's common external tariff after Brazil, Uruguay, and Paraguay all indicated opposition. Both Brazil and Argentina stood to benefit from the proposed increase. Brazil's imports have doubled in recent months, creating a trade deficit. Argentina's economy has suffered a crisis of confidence since the December 20 Mexican peso devaluation, with $5 billion transferred out of Argentine banks since December. Paraguay and Uruguay opposed the tariff increase from the beginning. When Brazil withdrew its support and joined them in opposition, Argentina withdrew its proposal.

Instead, Argentina will impose a different three percent tax that affects imports, as an emergency measure to slow imports and raise revenues. The Argentine House of Representatives has approved a three percent Value-Added Tax (VAT) hike requested by the International Monetary Fund, raising the VAT from 18 to 21 percent. If the measure is also passed by the Senate, experts predict an increase in inflation and in unemployment, officially at 12.2 percent. Most wages have been frozen for four years.

"Argentina Desiste de Negociar Tarifa Externa Comum," FOLHA DE SAO PAULO, 3/24/95; Oscar Florman, "Gobierno Propondra Aumentar Arancel Comun de Mercosur," INTERPRESS SERVICE, 3/15/95; Carlos Castillo, "Holdups on the Road to Integration," INTERPRESS SERVICE, 3/95; Angus Foster, "Brazil Will Support Import Tariff Increase in Mercosur," FINANCIAL TIMES, 3/17/95.

CONGRESS CONSIDERS CARIBBEAN PARITY

The United States Congress is currently considering Caribbean Basin Parity legislation to reduce the disadvantage suffered by Caribbean textile manufacturers relative to Mexican textile manufacturers, now that NAFTA has slashed duties and quotas for Mexico. While Caribbean apparel imports to the U.S. grew by nine percent last year, the volume of imports from Mexico increased by 43 percent. In 1993, before NAFTA, each region had increased imports by 20 percent. Many manufacturers have shifted production to Mexico as a result of NAFTA.

U.S. apparel manufacturers and importers are pushing for the Caribbean Basin Parity legislation, and for the tariff preference levels (TPLs) that would let Caribbean manufacturers use fabric imported from the Far East. The TPLs, which can be implemented by executive authorization, are needed because, unlike Mexico, the Caribbean nations do not have the mills to produce their own fabric. The Clinton administration says it does not object to the TPL provisions, and supports the parity legislation. Senate approval of the legislation may be difficult to obtain. Last year the Clinton administration withdrew similar legislation because of fear that it would impair the chances of GATT passage, and because of opposition by U.S. garment workers unions.

Caribbean apparel sales to the U.S. totaled $3.9 billion in 1993, with the industry employing 450,000 workers, mostly in the Dominican Republic, Costa Rica, Guatemala, Honduras, and Jamaica.

Paula L. Green and John Maggs, "House Panel Set to Vote on Parity for Caribbean and Mexican Apparel," JOURNAL OF COMMERCE, 3/27/95; Scott West, "Region Sees Hope in New 'Parity' Legislation," INTERPRESS SERVICE, 3/17/95; Canute James, "Peso Devaluation Adds to Caribbean Woes," FINANCIAL TIMES, 2/21/95.

CUBA TRADE UPDATE

Foreign investment in Cuba is growing, despite the 33-year-old U.S. trade embargo. Some conservative politicians and many business leaders in the United States advocate replacing the embargo with free trade, and letting U.S. firms have a chance at the Cuban market. Johns Hopkins University recently completed a study that shows the U.S. embargo costs U.S. businesses $750 million annually.

Official Cuban sources say that 180 associations with capital from 38 countries now have more than $1.5 billion invested in 26 economic sectors. Canada, China, France, Mexico, and Spain lead the list of investors. Signs in Havana advertise the "United Colors of Bennetton" and Mitsubishi. While this year's sugar crop suffers from delayed cultivation, foreign financing will boost production next year, and Cuban sugar deals with China and Russia will generate cash and oil. Cuba's nickel production, hurt by the collapse of the Soviet Union, may be buoyed by $100 million in investment by Canada's Sherrit, Inc. over the next five years.

According to Cuban government figures, Cuba showed economic growth of 0.7 percent in 1994, and a budget deficit reduction of 72 percent. Changes adopted by the government last year include price and tariff increases, a new tax law, and elimination of many subsidies. The fourth Congress of the National Economists Association in Cuba, meeting in March, called for decentralized management of businesses, granting traditional sectors levels of autonomy close to those of the mixed venture companies that now account for 13 percent of all Cuban industry. Restructuring and reorganization of state enterprises has begun, despite fears of displacement of workers.

Also on the Cuban economic horizon is a revaluation of the peso, still officially pegged at one peso to the dollar despite a black market trade at a 35:1 ratio. Although no specific plans have been announced, government officials say that a new exchange rate will have to be set soon.

As United States legislators, ranging from Senator Jesse Helms (R-N.C.) to Representative Robert Torricelli (D-N.J.) sign on to ever more punitive proposals to strengthen the U.S. trade embargo, the United States finds itself more and more isolated internationally. In November, more than 100 countries in the U.N. General Assembly condemned the embargo. The General Agreement on Tariffs and Trade forbids such trade restrictions between members of the World Trade Organization (WTO), and both Cuba and the United States are full members of the WTO. French President Mitterand called the embargo "stupid," and British Conservative Baroness Young warned that it "cannot but cause serious problems" between the U.S. and the United Kingdom.

The Helms proposal would force foreign-based U.S. subsidiaries to stop grade with Cuba and would punish foreign firms that trade with or invest in Cuba. Torricelli claims that "the Castro regime is clearly on its last leg," and that tightening sanctions will hasten his departure.

U.S. President Bill Clinton denied rumors that it was considering easing the sanctions imposed on Cuba last summer, including travel restrictions and a ban on cash remittances from Cuban exiles to their families still in Cuba. Some administration officials are pushing for a "roadmap" to tell Cuban President Fidel Castro exactly what steps could be taken to receive concessions or open the way for negotiations between the two nations.

"Cultivation of Sugar Cane Plantations Lags in Cuba," JOURNAL OF COMMERCE, 3/17/95; Pascal Fletcher, "Cuba Secures Chinese Sugar Deal But Loses Out on Nickel," FINANCIAL TIMES, 3/23/95; "Analysts Call for Realistic Exchange Rate," INTERPRESS SERVICE, 3/21/95; Dalia Costa, "Economists Call for Reversal in Business Policy," INTERPRESS SERVICE, 3/23/95; Wayne S. Smith, "Washington Ignores Reality, Law in Undying Obsession with Castro," LOS ANGELES TIMES (reprinted in STAR TRIBUNE, 3/27/95); Daniel Williams and Ann Devroy, "Clinton May Ease Sanctions on Cuba," WASHINGTON POST, 3/7/95; "Clinton Rejects Any Softening of Sanctions," INTERPRESS SERVICE, 3/7/95; Dalia Costa, "No Shortage of Foreign Investors," INTERPRESS SERVICE, 3/20/95; Dan Burton, Robert Torricelli, "Burton and Torricelli Blast Idea of Easing Cuban Embargo," CONGRESSIONAL RECORD, 3/7/95; Carla Anne Robbins, "Odd Allies Await Clinton If U.S. Shifts Cuba Policy," WALL STREET JOURNAL, 3/16/95;

RMALC PROPOSES ALTERNATIVE PLAN FOR ECONOMIC RECOVERY AND SUSTAINABLE DEVELOPMENT

Attributing the Mexican economic crisis to the free trade economic model followed during the past 12 years, the Mexican Action Network on Free Trade (RMALC) proposed an alternative to "Zedishock" economic austerity. RMALC's plan emphasizes the necessity of sustainable development that places priority on raising the economic level of the majority of the population and preserving the environment. Generating more jobs and slashing interest rates are among the key elements of the RMALC plan, which includes tax reforms that will alleviate the burden on individuals and small businesses and will tax financial speculators. Increased wages for workers and increased economic development to generate jobs are key to the RMALC plan.

RMALC Grupo Tecnico de Analisis Economico, "Plan de Recuperacion Economica y Desarrollo Sustentable," 3/17/95.

CANADA-EU FISHING DISPUTE

A three-hour sea chase, machine-gun fire across the bow of the ship, and the final seizure of a Spanish fishing vessel by the Canadian Coast Guard were called "gunboat diplomacy" by admiring Canadians and "piracy" by incensed Europeans. The dispute has its roots in declining fish stocks in the Northwest Atlantic, part of a worldwide problem. According to the United Nations Food and Agricultural Organization, 70 percent of the world's fish stocks are overfished and their viability is threatened.

The Northwest Atlantic Fisheries Organization (NAFO) decided unanimously last September to restrict the total allowable catch of turbot to 27,000 tons in 1995. National quotas within the 27,000 ton limit were contested, but the vote finally assigned Canada 60 percent of the total and restricted European Union (EU) fishermen to 3,400 tons, compared to the 37,000 tons annually that they took between 1991 and 1993.

On March 1, the EU rejected the quota assignment and unilaterally assigned themselves a quota of 18,630 tons -- 70 percent of the allowable catch for all NAFO members. On March 3, Canada adopted protection laws extending its authority beyond its internationally-recognized 200-mile "exclusive economic zone" to the "nose and tail" area of the Grand Banks. On March 8, the Canadian frigate Halifax arrived in the "nose and tail" of the Grand Banks after 45 Spanish fishing boats were reported there. On March 10, Canadian navy gunboats pursued and captured the Estai.

Canadians charged that the Estai was using illegally-sized nets to capture small fish and contained a hidden hold with an excess catch of turbot. The ship was released on $250,000 bond on March 15, with Canada and the EU agreeing to talks at the next NAFO meeting. On March 28, renewed clashes between Spanish fishing trawlers, Spanish naval vessels, and Canadian patrol boats were reported.

While more than 75 percent of the turbot is within Canada's 200-mile zone, catches in the area have fallen from 30,000 tons in 1987 to just over 5,000 tons in 1993, as catches on the edges of the zone have risen from 2,000 tons to 45,000 tons during the same time. The overall catch in the NAFO area has dropped 42 percent since 1973, with disastrous consequences for the Canadian fishing industry. The EU and Japan have resisted a binding international fishing treaty. When Spain and Portugal joined the EU in 1986, the previous EU members required them to agree not to fish in other European waters for 16 years, thus putting further pressure on Canadian waters.

"FAO: Fishery Ministers Call for Protection of Resources," INTERPRESS SERVICE, 3/19/95; Clyde H. Farnsworth, "Canada and Spain Face Off Over Atlantic Fishing Zone," NEW YORK TIMES, 3/12/95; James Harding and Deborah Hargreaves, "Fish Knives Out in Defence of Canada's Turbot," FINANCIAL TIMES, 3/11-12/95; Bernard Simon, "Spanish Go Home Smiling Despite Empty Nets;" Caroline Southey and David White, "EU and Canada Talk in Effort to End Fishing Row," FINANCIAL TIMES, 3/17/95; "Just for the Halibut," JOURNAL OF COMMERCE, 3/17/95; "Ottawa May Seek to 'Delay' NAFO Talks," INTERPRESS SERVICE, 3/17/95; Alicia Fraerman, "Conflict With Canada Symptom of Broader Issue," INTERPRESS SERVICE, 3/15/95; Robert Hart, "Spanish Fishermen Return to Disputed Fishing Grounds," REUTERS, 3/28/95.

VENEZUELA IN ECONOMIC CRISIS

Venezuelan finance minister Julio Sosa Rodrguez resigned in early February, and was replaced by Luis Raul Matos Azocar, who is rumored to share President Caldera's skepticism of the free-market orientation of the previous administration. During Caldera's first year in office, he declared a state of economic emergency, took over several troubled banks, and imposed price and wage controls. Official economic figures for 1994 show 71 percent inflation, 9 percent "open" (i.e. officially reported) unemployment, and 80 percent currency devaluation. While some analysts advocate creation of a new currency known as the gold bolivar and replacing the Central Bank with an Argentine-style "exchange house," most cabinet-level officials oppose such economic shock therapy as destructive and ultimately ineffective.

Humberto Marquez, "Caldera's First Year Marked by Economic Crisis," INTERPRESS SERVICE, 2/1/95; "Venezuelan Finance Minister Resigns Amid Banking Crisis," WEEKLY NEWS UPDATE ON THE AMERICAS, 2/12/95; Humberto Marquez, "Currency Adjustment Proposed to Control Inflation," INTERPRESS SERVICE, 3/95.

Produced by the Institute for Agriculture and Trade Policy, Mark Ritchie, President. Edited by Mary C. Turck. The NAFTA & Inter-American Trade Monitor is available free of charge to Econet and IATPNet subscribers. For information about fax or mail subscriptions, or other IATP publications, contact: The Institute for Agriculture and Trade Policy, 1313 5th Street SE, Suite 303, Minneapolis, MN 55414. Phone: 612-379-5980; fax: 612-379-5982; e-mail: iatp@iatp.org. For information about IATP's contract research services, contact Dale Wiehoff at 612-379-5980, or e-mail: dwiehoff@iatp.org

From iatp@igc.apc.orgSat Apr 8 11:06:34 1995 Date: Fri, 07 Apr 1995 15:51:42 -0700 (PDT)
From: IATP <iatp@igc.apc.org> To: Recipients of conference <trade-news@igc.apc.org>
Subject: NAFTA & Inter-Am Monitor 4/7/95

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

Friday, April 7, 1995 Volume 2, Number 10

Headlines:

- **NAFTA SUCCESS CLAIMED BY U.S. EMBASSY**
- **MEXICAN ECONMIC UPDATE**
- **LATIN AMERICAN TRADE NOTES**
- **ARGENTINA PASSES NEW PATENT LAW**
- **CHIAPAS UPDATE**
- **COLOMBIAN, MEXICAN COFFEE GROWERS IN TROUBLE**

NAFTA SUCCESS CLAIMED BY U.S. EMBASSY

A cable from the U.S. Embassy in Mexico cited approvingly the "Darwinian effects" of NAFTA, calling NAFTA "one of the few bright spots in the [Mexican] economy." The cable cited U.S./Mexico/Canada joint ventures in the auto parts, apparel, and footwear industries as textbook examples of increased efficiencies due to free trade, and also credited U.S. firms with aggressively pushing forward a retailing revolution. The retailing revolution was credited by the Embassy with increasing "availability of good quality, fairly priced goods," while at the same time it "increasingly displaced traditional Mexican retail outlets with the concomitant increase in bankruptcies and unemployment."

The Embassy also credited NAFTA with helping to stabilize Mexico despite rebellion, political assassinations, and elections. "That the economy withstood almost daily shocks during January and February can be arguably attributed to the existence of anchors like the NAFTA," said the cable.

While acknowledging that Mexico's economic crisis may postpone environmental protections sought by the NAFTA side accords, the cable claimed that Mexican labor leaders are solidly behind NAFTA, saying that: "Mexican labor leaders and, as far as we can tell, most organized Mexican workers view NAFTA -- the investment it will draw, the new jobs and the possibility for higher wages that it will create -- as their best hope."

The cable acknowledged that farmers may not be happy with NAFTA: "In its Darwinian effects, NAFTA formally ushered in an era of far-reaching economic adjustment that will inevitably hit very hard at certain sectors. Agriculture, for example, will suffer dramatic changes, which although beneficial to the economy overall, will spell the demise of many Mexican farmers and businesses. To be sure, certain subsectors, such as seasonal fruits and vegetables, are already thriving under NAFTA, but others -- basic grains, meat and dairy, for example -- will suffer. Long phase-outs and other devices were written into the NAFTA to stretch out the adjustment period for Mexican farmers. ... But this restructuring will take concerted effort, while the exodus from inefficient agriculture continues."

"Mexico: NAFTA Effects," U.S. EMBASSY CABLE, 3/30/95.

MEXICAN ECONOMIC UPDATE

According to government figures, about 400,000 Mexicans lost their jobs in January, far exceeding the figure of 250,000 for January and February combined, which the government had earlier given. By the end of March, Mexican Labor Secretary Santiago Onate predicted that at least a million of the country's 26 million jobs will be lost in 1995. Overall retail sales fell 2.7 percent in January, with domestic car sales dropping by 70 percent. Robberies, assaults, and suicides were all reported to be rising in Mexico City, with relatives claiming that financial problems contributed to at least 50 of the 127 suicides reported in the first 80 days of 1995. In 1994, Mexico City reported 371 suicides for the entire year.

Some 13,000 maquiladora workers in the Ciudad Juarez area have gone out on strike since the beginning of 1995, with most winning wage increases. Strikes and protests are widespread, with 100 separate protests reported in Mexico City on a single day in March. The national El Barzon agricultural movement shut down 874 bank branches in a March 16 protest they called the "National Day Against Usury." The traditional May 1 Labor Day parade has been canceled by union directors, though government officials say they will plan some kind of observance.

Although Mexican businesses and consumers continued to suffer as a result of increased taxes and prices, macro-economic indicators advanced, giving government officials and investors cause for cautious optimism. The stock exchange recovered 17.5 percent since the March 10 announcement of the government's emergency economic plan, and the exchange rate, which reached eight pesos to the dollar in mid-March, went back down to seven pesos. The Bank of Mexico announced on March 30 that its international currency reserves had risen $9 million over the previous week, reaching $7.86 billion, nearly 28 percent more than on January 2, though far below the $24 billion in hand a year ago. On March 29, the annual interest rate on 28-day government bonds in pesos fell seven percent to 75 percent.

Anthony DePalma, "Mexico's Recovery Plan Shows Signs It Is Working," NEW YORK TIMES, 3/25/95; "Mexican Austerity Plan: Crime and Suicide Rates Jump," WEEKLY NEWS UPDATE ON THE AMERICAS, 3/26/95; "El Barzon Shuts Down 874 Bank Branches," MEXPAZ BULLETIN #14, 3/23/95; Eduardo Molina y Vedia, "Macroeconomic Indicators Improve Despite Recession," INTERPRESS SERVICE, 3/30/95; Craig Torres, "Mexico is Drawing on Aid Package as Reserves Fall," WALL STREET JOURNAL, 3/27/95; Andrea Becerril, LA JORNADA, 4/3/95.

LATIN AMERICAN TRADE NOTES

-- Honduras, Guatemala, and El Salvador, members of a group called the Triangle of the North, have suspended trade negotiations with Mexico that they began last year. Honduran Economy Minister Delmer Urbino cited the negative impact of Mexico's financial crisis throughout Central and South America as a reason, and said the three nations might open negotiations with Colombia. Costa Rica signed a free-trade pact with Mexico in 1994, but saw its exports to Mexico fall by 53 percent in January and February. Nicaragua is currently negotiating a free-trade pact with Mexico.

-- During March, Brazil imposed increased tariffs on a hundred durable consumer goods, but these tariffs will not apply to imports from Brazil's Mercosur partners -- Argentina, Uruguay, and Paraguay. The move will give important advantages to motor vehicles and consumer electronic goods manufactured in other countries, such as cars imported from Argentina and Uruguay.

-- Although Uruguay has largely escaped the "tequila effect" because of the small size of its stock market, President Julio Sanguinetti announced a fiscal adjustment plan designed to prepare the country for the expected Argentine recession. Because a drop in consumption in Argentina would decrease Uruguayan exports, President Sanguinetti is asking for an increased Value Added Tax and incentives for exports. The two percent monthly devaluation rate will be maintained, contradicting earlier expectations that the new Sanguinetti administration would significantly devalue the peso against the dollar. Critics called the new plans both "socially regressive" and more stringent than needed.

Bill Rodgers, "Cent-Am Mexico Trade," VOICE OF AMERICA, 3/15/95; Kevin G. Hall, "Chile, Anxious to Join Nafta, Fears Impact of Mexico Woes," JOURNAL OF COMMERCE, 3/16/95; "Alzas Arancelarias en Brasil No Se Aplican a Socios," INTERPRESS SERVICE, 3/31/95; Marcelo Jelen, "When Argentina Sneezes, Uruguay Catches Pneumonia," INTERPRESS SERVICE, 3/29/95

ARGENTINA PASSES NEW PATENT LAW

In late March, after decades of U.S. pressure, the Argentine legislature passed a new patent law for pharmaceutical products. James Cheek, U.S. Ambassador to Argentina, condemned the new law as "utterly useless." While the new law complies with GATT guidelines, the U.S. considers those provisions inadequate for defending U.S. private interests.

Argentina's new law, which could still be vetoed by President Carlos Menem, recognizes inventors' rights to royalty payments, but also says the patent-holder must produce the invention in the country that requests it. U.S. firms oppose this provision, which is intended to keep foreign firms from leaving their home countries and maintaining factories in only one or two countries in the region. Argentina's pharmaceutical industry is one of the most developed in Latin America, employing more than 35,000 people. The new law also states that all biological and genetic material is unpatentable.

Marcela Valente, "New Patent Law, a Hollow Victory for the United States," INTERPRESS SERVICE, 3/30/95

CHIAPAS UPDATE

In response to the government's stated willingness to negotiate, on March 30 the Zapatista National Liberation Army (EZLN) proposed four possible meeting places in Mexico City: the Metropolitan Cathedral, the Basilica of Guadalupe, the campus of the National Autonomous University, and the offices of the United Nations in Mexico City. In addition, the EZLN submitted a proposed agenda for dialogue. The Secretary of Government stated that parts of the EZLN proposal were "worthy of attention" and other parts were "unviable," but did not specify which parts were which.

A few days later, a powerful right-wing organization in San Cristbal de las Casas, which had previously opposed negotiations in their city and had repeatedly attacked Bishop Samuel Ruz, called for negotiations to be held in San Cristbal under the leadership of Bishop Ruz and CONAI. On April 2, COCOPA, the legislative Commission for Concord and Pacification, proposed that negotiations take place in one of six Chiapan municipalities. The Secretary of Government said that the government accepted this proposal, and did not respond directly to the EZLN message.

Speaking to a reporter in the Lacandon jungle as military helicopters circled overhead on April 3, a Zapatista spokesperson reiterated that the EZLN cannot enter into dialogue with the federal government in any of the communities located in the zone of conflict, unless and until the army withdraws from those zones. The spokesperson attributed the government's refusal to negotiate in Mexico City to either bad faith or fear, and said that the government had previously negotiated in bad faith in San Cristbal de las Casas and had failed to fulfill the promises made there.

During the last week of March, one of the buses of the International Caravan for Peace was attacked and robbed on a highway in Chiapas. Five international observers were detained and then freed in Tumbala. Some 400 civilian delegates, including federal legislative deputies, who attempted to meet in Aguascalientes to discuss possibilities for peace during the last week of March, were turned back by soldiers who claimed to be acting on presidential orders. The delegates met instead in Guadalupe Tepeyac, but agreed that their difficulties demonstrated that negotiations could not take place within zones of military occupation.

The 30-day suspension of arrest orders against the Zapatista leaders will expire on April 9. Asked to comment on the deadline, the young, indigenous man who spoke for the EZLN, said: "We are not trembling because the time limit is up. ... More than the end of the time limit, we want to know when will poverty end, when will the misery end, when will our not having anything to eat end? What is ending is our life. Time periods of 30 days which the government has given us are not ending. For this reason we have never talked of going backwards or giving up."

Meanwhile, Chiapas continues under military occupation. While some of the indigenous families who fled before the advancing government troops in February have returned to their devastated villages, others refuse. About 4,000 Tzeltal and Tojobal people still in the Lacandon jungle, have pledged to continue resisting until the soldiers leave their homes. One leader of the group explained, "[The Army] came destroying houses, seeds, and animals, the sustenance of the indigenous communities, our daily bread. After the soldiers came through, the government began to start up 'Solidarity" programs and had the soldiers to "social service" work. They began to ffer bags of food and signature loans. And since the people have so much need because hunger is such a bitch, some accepted it." Some of the indigenous people who have returned report continued harassment by the military. Some homes and lands formerly occupied by the indigenous refugees have also been given to pro-government returnees who had fled Chiapas during the Zapatista rebellion in January, 1994.

Chiapas is the poorest state in Mexico, with nearly 80 percent of its indigenous population malnourished, two medical clinics for every 10,000 people, and 1.5 of its 3.5 million people without any access to health care. More than 70 percent of its children fail to finish first grade, more than half of the schools go up to only third grade, and half of all schools have only one teacher for all age levels. Since the renewed conflict in February, 372 schools have closed in Chiapas, leaving 14,800 students out of the classroom.

Mary Jo McConahay, "Chilling Mood in Chiapas Evokes Memories of El Salvador, Guatemala," PACIFIC NEWS SERVICE (via STAR TRIBUNE), 3/27/95; Elio Henrquez and Jos Gil Olmos, "La Catedral, La Basilica, CU La ONU, Las Sedes Planteadas;" "El Comunicado Rebelde Tiene Puntos Atendibles y Otros Inviables," LA JORNADA, 3/30/95; Diego Cevallos, "Military Occupation Put End to Zapatista 'Socialism',"; INTERPRESS SERVICE, 3/23/95; Jos Gil Olmos, "Refugees Refuse to Return," LA JORNADA, 3/25/95; Mireya Cuellar, LA JORNADA, 4/2/95; Jos Gil Olmos, LA JORNADA, 4/4/95; EZLN COMMUNIQUE, 3/24/95; "Chronology," MEXPAZ BULLETIN #15, 3/30/95.

COLOMBIAN, MEXICAN COFFEE GROWERS IN TROUBLE

Ten thousand small Colombian coffee growers are demanding government assistance to help them survive the effects of high debts, low domestic prices, and the broca parasite that hit half of the country's coffee plants last year. The Catholic Church has supported the demands of growers for debt adjustments, but the National Coffee Growers Fund (NCGF), the government office concerned with coffee production, has refused to consider the demands. Agriculture Minister Antonio Hernandez Gamarra admitted that situation is critical, but ruled out the use of NCGF funds to alleviate the growers' debts, saying the funds were dedicated to buying up surplus coffee stocks to maintain prices.

Last year's higher international coffee prices supported a 5.7 percent growth in the Colombian economy, but did not trickle down to the producers. This year, producers are buying 38 percent less fertilizer than last year and workers on small coffee farms (under 10 hectares) earn 25 percent less than in 1994. Coffee producers blame debts built up over the last five years that total $350 million. Some 350,000 families depend on coffee production in Colombia, the world's second-largest producer. This year's harvest is expected to be 20 percent below normal, due to the broca plague.

Some 100,000 Mexican coffee-growers rejected the government's austerity measures and demanded that credit be made available to finance cultivation of coffee in the 1995-96 growing season. In Oaxaca, San Luis Potos and Chiapas, coffee producers took over offices of SAGDR (the agriculture ministry), blocked roads, and staged demonstrations and marches, demanding the restructuring of the Mexican Coffee Council and the transformation of FIDECAFE into a permanent forum for producers. At the same time, representatives of several coffee-growers' organizations met with agriculture officials in Mexico City.

Mexican coffee production has fallen 30 percent in the past five years, and growers need additional financing to reactivate production. Mexico has 280,000 coffee producers, 195,000 of whom are minifundistas, who, with only 1.5-5 acres each, live at levels of poverty and extreme poverty.

Yadira Ferrer, "Small Coffee Producers Demand Assistance," INTERPRESS SERVICE, 3/31/95; Matilde Prez, "100 Mil Cafeticultores Rechazan Medidas," LA JORNADA, 3/16/95.

RESOURCES/EVENTS

Understanding Chiapas by Peter Rosset with Shea Cunningham, 1995. Food First Action Alert. 10 pp. Institute for Food & Development Policy, 389 60th Street, Oakland, CA 94618. Telephone 800-888-3314 or 510-654-4400. Email foodfirst@igc.apc.org. Price: Free to members; others 50" each; 5/$2; additional quantity discounts; minimum order $2. Focuses on present-day social, economic, political situation of Chiapas, with emphasis on agriculture.

Produced by the Institute for Agriculture and Trade Policy, Mark Ritchie, President. Edited by Mary C. Turck. The NAFTA & Inter-American Trade Monitor is available free of charge to Econet and IATPNet subscribers. For information about fax or mail subscriptions, or other IATP publications, contact: The Institute for Agriculture and Trade Policy, 1313 5th Street SE, Suite 303, Minneapolis, MN 55414. Phone: 612-379-5980; fax: 612-379-5982; e-mail: iatp@iatp.org. For information about IATP's contract research services, contact Dale Wiehoff at 612-379-5980, or e-mail: dwiehoff@iatp.org

From iatp@igc.apc.orgFri Apr 14 01:04:41 1995 Date: Thu, 13 Apr 1995 13:53:36 -0700 (PDT)
From: IATP <iatp@igc.apc.org> To: Recipients of conference <trade-news@igc.apc.org>
Subject: NAFTA & Inter-Am Trade Monitor 4/14

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

Voume 2, Number 11 Friday, April 14, 1995

Headlines:

- **AGRICULTURAL TRADE PICTURE MIXED**
- **CANADA-US TRADE AND DISPUTES**
- **TEXTILE TRADE SEES DIFFICULTIES**
- **GOVERNMENT, ZAPATISTAS TO NEGOTIATE**

AGRICULTURAL TRADE PICTURE MIXED

-- Corn and Other Grain

Mexican corn growers have been hit hard by government-set low prices for their corn, high prices for fertilizer and other inputs, and unavailable or high-priced financing for production. Some Mexican agricultural organizations predict that the lack of financing for agricultural production may lead to a food shortage in the country. Mexican corn production is expected to drop this year, as farmers switch to more profitable crops, such as sorghum, and as corn yields drop due to lower rates of fertilization.

While corn tortillas remain heavily subsidized by the Mexican government, increasing their sales to low-income consumers, farmers protest that the government-set prices for domestically-produced grains are too low to allow them a reasonable profit, or even to cover increased costs of production.

The US Embassy reported that 118 Mexican mills had a total of $114 million in dollar-denominated debt (repayment figured in dollar-equivalents, rather than in pesos) coming due in the next few months, and predicted a reduction in wheat imports in 1995. Some analysts predict that as much as 20 percent of the Mexican milling industry may be out of business by the end of 1996, with wheat mills going bankrupt due to dollar-denominated debt for previous purchases of US wheat.

US grain exports to Mexico dropped during the first part of 1995, but that was due in part to massive Mexican purchases at the end of 1994, which left Mexico with a surplus. Mexican millers were working off their inventories during the first months of 1995, and a Mexican government agricultural agency, CONASUPO, was selling its stocks of Mexican corn at 95 percent of the price of imported corn.

Further complicating the export picture are Mexican government conditions on imported grain. A few months ago, the Mexican government required that all corn imports from North America be sprayed with green dye, a regulation later withdrawn. In March, the Mexican government announced a rule requiring all US grain imports -- corn, wheat, sorghum, and oilseeds -- to be sprayed with methyl bromide fumigant, a move protested by industry officials in the US both because of the increased cost and because of stringent US restrictions on the use of the toxic chemical.

Gordon S. Carlson, "Peso Devaluation Hit Mexican Grain Buyers Hard: Attach," FEEDSTUFFS, 3/20/95; Matilde Prez, "40% Aumento Costos de Produccin del Maz," LA JORNADA, 3/16/95; Laura Gmez Flores, "El Barzon - Plan Agrava El Campo," LA JORNADA, 3/11/95; Matilde Prez, "Precio de Maz," LA JORNADA, 3/28/95; "Mexican Grain Imports, Flour Mills Suffer Under Devaluation," MILLING & BAKING NEWS, 3/21/95; Mike Zellner, "A Tortillazos Limpios," AMERICAECONOMIA, 2/95; "Corn Imports," REUTER, 3/24/95.

-- Dairy

As the peso devaluation suddenly and dramatically increased the price of US milk, cheese, and ice cream for Mexico imports in December and January, US dairy producers saw a slowdown in exports with little likelihood of a quick rebound. Not only are the imported milk products more expensive, but many Mexican consumers have to forego purchases of more expensive cheese and ice cream products entirely. Mexican dairy production has also fallen, as producers abandon the use of recombinant bovine somatotrophin (BST) and sell off parts of their herds to raise needed cash.

U.S. dairy producers continued to prepare for greater integration of the market, with the board of Mid-America Dairymen approving a proposal to offer Mid-Am membership to dairy farmers in Mexico. In August 1994 fluid milk sales from Texas and New Mexico to Mexico were 11.4 million pounds. The number increased to 24.7 million pounds by November. Then in December sales fell to 16.2 million pounds. Total US sales to Mexico in 1994 were $26.5 million for cheese (up from $20 million in 1993); $34.5 million for fluid milk and cream (up from $28 million in 1993); and $14.1 million for ice cream (up from $10.1 million in 1993.) As the Mexican market dries up, southwestern milk will be sold in other parts of the U.S., affecting U.S. domestic dairy prices.

US producers criticized a proposed Mexican Health Ministry rule that would have limited the shelf life of all fluid milk products to 48 hours, a significant advantage for Mexican producers. In March, the Health Ministry informed the U.S. Embassy in Mexico that the 48-hour shelf life rule for milk would not be imposed, but did not specify what rule would be made.

Edward Clark, "Mexico Peso Troubles Spread to U.S. Dairy Industry," FEEDSTUFFS, 3/13/95; "Mexico: Miscellaneous Trade Tidbits," US EMBASSY CABLE, 3/30/95; "Association Board Report," MID-AM REPORTER, 2/95.

-- Beef

U.S. National Cattlemen's Association vice-president Chuck Lambert predicted that beef exports to Mexico during 1995 would decline to at least 1993 levels. Poultry, egg, and pork exporters predict similar declines.

US beef exports to Mexico grew by 72 percent in 1994 to a total of 115,000 tons and, before December's peso devaluation, had been expected to reach 170,000 tons in 1995. Total U.S. beef exports rose by 18.5 percent in 1994 to a total of 685,000 tons.

Since the devaluation, increased feed prices in Mexico pushed ranchers to sell feeder cattle herds, while the lure of dollars pulled them north. Feeder cattle are year-old steers or heifers that are sent to feedlots for about 120 days to gain weight for market. The owner of the International Livestock Exchange in Laredo, TX reported an increase from an average of 500-750 cattle per day to more than 1,000 per day. The US Department of Agriculture reported that during the week of December 17, the last before devaluation, 2,389 head of cattle were sent north through Laredo as feeders, but the number rose to 7,788 by the week ending February 4 and stood at 6,042 in the week ending February 25.

"Peso Plunge Hits U.S. Exports," MEAT & POULTRY, 2/95; John Zaracostas, "US Beef Exports Rose 18.5% in '94 on Greater Demand in Asia, Mexico," JOURNAL OF COMMERCE, 3/15/95; Kevin G. Hall, "Peso's Decline Driving Cattle Exports to US," JOURNAL OF COMMERCE, 3/21/95.

CANADA-US TRADE AND DISPUTES

Canadian-US trade grew by 22 percent in 1994. Total bilateral trade of $330.69 billion (Canadian) was the largest annual trade between any two countries. Exports to the U.S. grew by 21.3 percent during the first 11 months of 1994, and exports to Mexico grew by 22.7 percent during the same time. Along with the increasing trade has come increased national debt (71 percent of the GDP), with soaring interest rates, a large budget deficit, and a weakened Canadian dollar.

Bitter disputes between the U.S. and Canada remain, including battles over agricultural trade. Canadian agriculture minister Ralph Goodale criticized US grain export subsidies during a three-day trip to Chile, Argentina, and Brazil in March. Goodale also expressed concern about attacks on the Canadian Wheat Board by U.S. industry associations, saying that a public relations campaign is "obviously designed to ratchet up the political pressure in the U.S., just at the time when the [joint U.S.-Canada] blue-ribbon commission is trying to do its work in a serious and conscientious way." The Canadian Wheat Board pays farmers a fixed initial price, sells the wheat on behalf of farmers, and pays a final price based on international prices.

Goodale had earlier defended Canada's system of marketing boards for dairy and poultry products, which are also opposed by the U.S. Canadian tariffs on U.S. dairy and poultry imports range from 100 to 300 percent.

John Urquhart, "Canada's Trade With U.S. Grew by 22% in 1994," WALL STREET JOURNAL, 2/21/95; Clyde H. Farnsworth, "In Canada, Doubts Fade Quickly About Trade Accord," NEW YORK TIMES, 2/12/95; Bernard Simon, "Canada Faces Tough Budget to Tackle Debt," FINANCIAL TIMES, 2/27/95; Ian Elliott, "Canada Minister Blasts U.S. in South America," FEEDSTUFFS, 4/3/95; "Canadian Ag Minister Defends Dairy Industry," "Canadian Ag Minister Defends Wheat Board," AGWEEK, 2/27/95.

TEXTILE TRADE SEES DIFFICULTIES

In a surprise move, the U.S. Committee for the Implementation of Textiles and Apparel (CITA) notified the Dominican Republic, Colombia, Costa Rica, El Salvador, Honduras, Thailand, and Turkey that their exports of underwear to the United States had been protested by U.S. manufacturers. The move is a prelude to negotiation for reduction of such imports, which increased nearly 90 percent during the period 1992-94. The U.S. also notified also notified Jamaica, Honduras, and El Salvador that it plans to limit their exports of nightwear.

The primary producers in these countries are in fact U.S. companies operating under the offshore assembly "807 program," which allows garments to be assembled in a region from fabric made and cut in the United States and then re-exported to the United States, with duty paid only on the value added in assembly. These U.S. companies would be most affected by any restrictions on imports. CITA's notification is also puzzling, because the U.S. Congress is currently considering extension to Caribbean nations of the same preferential treatment as is now extended to Mexico under NAFTA.

US textile and apparel importers have recently complained about US government delays in setting textile quota levels for the year. The US Department of Commerce usually announces the quota levels at the beginning of the calendar year, but delayed until April this year. Commerce Department officials from the Office of Textiles and Apparel (OTA) say the process was delayed by last year's replacement of the Multi-Fibre Arrangement with a new Agreement on Textiles and Clothing, negotiated in the Uruguay Round of GATT talks. While setting levels for 17 countries with which the US has bilateral trade agreements, the OTA waited to see what countries signed on to the World Trade Organization (WTO) before setting other quotas.

Mexico is taking steps to restrict imports, imposing a 35 percent tariff on textiles, footwear, and leather goods. The restrictions are aimed at "triangulated merchandise" -- goods originating in countries with which Mexico has no preferential trade agreements. Much of the targeted merchandise comes from Asia and Brazil. Mexican Commerce Secretary Herminio Blanco said that the tariff will protect Mexican sectors with a high number of micro-, small-, and medium-sized businesses that are threatened by such imports. Some US footwear and apparel distributors and retailers have objected to the tariff, because much of the stock they ship to Mexico originates outside the US and is subject to the new tariff.

During Mexico's current economic crisis, Mexican textile manufacturers have been split between those who export and those who produce for domestic consumption. Exporters are prospering, with sales abroad expected to rise as much as 30 percent due to the peso devaluation. Domestic producers are struggling with increased interest rates and reduced domestic consumption. The textile industry's split between exporters and domestic producers characterizes much of Mexico's post-devaluation economy. Mexico's textile industry has been volatile for a decade, with about 400 companies going out of business in the late 1980's, when the industry was first opened to foreign competition.

"For a few Mexican companies, the NAFTA is all that has kept them afloat during this crisis," claims a US Embassy cable, which then gives specific examples. "A men's suit manufacturer who entered into a joint venture with a U.S. partner three years ago told a trade officer recently that he delivered zero/zero product to Mexican customers during January and February. Only his export operations kept him going. Another firm, a shoe manufacturer/exporter and apparel importer says it received just five orders from Mexican retailers in all of January. The company kept going on the strength of exports to the U.S. Unfortunately, the vast majority of manufacturers could or would not reorient their strategy toward exporting when they had a chance and today are focused exclusively on mere survival."

US, Canadian, and Mexican textile associations recently formed the North American Textile Council to work together to facilitate trade among the NAFTA members. "We want to see the textile and apparel trade increase in North America and displace the trade from the Far East," said Carlos Moore, executive vice president of the American Textiles Manufacturers Institute. The council supports Chile's entrance into NAFTA, but urges stringent conditions on China's admission to the WTO.

"U.S. Moves to Snip Underwear Imports," INTERPRESS SERVICE, 3/31/9; John M. Nagel, "Zedillo Vows to Protect Mexico's Manufacturers," JOURNAL OF COMMERCE, 3/16/95; John M. Nagel, "Mexico's Trade Stance Defended," JOURNAL OF COMMERCE, 3/20/95; Paula L. Green, "Textile Quota Levels Expected to be Issued by April 10," JOURNAL OF COMMERCE, 3/29/95; Paula L. Green, "Council Working to Ease N. American Textile Trade," JOURNAL OF COMMERCE, 3/29/95; Brendan M. Case, "The Great Divide," EL FINANCIERO, 3/20-26/95; "Mexico: NAFTA Effects," U.S. EMBASSY CABLE, 3/30/95.

GOVERNMENT, ZAPATISTAS NEGOTIATE

After twelve hours of talks, representatives of the government and the Zapatista Army of National Liberation (EZLN) and Bishop Samuel Ruz as head of CONAI, the National Mediation Commission, signed an accord at midnight on April 9, agreeing to begin formal negotiations on April 20 in San Andrs Larrinzar. The protocol for further talks committed both sides to negotiating in good faith toward a goal of peace with justice and dignity. The April 9 meeting, originally slated to be held in the church in the small town of Ocosingo, was moved to a nearby wooden house after government representatives refused to meet in the church.

San Andrs Larrinzar is located in the highlands of Chiapas, about 25 kilometers from San Cristbal de las Casas, and its population is 100 percent indigenous. A representative of the legislative Commission of Concord and Pacification (COCOPA) insisted that meetings in San Andrs Larrinzar may not take place in a church or convent or any religious building, and suggested that they might take place in a government building or a school. Until last week, the EZLN had insisted that it would not negotiate in Chiapas because of military presence there. A military source said that the approximately 100 soldiers in San Andrs Larrinzar had not yet been ordered to withdraw.

Elio Henrquez, Jos Gil Olmos, and Juan Antonio Ziga, LA JORNADA, 4/10/95; Elio Henrquez and Jos Gil Olmos, LA JORNADA, 4/12/95;

RESOURCES/EVENTS

Land and Liberty in Rural Mexico, Democracy Backgrounder, Vol. I, No. 1, April 1995. Published six times annually by the InterHemispheric Resource Center, P.O. Box 4506, Albuquerque, NM 87196, email resourcectr@igc.apc.org. Phone 505/842-8288; Fax 505/246-1601. Subscription $15/year within U.S., $20 outside. First issue contains approx. 8-page background article on campesino organization during the 20th century.

Public Citizen information packets. Compilations of news clippings, fact sheets, and other information from Ralph Nader's Public Citizen organization, 215 Pennsylvania Avenue SE, Washington, D.C., 20003. Telephone 202/546-4996, fax 202/547-7392. The March 3 edition of approximately 30 pages includes a general update on NAFTA impact and political outlook for expansion, selected news clips, and a "Globalization Pop Quiz."

The Evolving Protection of State Laws and the Environment: NAFTA from a Texas Perspective by Dan Morales, Texas Attorney General (prepared by Gregg A. Cooke, Chief, Environmental Protection Division and Amanda Atkinson, Assistant Attorney General). U.S.-Mexico Occasional Paper No. 5, U.S.-Mexican Policy Studies Program, Lyndon B. Johnson School of Public Affairs, The University of Texas at Austin. 1994, 54 pp. U.S.-Mexican Policy Studies Program, Lyndon B. Johnson School of Public Affairs, The University of Texas at Austin, P.O. Drawer Y, University Station, Austin, TX 78713-8925. Phone 512/471-8925. Overview of legal rights of states vis-a-vis federal government and international trade agreements, focusing on state's role in environmental disputes arising under NAFTA.

Produced by the Institute for Agriculture and Trade Policy, Mark Ritchie, President. Edited by Mary C. Turck. The NAFTA & Inter-American Trade Monitor is available free of charge to Econet and IATPNet subscribers. For information about fax or mail subscriptions, or other IATP publications, contact: The Institute for Agriculture and Trade Policy, 1313 5th Street SE, Suite 303, Minneapolis, MN 55414. Phone: 612-379-5980; fax: 612-379-5982; e-mail: iatp@iatp.org. For information about IATP's contract research services, contact Dale Wiehoff at 612-379-5980, or e-mail: dwiehoff@iatp.org

From iatp@igc.apc.orgSat Dec 16 10:43:31 1995 Date: Fri, 21 Apr 1995 12:58:08 -0700 (PDT)
From: IATP <iatp@igc.apc.org> To: Recipients of conference <trade-news@igc.apc.org>
Subject: NAFTA & Inter-Am Monitor 4/21/95

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

April 21, 1995 Volume 2, Number 12

Headlines:

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IMMIGRATION AND FREE TRADE

Reports in April that the U.S. government is preparing contingency plans, including use of the U.S. military along the Mexican border, renewed concerns over immigration and sovereignty. The secret plan for a worst-case scenario of mass emigration from Mexico to the U.S. has been made available to the Mexican government, which has chosen not to comment at this time.

In January and February, U.S. immigration commissioner Doris Meissner had claimed that there was no change in immigration from Mexico due to that country's economic crisis. By March, Meissner reported that the crisis had led in fact to an immediate increase in emigration from Mexico.

Remittances from Mexican immigrants living in the U.S. are estimated at $3 billion per year, making them one of Mexico's largest sources of foreign exchange. Border industrialization, including maquiladoras, has drawn Mexican workers to both sides of the U.S.-Mexico border area during the last decade. Changes in agricultural policy have forced other workers off the farms, adding pressure to urban and border areas.

Among foreign legal residents of the U.S., applications for citizenship have soared in recent months. Punitive congressional proposals to bar legal permanent residents from eligibility for a range of programs from lead testing for children to food stamps and Medicare, as well as a rising tide of anti-immigrant feeling in the U.S., have moved many permanent residents to apply for U.S. citizenship.

At least a million undocumented Latin American immigrants seek to cross into the U.S. each year. The total number of immigrants from all parts of the world is estimated at three million annually. Undocumented immigrants make up only 13 percent of all immigrants living in the U.S., and only one percent of the U.S. population. According to a 1994 American Civil Liberties Union Immigrants' Rights Project report, and numerous other studies, immigrants create more jobs than they fill and generate significantly more in taxes than they cost in services received.

U.S. President Bill Clinton proposed a billion-dollar anti-immigration plan this year, including increased border patrols and deportations and crackdowns on sweatshops that employ undocumented workers. Shortly after the U.S. authorized billions of dollars in loans to Mexico, the Mexican government announced a new bi-lateral cooperation plan to deal with undocumented immigrants and drug smugglers. Under the plan, Mexico agreed to facilitate repatriation of undocumented immigrants, increase surveillance, and keep closer tabs on the movement of people throughout the country.

Some in northern industrialized countries argue in favor of adding labor standards to free trade agreements, saying the lower wages and poorer working conditions of the South constitute unfair competition. According to Luis Marius, assistant general secretary of the Latin American Workers Central (CLAT), the cost to employers of a work-hour varies from $52 in Germany to $36 in the U.S. and $32 in Japan. In Latin America, the cost is $50 per month. Marius criticizes the Northern nations for insisting on neoliberal and free trade policies for the South. According to Marius, the industrialized North fails to comply with the neoliberal policies that it imposes on the South.

Kevin G. Hall, "Mexico Mum on US Plan to Thwart Mass Exodus," JOURNAL OF COMMERCE, 4/11/95; "Applications for Citizenship Soar Among Legal Immigrants," NEW YORK TIMES, 4/3/95; Estrella Gutierrez, "Labour and Immigration, the New North-South Debate," INTERPRESS SERVICE, 3/16/95; "Federal Fingers Aim to Stretch Far and Wide," INTERPRESS SERVICE, 2/7/95; Diego Cevallos, "Joint Immigration Plan With United States Announced," INTERPRESS SERVICE, 2/2/95; Peter Andreas, "Border Troubles: Free Trade, Immigration and Cheap Labor," THE ECOLOGIST, November/ December/94; David Cole, "Five Myths About Immigration," THE NATION, 10/17/94.

DISTRIBUTION OF WEALTH -- U.S., CANADA, MEXICO

According to a just-released study based on Federal Reserve figures, the United States has the widest gap between rich and poor of all industrialized nations. Economic inequality within the U.S. has risen dramatically since the 1970s.

The richest one percent of U.S. households owns nearly 40 percent of the country's wealth, with each household in the group worth at least $2.3 million. The top 20 percent of U.S. households (each worth $180,000 or more) owns 80 percent of the country's wealth. Income figures are similar, with the top 20 percent of U.S. households (those earning $55,000 per year or more) taking home 55 percent of all after-tax income. In contrast, the lowest-earning 20 percent of U.S. households earn only 5.7 percent of the country's income. Between 1970 and 1992, the richest 20 percent enjoyed inflation-adjusted income growth of $13,000, while the poorest 40 percent saw no growth.

In Canada, the wealthiest 20 percent earn 40 percent of total family income, with the poorest 20 percent receiving only six percent. Canada has the third-highest poverty rate among the top seven industrialized countries, and the second-highest for single-parent families -- 45 percent. Canada's poverty rate for single-parent families is second to that of the U.S. -- 53 percent. In Canada, too, the gap between rich and poor has widened significantly since 1973.

The current U.S. income distribution figures are close to those of Mexico. The richest 20 percent of the Mexican population earns 54 percent of the national income, while the poorest 20 percent earns less than 5 percent of the national income. In 1994, nearly 30 percent of Mexican workers earned the minimum wage of approximately $4.60 per day.

Keith Bradsher, "Gap in Wealth in U.S. Called Widest in West," NEW YORK TIMES, 4/17/95; "Index: The Plight of Canada's Poor," "Gap Widens Between Haves and Have-nots," CCPA MONITOR, 3/95; Sarah Anderson, John Cavanagh, David Ranney, Paul Schwalb, NAFTA'S FIRST YEAR, 12/6/94.

FISHING WAR ENDS IN TRUCE FOR NOW

After vehement protests by Spain, including Spanish imposition of visa requirements on Canadians for the first time in recent history, Canada and the European Union reached an agreement on fishing rights in the Grand Banks area. The current crisis, with its roots in the worldwide exhaustion of fishing stocks, included sea chases, machine-gun fire, and confrontations between Canadian Coast Guard and Spanish military vessels. (See NAFTA & Inter-American Trade Monitor, 3/31/95.)

Canada continued to maintain that the Spanish fishing vessel that it seized, as well as other Spanish trawlers, violated limits on both size and quantity of fish taken, further endangering the turbot stock of the Grand Banks Area. According to Greenpeace International, 69 percent of the world's fish stocks are overfished or depleted. About 50,000 Canadian fishers and fish plant workers are unemployed as a result of a three-year-old moratorium on cod fishing.

Spain rejected Canada's claims and the proffered photographs and physical evidence, and accused Canada of piracy because the vessel was fishing in international waters when seized. The agreement reached in mid-April provides for verification of gear and catch records, minimum sizes for fish caught, and stiff penalties for violations. Enforcement will include satellite surveillance and placement of an independent monitor on every vessel fishing in the disputed waters off Newfoundland.

Canada also agreed to a revision in quota division, with reduction of its share of the turbot catch to 37 percent of the total 27,000 tons and an increase to 37 percent of the European Union share, with the remainder going to other countries in the 15-member Northwest Atlantic Fisheries Organization, including Russia and Japan. Canada will also drop charges against the Spanish boat and captain, release the boat, and refund the bond previously posted. The Spanish fishing industry denounced the agreement, with one opposition leader promising to "fight in Parliament and in the streets if necessary."

"El Gobierno Espaol Impone la Necesidad de Visado Para los Canadienses," "Canad Endurece Su Posicin Para el Pacto con la EU," EL PAIS, 4/3/95; Patrick Chalmers, "EU, Canada Make Another Effort to Solve N. Atlantic Fish Dispute," JOURNAL OF COMMERCE, 4/12/95; Clyde H. Farnsworth, "North Atlantic Fishing Pact Could Become World Model," NEW YORK TIMES, 4/17/95; Leo Ryan, "Spanish Fishermen Protest Deal to End EU-Canada Disagreement," JOURNAL OF COMMERCE, 4/18/95.

AUTO MANUFACTURING IN LATIN AMERICA

Brazil raised import tariffs on cars to 70 percent in March. Automobile tariffs had been reduced from 35 percent to 20 percent last October, but were brought back to 32 percent in February, after several months of trade deficits. Auto imports increased by 90 percent in 1994, with Brazilians spending $1.4 billion on 193,516 cars. Imported car sales continued to rise in early 1995, with 40,089 imported vehicles setting a new monthly record in January.

The Brazilian tariff increase, in addition to cutting trade deficits, reinforces decisions of auto-makers to locate plants there. In March, Ford announced plans to invest more than $2 billion over the next five years to modernize existing plants and begin production of the Fiesta, its so-called world car. General Motors also announced a $2 billion expansion recently, and Germany's Volkswagen plans new investments of $3 billion.

Fiat, a major auto manufacturer in both Brazil and Argentina, plans to invest $1 billion in Brazil and $600 million in Argentina. Chrysler, General Motors, Toyota Motors, and Renault also plan new investment in Argentina in the near future. With Mercosur's creation of a common market among Brazil, Argentina, Uruguay, and Paraguay, other manufacturers are also planning to locate in the region. The Mercosur market includes 200 million people.

Brazil itself is the world's ninth-largest auto market, and produced 1.5 million vehicles last year, one-quarter of which were exported. Brazil plans to double production by the year 2000, part of a world-wide shift in car manufacturing to countries with cheap labor costs. During the past decade, auto production doubled in India, tripled in Mexico, quadrupled in China, and grew by a factor of eight in South Korea.

The Mexican automotive industry, heavily protected since 1925, was opened up under NAFTA. U.S. auto exports to Mexico boomed, rising 685 percent to $437 million in 1994. Sales of Mexican-made cars and light trucks also increased dramatically. Auto-makers had looked to Mexico as a major and rapidly-expanding market, until the country was hit by the current economic crisis. Chrysler, Ford, General Motors, Nissan, Mercedes-Benz, and Volkswagen already have production facilities in Mexico. Prior to the economic crisis, Daewoo of South Korea and Fiat of Italy were also negotiating joint ventures with Mexican companies.

On March 31, Ford Motor Company agreed to give its 8,000 workers in Mexico a 25 percent raise, narrowly averting a strike. Nissan agreed to an increase of 13 percent. Given an inflation rate expected to reach at least 50 percent this year, the pay increases are considered far less significant to the industry than the overall decline in car sales.

Now that Mexican consumer demand has dropped, production is likely to be scaled back rather than increased. General Motors, for example, said it will cut its second-quarter vehicle production by 8.2 percent in Mexico and by 1.4 percent each in Canada and the U.S. The only significant increase in automotive manufacturing in Mexico is expected to be the relocation of U.S. auto parts factories to lower-wage Mexican facilities.

John Manzella, "NAFTA & the Auto Industry," TWIN PLANT NEWS, 4/95; Nichole M. Christian, "GM Reduces Plans for Output in U.S., Canada, Mexico," WALL STREET JOURNAL, 4/6/95; Angus Foster, "Brazil Doubles Tariffs on Imported Cars," FINANCIAL TIMES, 3/31/95; Roger Wilkinson, "Brazil Auto Industry," VOICE OF AMERICA, 3/28/95; James Brooke, "Car Makers Shift to High Gear in Brazil," NEW YORK TIMES, 3/28/95; "Auto Imports Increased 90%," BRASILINFORM EXECUTIVE FAX BRIEFS, 2/20/95; Jonathan Friedland, "Foreign Investors Bet on a Bright Future for Argentina Despite Recent Woes," WALL STREET JOURNAL, 3/21/95; Daniel Dombey, "Ford Grants 25% Pay Hikes," EL FINANCIERO, 4/10-16/95.

ARGENTINE PATENT LAW VETOED

Argentine President Carlos Menem vetoed parts of a pharmaceutical patent law sent to him by Congress last week. (See NAFTA & Inter-American Trade Monitor, 4/7/95.) The legislation, passed in response to U.S. pressure for protection for patents of U.S. pharmaceutical companies, was denounced by Washington as insufficiently stringent. Washington warned that it would impose trade sanctions if an acceptable law is not in place by April 29, claiming that the new law did not comply with GATT rules.

More than a dozen drug patent proposals have been blocked in the Argentine Congress over the past few years, as Argentine drug makers claim that patent protection would cause a rise in drug prices while forcing them out of the market. Drug sales in Argentina total $4.5 billion yearly, and U.S. drug companies say they lose as much as $300 million yearly as a result of patent piracy.

The parts of the law vetoed by Menem include a requirement that patent holders manufacture their products in Argentina in order to be protected and an eight-year moratorium on payment of royalties by Argentine companies to foreign patent-holders. Defending his veto, President Menem asked, "If the United States takes this position and Europe as well, what can we do?" Argentine drug manufacturers are pushing for a veto override by Congress.

Calvin Sims, "Argentine President Vetoes Patent Measure," NEW YORK TIMES, 4/19/95; "Argentine Patent Measure Heads for Veto by Menem," JOURNAL OF COMMERCE, 4/18/95.

IADB CHANGES RULES FOR LOANS

At their 36th annual meeting, held in Jerusalem in early April, the 46 members of the Inter-American Development Bank (IADB) and the affiliated Inter-American Investment Corporation (IIC) made significant policy changes. The IADB will begin making loans to the private sector, particularly for infrastructure projects such as oil pipelines or power generation. The IADB will also consider guaranteeing commercial bank and other private sector loans.

The IIC increased its lending ration from 1:1 to 3:1, meaning it will be able to loan three times as much money without increasing its capitalization. The IIC staff has been cut in half in the past 15 months, and it is now required to act as a profit-making entity. Government membership in the IIC will also be opened to countries which are not members of either the IADB or the International Monetary Fund (IMF). This move clears the way for an application by Taiwan, which has significant interests in Central and South America.

Last year, the IADB loaned $5.3 billion for projects in the region, more than the total World Bank lending in the region. This year, loans are estimated at $6-7 billion. According to Shahid Burki, vice president of the World Bank, Latin America will need $60 billion annual investment in infrastructure over the next decade, including $14 billion annually in telecommunications and $12 billion annually in water and sewage projects.

Social sector lending by the IADB in 1994 accounted for 61 percent or the total, including $1.16 billion for urban projects, $969 million for education, $748 million for health and water sanitation, and $266 for social investment funds. Other loans included $547 million for transport and communication, $472 million for export financing, $441 million for industry, mining, and tourism, $230 million for energy projects, and $125 million for agriculture.

Stephen Fidler, "Guarantees Likely for Private Sector Loans," FINANCIAL TIMES, 4/4/95; Richard Lawrence and Dov Hoch, "Development Bank Plans Record Loans for Latins," JOURNAL OF COMMERCE, 4/4/95; Stephen Fidler, "IADB Arm Will Not Limit Its Members," FINANCIAL TIMES, 4/5/95; Pratap Chatterjee, "IDB Lent 5.3 Billion Dollars in 1994," INTERPRESS SERVICE, 4/4/95.

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From iatp@igc.apc.orgSat Apr 29 16:18:05 1995 Date: Fri, 28 Apr 1995 12:06:26 -0700 (PDT) From: IATP <iatp@igc.apc.org> To: Recipients of conference <trade-news@igc.apc.org> Subject: NAFTA & Inter-Am Trade Monitor 4/28

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

April 28, 1995 Volume 2, Number 13

Headlines:

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THE FALLING DOLLAR

As the value of the United States dollar continued to decline on world markets, Michel Camdessus, the managing director of the International Monetary Fund (IMF) called on the U.S. to raise domestic interest rates to strengthen the dollar and prevent inflation. Camdessus, speaking in mid-April, said the dollar had fallen below the acceptable trading range since February, and that its "accelerating" decline is creating world financial instability. The dollar, already in decline during February, fell by an additional 11 percent against the yen and by six percent against the Deutsch Mark from March 1 to mid-April.

Foreign investors, who put $57 billion into mergers, acquisitions and joint ventures in the U.S. last year, are eager to close deals while the dollar is weak. European and Japanese tourists are also expected to flock to the U.S. this summer, taking advantage of favorable exchange rates.

Persio Arida, president of Brazil's central bank, said the weaker dollar has had the effect of a devaluation for Latin American currencies, making Latin American exports more attractive around the world. While Latin American exports to Europe, Japan, and Asia Q countries outside the dollar zone Q become more competitive, as they would in the case of a currency devaluation, the internal effects of a currency devaluation, such as inflation, are avoided.

After hitting an all-time monthly high of $12.2 billion in January, the U.S. trade deficit decreased to about $9 billion in February, at least in part as a consequence of the weakened U.S. dollar, which made U.S. exports more attractive on the international market. The U.S. trade deficit with Mexico hit a record $1.3 billion, but the U.S. reported its first trade surplus with Asia's newly industrialized nations and a continued narrowing of its deficit with Japan.

German and Japanese officials have insisted that propping up the dollar is the responsibility of the U.S., which has hesitated to intervene in currency markets or to raise interest rates. Even when Washington moved to prop up the dollar during the first week of April, speculators kept buying and selling in large numbers and drove it back down again.

George Graham, "IMF Calls on US to Raise Interest Rates," FINANCIAL TIMES, 4/19/95; Richard Lawrence, "US Trade Deficit Hits New High as Exports Dive," JOURNAL OF COMMERCE, 3/23/95; Nancy Dunne, "Kantor Hails Decline in US Trade Deficit," FINANCIAL TIMES, 4/20/95; Richard Lawrence, "IMF Chief Seeks to Double Funds to $440 Billion," JOURNAL OF COMMERCE, 4/19/95; "Suddenly, It's Time to Buy American," BUSINESS WEEK, 3/27/95; David E. Sanger, "As Dollar Falls, Economic Powers Blame Each Other," NEW YORK TIMES, 4/11/95; "A Day in the Decline of the Dollar," NEW YORK TIMES, 4/24/95.

BAILING OUT BANKS AND INVESTORS

Mexico's fourth-largest banking group, Grupo Financiero InverMexico, reported a first quarter loss and skyrocketing past-due loans. Bank executives said that their 55 percent increase in past- due loans during the quarter was probably lower than the rise for the entire Mexican banking system. Bad debts had stood at an uncomfortably high 7.33 percent of the banking industry portfolio before the current economic crisis. InverMexico showed virtually no new loans during the quarter, which is probably typical of the banking sector.

Coming to the rescue of the banking sector, the Mexican government introduced a new financial instrument, the Unit of Investment (UDI). While the structure of the UDI plan is complex, its intent is to index debt principal to inflation, to set real interests rates of up to 12 percent, and to stretch out the maturity of participating corporate loans for up to 12 years. The UDI plan was approved by Congress on March 28, with only one dissenting vote. According to a Latin American banking analyst for New York's Morgan Stanley, "Essentially, they're extending maturity on borrowings by up to 12 years; funding to do so must come from somewhere." Most observers believe that the UDIs will function to transfer risk from the banks to the government.

UDIs will be available to some small to medium-sized businesses and homeowners and farmers. Leaders of the El Barzn agricultural movement have been critical of the plan, with Barzn Mexico City coordinator Alfonso Ramrez Cuellar calling the plan deceitful because "all it really does is strengthen banks' finances." Only "viable" loans are eligible for UDI treatment. Borrowers will receive no new funds, just a change in the terms of their current loans. UDIs are "voluntary" instruments, which must be agreed to by both lender and borrower in each case.

In addition to the UDI plan, the government's Bank Savings Protection Fund (Procapte) has been created to provide capital infusions to keep large banks afloat. Estimates of the amount needed from Procapte to rescue Mexican banks, privatized just three years ago, range from $4 billion up to a $25 billion, depending on the evolution of past-due loan portfolios. Between bank rescue funds and maturing Tesobonos (government bonds that must be paid in dollars on maturity), most of the $53 billion rescue package could be used up by the end of 1995.

In related news, Michel Camdessus, managing director of the International Monetary Fund (IMF) admitted that the IMF had failed to react quickly enough to Mexico's developing economic crisis during the last half of 1994. According to Camdessus, the failure was due in large part to the IMF's failure to sufficiently monitor the sustainability of flows of investment funds in a world now characterized by massive free flows of capital. The banking industry's Institute of International Finance predicted that net private capital flows to major developing nations will drop from about $160 billion last year to just over $80 billion this year, with Latin America's share of the total dropping from about $60 billion last year to about $1 billion in 1995. The outflow from Latin America in 1995 will include an estimated $21 billion paid out as investors cash in maturing bonds.

Corporate interests in Mexico are pressuring the government to drop a proposed windfall gains tax, which would apply the corporate tax rate of 34 percent to gains from currency fluctuations. Mexican central bank statistics show that more than $5 billion fled the country during the last quarter of 1994, generating large profit margins when the peso lost nearly 45 percent of its value. The windfall gains tax would target profits resulting from the devaluation of the peso, and would be charged against capital as it is repatriated. Companies and wealthy individuals argue that the government cannot really track capital movements and determine profits made from them and that, in any event, Mexico needs repatriated dollars more than it needs to tax profiteers.

Craig Torres, "InverMexico's Bank Unit Swung to Loss in 1st Period, Boding Ill for Entire Sector," WALL STREET JOURNAL, 4/21/95; Leslie Crawford, "Mexico Enables Banks to Refinance Corporate Debt," FINANCIAL TIMES, 4/4/95; Al Taranto, "UDIs Q and Now for the Details," EL FINANCIERO, 4/10-16/95; "Pressure to Drop Windfall Tax," FINANCIAL TIMES, 4/21/95; Rosa Elba Arroyo, "A Costly Proposition," EL FINANCIERO, 4/3-9/95; Michael Tangeman, "UDIs Win Green Light," EL FINANCIERO, 4/3-9/95; Robert Chote, "TWeaknesses in IMF Shown by Mexico,'" FINANCIAL TIMES, 4/23/95; Richard Lawrence, "Flow of Private Funds to Third World Seen Plunging Following Mexico Crisis," JOURNAL OF COMMERCE, 4/21/95.

COSTA RICA IN THE MIDDLE ON BANANAS

The long-running banana wars between the European Union (EU) and Latin American banana producers have become more complex with increasing United States involvement. On one side, the EU has implemented a complex quota system designed to favor producers from African and Caribbean nations (ACP) over the larger Latin American producers. While clearly restrictive of trade, the EU "framework" agreement has been grandfathered into GATT provisions, and Latin American nations have little chance of winning international judgment against it. Some Latin American nations, including Costa Rica and Colombia, have agreed to abide by the agreement, accepting in return slightly more favorable quotas from the EU.

The United States entered the fray on behalf of Chiquita Brands, a U.S. banana company that is heavily involved in Latin American production. Having failed to change the EU banana quota system, the U.S. has now threatened bilateral trade sanctions against Costa Rica and Colombia. The U.S. apparently hopes to take them out of the EU market entirely, causing banana shortages in Germany, and thus indirectly pressuring the EU to lift its ACP framework agreement. U.S. trade officials justify their intervention on the grounds that banana gathering, shipping and ripening account for 75 percent of retail value of bananas. A Costa Rican official says that his country is being scapegoated in the EU-U.S. dispute, claiming that the U.S. government is "blaming the victim."

John Zarocostas and John Maggs, "Costa Ricans Feeling Squeezed in Banana Dispute," JOURNAL OF COMMERCE, 4/24/95.

COFFEE PRICES EXPECTED TO RISE

As Latin American producers continue plans for withholding a portion of the coffee harvest, and as poor weather reduces the amount of Brazilian harvests, coffee prices are expected to rise from about $1.70 per pound for beans to as much as $2.50 per pound during the crop year running to September 1996. Led by Brazil, which produces 30 percent of the world's coffee, Latin American producers have been negotiating an agreement to regulate supply and demand. Although no agreement has been signed, they have tacitly agreed to withhold up to 20 percent of exports.

In late March, Brazil's National Monetary Council approved $91 million from the National Coffee Fund for use as marketing loans in a voluntary retention program. Coffee growers had pushed for a voluntary retention program, while coffee exporters preferred an export quota system to allocate the 80 million-bags-a-year coffee crop.

Mexico, the world's fifth-largest coffee producer, has seen production fall from 5.5 million 60-kilogram bags to only 4 million for the cycle ended in March. Years when coffee was a barely profitable crop led to deterioration in capacity. Six of every 10 Mexican producers are poor Indians, who often lack access to technical and financial resources needed to improve yields. Mexico's 700,000 Indian coffee farmers produce only 30 percent of the total crop, and often reap little benefit from increased world prices because they have to accept what brokers are willing to pay them.

Roderick Oram, "Coffee Supplier Warns of Further Big Price Rises," FINANCIAL TIMES, 4/20/95; "Brazil Approves $91 Million for Coffee Plan," JOURNAL OF COMMERCE, 3/31/95; Howard Simon, "US Coffee Traders Fear Latin Cartel Could End Revival," JOURNAL OF COMMERCE, 4/17/95; Daniel Dombey, "Bitter Brew," EL FINANCIERO, 4/10-16/95.

NAFTA SUPER-HIGHWAY PROMOTED

A Texas coalition, the Interstate Highway 35 Corridor Coalition, is lobbying to get I-35, which runs from Minneapolis, MN to Laredo, TX extended into Mexico as the "NAFTA Superhighway." According to the Coalition, 80 percent of international trade enters Mexico by truck, with half of the amount passing through Laredo.

The group calls for major road improvements and new processes to speed up customs inspections, tax collection, and toll payments. David Dean, head of the Coalition, describes the plan:

"The idea is that a truck in Monterrey, bound for Chicago or Winnipeg or wherever, goes into the interior [customs] station in Monterrey. Customs officials from all three countries could inspect the cargo, seal the container, weigh the truck, check emissions controls, immigration papers, insurance, safety standards. The truck files a route plan, a bar code is affixed to its side or a satellite transmitter is put on top; all taxes, tariffs, duties, overweight charges of every description encountered along that route are pre-paid by the trucking concern. A smart-card with a computer chip is encrypted into the vehicle and the truck then enters the Nafta superhighway system in Mexico." According to Dean, the truck could then proceed through express lanes for inspections and customs, avoiding lines of100 trucks and delays of up to 48 hours that increase costs at present.

"Keep on Truckin'," EL FINANCIERO, 4/3-9/95.

BRAZIL'S UNEASY ECONOMIC PEACE

Brazilian President Fernando Henrique Cardoso's visit to the U.S. included appearances before investors in New York and pledges to continue opening Brazilian markets, as well as meetings with U.S. President Clinton and other government officials in Washington. President Clinton said Brazil is "poised to take its rightful place as a shining example for all the Americas and the world." Cardoso praised Clinton's plans for reform of multilateral financial institutions, and said he joins in calling for better monitoring of international capital flows and for assistance to countries hit by capital flight.

Capital flight from Brazil has hit $7 billion since President Cardoso took office 100 days ago, and Brazil's trade surplus has reverted to a monthly trade deficit. Foreign reserves have plummeted, and the Brazilian monetary unit, the real, was devalued slightly in early March. U.S. business interests, somewhat nervous over the Brazilian economic picture, are also concerned by the refusal of the Brazilian Congress to pass tightened intellectual property legislation long demanded by the United States. Legislation backed by Cardoso and passed by the lower house is bogged down in the Senate.

Even as President Cardoso promoted his country's economic stability to investors in New York, the lower house of Brazil's Congress approved a government measure to raise the minimum wage by 43 percent. Senate passage is expected to come in time to allow implementation on May 1. Constitutional changes proposed by President Cardoso have been more difficult to push through Congress, with Cardoso's proposals for social security law changes and for privatization of industries still stuck in Congress. On March 24, President Cardoso promised major agrarian reforms, but these are expected to anger large landowners and to face tough going in Congress.

Diana Jean Schemo, "Brazil's Chief, in U.S., Says He'll Insist on Key Reforms," NEW YORK TIMES, 4/20/95; Angus Foster, "Brazil's Minimum Wage to Rise 43%," FINANCIAL TIMES, 4/21/95; Roger Wilkinson, "Brazil/U.S.A.," VOICE OF AMERICA, 4/17/95; "Brazil: President Henrique Cardoso's First 100 Days Marked by Growing Opposition to Constitutional Reforms," NOTISUR, 4/21/95.

NAFTA: CHARGES OF UNFAIR TRADE

% NAFTA arbitrators rejected the U.S. Commerce Department's justification for sanctions on two Mexican leather producers, saying the judgments were based on bad data and the companies were not given proper notice of the decision. The case stems from 1981 complaints by U.S. leather apparel makers against Mexican competitors based on Mexican government subsidies, which resulted in imposition of penalty duties on Mexican exports. Although the Mexican subsidy program ended a few years later, the U.S. Commerce Department last year imposed a penalty on two new firms, based on inaccurate data that it refused to correct.

% South Florida tomato growers lost a bid before the U.S. International Trade Commission (ITC) for emergency protection from Mexican imports. According to a University of Florida researcher, Mexican tomato growers increased exports to the U.S. by 18 percent, depressing markets and exceeding NAFTA quotas. According to the Florida Tomato Exchange, in early January all tomatoes were bringing as much as $12-14 per box, but increased Mexican shipments drove the price down to $4-5 per box. The Florida growers' petition for long-term relief is still pending before the ITC.

"Hell Bent for Leather," JOURNAL OF COMMERCE, 4/18/95; John Maggs, "Panel Rejects Growers' Plea to Restrict Tomato Imports," JOURNAL OF COMMERCE, 4/19/95; "Researcher Says Mexico Exceeded Tomato Quotas," JOURNAL OF COMMERCE, 4/12/95; Larry Waterfield, "Florida Seeks to Curb Flow," THE PACKER, 4/17/95.

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From iatp@igc.apc.orgSat Dec 16 10:43:42 1995 Date: Fri, 05 May 1995 09:32:37 -0700 (PDT)
From: IATP <iatp@igc.apc.org> To: Recipients of conference trade-news@igc.apc.org
Subject: NAFTA & Inter-Am Monitor 5/5/95

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

May 5, 1995 Volume 2, Number 14

Headlines:

- **LABOR DAY DEMONSTRATES MEXICAN WORKERS' ANGER**
- **NAFTA LABOR NEWS: NEGOTIATIONS, RELOCATIONS, TERMINATIONS**
- **BRITISH COLUMBIA PROPOSES WATER EXPORT BAN**
- **U.S. ALLIES OPPOSE CUBA TRADE RESTRICTIONS**
- **ARGENTINE BANK BAILOUT IN PLACE**
- **FOOD SHORTAGES FORECAST**

LABOR DAY DEMONSTRATES MEXICAN WORKERS' ANGER

The Mexican government and the government-dominated union Confederacin de Trabajadores de Mxico (CTM) canceled the traditional May Day labor celebration this year, in an attempt by CTM not to further embarass the government of President Ernesto Zedillo. Labor had little to celebrate, with 600,000 jobs lost during the first two months of 1995 alone, and with current incomes the lowest seen since 1935. With the government's celebration canceled, throngs of angry workers flooded into the Zcalo (the central plaza in Mexico City), demanding jobs, wage increases, peace with justice for the Zapatistas, and the resignation of President Ernesto Zedillo and of regent Oscar Espinosa, who orchestrated the dismantling of Ruta 100.

Ruta 100, the 4,000-bus, 14,000-driver transit service for the Federal District, was dissolved by the government on April 8. The government charged that Sutaur-100 (the Ruta 100 union) had diverted $4 million of public money to the union and had links to radical groups including the Zapatistas. On April 10, Luis Miguel Moreno Gmez, chief of Ruta 100, died in his office of two gunshot wounds. The government says that he committed suicide, but others remain suspicious of that explanation. After taking over Ruta 100, the government dismissed union drivers and began hiring replacements.

Marchers expressed solidarity with Sutaur-100, and heard a message from Ricardo Barco, a jailed officer of Sutaur-100, calling for organization of unions independent of the government, and for defense of collective bargaining, the right to strike, and union autonomy.

Laborers were joined in the Zcalo by farm workers, government employees, and representatives of social organizations. Speakers called for the reversal of neo-liberal government policies that they claimed benefit only bankers and speculators. They also denounced suppression of independent unions in various parts of the country.

Estimates of the size of the crowd ranged from 30,000 (according to government television stations) to 70,000 (New York Times) to 100,000 (various news agencies) to 300,000 (police on the scene) to 1,500,000 (organizers of the demonstration). While politicians, including the PRD's Cuahtemoc Crdenas, attended the gathering, they were relegated to silence, by agreement of the organizers. After the crowd had gathered under the hot noonday sun, some began to attack the National Palace, throwing bottles, sticks, and stones, and breaking windows, with some even trying to set fire to the doors. Police took video and still photographs as demonstrators spray-painted anti-government slogans on the seat of government. The videos were later used to identify and arrest nineteen of the participants.

Eventually, police confronted demonstrators, and some young people among the demonstrators attacked, throwing stones and bottles against the full-length acrylic shields carried by police. Police held their ground until organizers of the demonstration arrived on the scene, denouncing the presence of paid provocateurs. The rock and bottle-throwing episode lasted for less than 30 minutes and involved few of the demonstrators gathered for the nearly four-hour observance.

Laurence Iliff, "Unemployment Shows Sharp Increase," EL FINANCIERO, April 24-30, 1995; Andrea Becerril, Judith Caldern, and Ciro Prez Silva, "Cambio de Poltica Econmica, Demanda Central en el Zcalo;" Blanche Petrich, "Desfile Ms Espontneo Que Bien Organizado;" Vctor Ballinas, Roberto Guardao Espinosa, Juan Manuel Venegas, and Ricardo Olayo, "De Las Mayores Movilizaciones Populares;" Vctor Ballinas, Alonso Urrutia and Ismael Romero, "Intil de Apaciguar los gnimos;" Ricardo Olayo, "Los Acusan de Daos al Palacio Nacional;" LA JORNADA, May 2, 1995; Tim Golden, "Defiant Workers in Mexico Demonstrate Over the Government's Economic Policies," NEW YORK TIMES, May 2, 1995; Brendan M. Case, "City Bus-ts Union," EL FINANCIERO, April 17-23, 1995; "Ruta 100," LA JORNADA, April 14, 1995; Leslie Crawford, "Mexican Unions Shun May Day March," FINANCIAL TIMES, 4/27/95; Diego Cevallos, "Unions in Crisis," INTERPRESS SERVICE, April 25, 1995.

NAFTA LABOR NEWS: NEGOTIATIONS, RELOCATIONS, TERMINATIONS

For the first time since NAFTA took effect, the U.S. government has asked the Mexican government to look into alleged labor law violations. The request involves a complaint against Magnticos de Mxico, a subsidiary of Sony that is located in Nuevo Laredo. Sony is accused of interfering with free union organizing, including police suppression of a protest against an internal union election organized by pro-company union officials. The pro-company union officials from the Confederation of Mexican Workers (CTM) were installed after Sony fired six union delegates who opposed a new seven-day work week imposed by the company. The U.S. National Administrative Office (NAO) said it will investigate charges that Sony workers were fired because they tried to affiliate with the independent Authentic Workers Front (FAT) union. The NAO previously dismissed similar complaints against General Electric and Honeywell.

Halo Lighting of Illinois recently announced that it will move 200 of 600 assembly jobs from its Chicago-area plant to Mexico, taking advantage of the decline in value of the peso. Halo's cost per hour will drop from an average of $11.67 in its Illinois plant to 70 cents per hour in Mexico. Halo's move follows that of a Quasar television plant in Illinois, which shut down last year when Matsushita shifted all 295 jobs to Tijuana, Mexico. Business consultants and executives report that more companies are moving or buying Mexican companies at bargain prices. In early April, Motorola Inc. announced plans for a new pager-assembly plant and headquarters in Chihuahua, Mexico.

In late March and early April, Industrias Kirkwood in Mexico City (a U.S. owned auto parts company) fired six union leaders from the independent STIMAHCS union. The union leaders had led protests over working conditions, including ramshackle bathrooms, physical searches of women workers by company police, sexual harassment by a production manager, and arbitrary work shift changes. STIMAHCS is affiliated with the Authentic Workers Front. Kirkwood employs approximately 250 workers, who are currently represented by the government-dominated COCEM and CTM unions. After firing STIMAHCS workers, Kirkwood hired dozens of workers from COCEM.

Tim Shorrock, "US Seeks Mexican Talks on Labor Complaint," JOURNAL OF COMMERCE, April 12, 1995; Stephen Franklin, "Cheap Peso Attracting U.S. Companies," CHICAGO TRIBUNE, April 5, 1995; "Cleveland-Based Company Fires Six Mexican Union Organizers," LABOR NOTES, April 6, 1995.

BRITISH COLUMBIA PROPOSES WATER EXPORT BAN

The government of British Columbia (B.C.) will introduce legislation aimed at banning bulk water exports from the province, asserting B.C.'s sovereignty over its ground and surface water. The proposed legislation would leave existing agreements intact, but would ban any new diversion of water from one watershed to another and any removal of water in containers larger than 20 liters. B.C. Environmental Minister Moe Sihota said the legislation is needed to preserve water for diminishing salmon stocks and for the province's rapidly growing human population. B.C. previously imposed a series of temporary moratoria that has prevented any increase in bulk water exports since 1991.

As a partner with the United States in the Columbia River Treaty, B.C. allows the use of several rivers for power generation in the U.S. Current water licenses are grandfathered into the legislation, which is opposed by Multinational Resources Inc., a Vancouver company seeking to sell one million acre feet of Thompson River Water to the U.S. annually. When Canada's Liberal government took office, NAFTA signatories joined in a statement that NAFTA does not force any country to export water if it chooses not to do so. The federal government has said that bulk water sales will not be allowed under NAFTA, but may oppose B.C's legislation as an encroachment on its authority to regulate trade.

Craig McInnes, "B.C. to Formalize Bulk-Water Export Ban," GLOBE AND MAIL, March 23, 1995; David Hogsen, "Sihota Closing Taps on Exports of Large Volumes of B.C. Water," VANCOUVER SUN, April 28, 1995; Denise Helm, "Water Export Ban Won't Stop Bottler Slaking U.S. Thirst," TIMES COLONIST, April 28, 1995.

U.S. ALLIES OPPOSE CUBA TRADE RESTRICTIONS

Cuba was on the agenda of a meeting of Canadian and Mexican ministerial talks in April, with both countries agreeing to mount a strong joint lobbying effort against proposed U.S. legislation widening the U.S. embargo against Cuba. Canada and Mexico are Cuba's two largest trading partners. The European Union also opposes the anti-Cuba legislation pending before the U.S. Congress, agreeing with Canada and Mexico that the U.S. embargo violates rules of the World Trade Organization.

The legislation would prohibit countries importing Cuban sugar from selling sugar or sugar products to the U.S. and would ban entry into the U.S. of any foreigner whose company buys or rents Cuban property expropriated from a U.S. citizen since 1959. Canadian Ambassador to the U.S. Raymond Chretien sent a letter to U.S. lawmakers noting that passage of the bill would ban sugar, syrup and molasses exports to the U.S. (37,000 metric tons from Canada in 1993) and that Canada would retaliate by banning similar U.S. exports to Canada (141,000 tons in 1993).

The 14-nation Caribbean Community (Caricom) recently increased economic ties with Cuba, including cooperation in development of regional sugar cane, livestock, and fisheries industries. Cuba is also a founding member of the new Association of Caribbean States and a member of the Caribbean Tourism Organization. The Caribbean countries depend heavily on trade with the U.S., and fear that they will be targets of any new trade ban. A Jamaican foreign ministry official asked rhetorically, "Do Mr. [Sen. Jesse] Helms and his ultra-conservative colleagues intend to bar Canadian and Mexican companies from doing business with the United States, or will this be another case of Washington's big stick attacking small countries?"

Leo Ryan, "Canada, Mexico Hope to Stem Push in US to Widen Embargo on Cuba," JOURNAL OF COMMERCE, May 1, 1995; Leo Ryan, "Ottawa Escalates Ongoing Dispute Over Cuban Embargo," JOURNAL OF COMMERCE, April 25, 1995; Canute James, "Caribbean Nations Gird for Attacks Over Economic Ties With Cuba," JOURNAL OF COMMERCE, April 20, 1995.

ARGENTINE BANK BAILOUT IN PLACE

Since the Mexican devaluation in December, eight Argentine banks have been suspended, three have collapsed, with another six temporarily shut down in mid-April and 20 others implementing severe restrictions on withdrawals. Funds for an $11 billion-plus bank bailout continued to arrive on schedule in late April, with placement of a $1 billion "patriotic" bond and the imminent approval of an initial $500 billion from the World Bank as a first installment on a $3.8 billion loan package. Additional funds from the Inter-American Development Bank and private foreign banks will go to a trust fund that will pay off part of the debts of 15 of Argentina's 17 provincial banks and make severance payments to terminated bank employees, allowing the provinces to sell the banks to private investors. Shaky private banks will be taken over by stronger ones, with the help of additional bailout funds, resulting in a reduction of the number of Argentine banks from 160 to about 110 over the next two years. The bailout comes just before the May 14 presidential election, in which Argentine President Carlos Menem is running for a second term.

David Pilling, "Argentine Bank Suspended," FINANCIAL TIMES, April 19, 1995; "Argentine Banks Face Merger Pressure," FINANCIAL TIMES, April 13, 1995; David Pilling, "Argentina to Receive $1bn From Bond," April 28, 1995; Paul Lewis, "World Bank Likely to Vote ArgentineAid," NEW YORK TIMES, May 4, 1995.

FOOD SHORTAGES FORECAST

In late April, the United Nations Food and Agriculture Organization (FAO) expressed concern about the world food supply, saying that nine Latin American countries -- Bolivia, Colombia, the Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, and Nicaragua -- are among low income countries with food shortages. In addition to the Latin American countries, 45 African nations, 17 Asian nations, six Pacific nations, and 12 nations from Europe and the community of Independent States. FAO Director Jacques Diouf said that global food production grew two percent from 1993 to 1994, but that most of the increase occurred in developed countries and that international prices of wheat and rice rose. Responding to domestic pressure for budget cuts, in early April the United States government announced a 50 percent cut in overseas food aid. U.S. officials said that surplus grain stocks are nearly exhausted because of farm subsidy cuts. International aid experts said the U.S. reduction will leave aid agencies far short of the needed 10 million tons of food aid needed each year.

In Mexico, the Agriculture Ministry reported a 41 percent reduction in production of the country's 10 basic grains for the fall 1994/winter 1995 growing season, with harvests expected to be 6.6 million tons, compared to 11.23 million tons last year. The Agriculture Ministry also forecast a reduction in planting due to increased prices for credit and agricultural inputs. Four million producers of basic grains may leave up to ten million hectares unplanted during the crucial spring-summer agricultural cycle. Commercial producers are expected to stop planting corn and beans, switching to more profitable products while still trying to reduce the use of agri-chemicals and machinery.

Mexican consumers and landless workers will be most affected by the increase in the price of food and reduction in salaries. Corn tortilla prices rose 26 percent in the Mexico City metropolitan area, to about 15 cents per kilo in early April, a price increase set by the Commerce Ministry (Secofi). Prices outside Mexico City are higher. According to Secofi, two million Mexican households receive free tortillas as part of the Solidarity anti-poverty program.

Secofi says the price increase will keep 40,000 small tortilla mills, which employ 250,000 people, from going out of business. The Mexican tortilla industry is split between the 40,000 plus "nixtamaleros" or small neighborhood producers, and a handful of flour-milling industrialists, such as the Maseca Foods tortilla producers. Maseca controls 65 percent of the industry through its 20 plants, and benefited by the assignment of large stocks of subsidized grain under the Salinas administration. Roberto Gonzalez Barrera, "Don Maseco," is a close friend of Raul Salinas and of former agriculture secretary and multi-millionaire Carlos Hank Gonzalez. Maseca now has branches throughout Central America and its U.S. Mission brand is estimated to produce 35 percent of Grupo Industrial Maseca's income.

If Mexican corn production falls drastically, more imported corn will be purchased. Under NAFTA, Mexico is obliged to permit the tariff-free import of 2.5 million tons of corn from the U.S. and 100,000 tons from Canada in 1995. Any additional amount is subject to a high tariff, which may be waived by the Mexican government in the event of a corn shortage.

On April 24, eight agricultural organizations representing 80 percent of the five million agricultural workers met to create a consensus platform to present to the nation. The agricultural sector is in the most severe crisis of the past 30 years, according to Armando Bartra of the Maya Institute, who called on the federal government to recognize the importance of the sector instead of dismissing it as "premodern."

"FAO Concerned About State of Global Food Supply," INTERPRESS SERVICE, April 25, 1995; Steven Greenhouse, "U.S. to Cut Overseas Food Aid by Nearly Half," NEW YORK TIMES, 4/2/95; Matilde Prez, "Podran Dejar de Cultivarse 10 Millones de Hectareas a Partir de Esta Ciclo, Indica Agricultura," LA JORNADA, April 24, 1995; "Basic Grain Output to Fall 41%;" "Corn Tortilla Prices Rise 26%," LA JORNADA, April 17-23, 1995; John Ross, "The Politics of Greed Poison Mexico's Daily Diet: Tortillas of Blood," ANDERSON VALLEY ADVERTISER, April 5, 1995.

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From iatp@igc.apc.orgSat Dec 16 10:43:49 1995 Date: Fri, 12 May 1995 11:11:45 -0700 (PDT)
From: IATP <iatp@igc.apc.org> To: Recipients of conference trade-news@igc.apc.org
Subject: NAFTA & Inter-Am Trade Monitor 5/12

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

May 12, 1995 Volume 2, Number 15

Headlines:

- **CANADIAN-U.S. WHEAT DISPUTE CONTINUES**
- **NAFTA COMPLAINT ON EXPRESS DELIVERY**
- **CHILE-NAFTA TALKS BEGIN**
- **ENVIRONMENTAL CHALLENGES LOOM**
- **SOME BENEFIT FROM PESO DEVALUATION**
- **CANADA-MEXICO TRADE GROWS**
- **G-7 PREPARES FOR JUNE SUMMIT**
- **MEXICAN DEBT NEEDS ACTION**

CANADIAN-U.S. WHEAT DISPUTE CONTINUES

In March, the National Association of Wheat Growers and U.S. Wheat Associates released a study charging that the Canadian Wheat Board's monopoly status uses price discrimination to make Canada the price leader in many third-country import markets. The study stated that the Canadian Wheat Board (CWB) charges higher prices to Canadian, U.S. and some Asian buyers and lower prices in markets such as Brazil, the Philippines, China, and South Africa, and that this differential pricing has given Canadian wheat an unfair competitive advantage. U.S. wheat growers succeeded in getting government limits on Canadian wheat imports last year, and have asked that the limits be extended.

The CWB is the world's single largest marketer of wheat. "Our mandate," said Lorne Hehn, chief commissioner of the CWB, "is to get the best dollar we can for the western Canadian farmer, and we focus on marketing to the highest returning customers. However, subsidized competition from the U.S. and the E.U. [European Union] means that we often are faced with the choice of lowering our price expectations or not doing the business."

The Canadian government and CWB responded critically to the charges in U.S. wheat industry report, saying that some of the prices reported in the study were just wrong. The authors of the study, Dr. Barry Goodwin of North Carolina State University and Dr. Vincent Smith of Montana State University, said the prices used might have been wrong, but that the CWB lacks price transparency, so it is difficult to determine the real prices.

The study criticizes Canada as the world price leader, offering discounts that must then be matched by U.S. and EU price adjustments and subsidies. Canadians disagree, saying that the U.S. Export Enhancement Program subsidies reduce market prices in targeted offshore markets, indirectly subsidizing U.S. farmers and reducing the price paid for Canadian wheat and the return to Canadian farmers. "In fact, the U.S. and the E.U., using billions of dollars of taxpayer-funded export subsidies, must bear full responsibility for undermining the price structure in many offshore markets," said CWB commissioner Hehn. The CWB recently imposed a ban on allegedly subsidized pasta from Italy, over protests of Canadian importers of Italian pasta. CWB officials say the EU has reintroduced export subsidies on pasta worth about US$40 per metric ton.

In early May, the Japanese government announced the opening of its foreign food aid market to Canada and Australia. In the past, the $80 m

In related news, the loss of Canadian rail subsidies will cost Canadian farmers millions in added freight costs, beginning on August 1. The end of the so-called Crow Rate subsidy for grain transport is mandated by the World Trade Organization. The sudden end to the subsidy will add $21-29 to the cost of moving grain from each acre of farmland and could drastically reduce the flow of western grain to the port at Thunder Bay, Ontario. Canadian farmers are expected to shift to lower-volume commodities such as canola, flax seed, lentils or peas as a consequence of the freight increase.

"Flare-Up in Trade Dispute Between U.S., Canada," "Pricing Policies Give C.W.B. 'Unfair Edge' in Export Markets," "Canada: U.S., E.U. Subsidies Dictate Pricing Policies," MILLING & BAKING NEWS, May 2, 1995; Gregory S. Johnson, "Loss of Canada Rail Subsidy to Prove Costly to Farmers," JOURNAL OF COMMERCE, 4/17/95; Leo Ryan, "Canadian Importers of Italian Pasta Weigh Action Against Board's Ban," JOURNAL OF COMMERCE, May 3, 1995; "Japan Seeks Canada Wheat Bids in Market Once Limited to US," JOURNAL OF COMMERCE, May 3, 1995.

NAFTA COMPLAINT ON EXPRESS DELIVERY

U.S. Trade Representative Mickey Kantor filed a complaint with the Mexican government on behalf of United Parcel Service of America, Federal Express Corp., Airborne Freight Corp., and other U.S. express-delivery companies, claiming that the Mexican government does not provide equal treatment for U.S. carriers in Mexico. This is the first time the U.S. has charged that a U.S. company is being treated unequally in Mexico. If the matter is not resolved during a 30-day consultation period, the U.S. could demand that a five-member panel hear the case. If the panel rules in favor of the U.S. firms, the U.S. could then impose sanctions on Mexican exports.

UPS says it is losing millions of dollars in Mexico as a direct result of denial of permits to use full-size trucks to deliver packages and letters within Mexico, although Mexican national firms are allowed such permits. The company also opposes proposed Mexican restrictions on the size and weight of packages delivered by foreign carriers and restrictions on shipment times. Worldwide, UPS had 1994 revenue of $19.6 billion. UPS has 1,400 employees and an investment of $120 million in Mexico.

In addition to complaints from express delivery companies, U.S. truckers are concerned that Mexico is failing to equalize its trucking rules under NAFTA. In Mexico, a trucking industry crisis sparked by t

Robert Frank and Helene Cooper, "U.S. Claims Nafta Violations by Mexico in Treatment of Express-Delivery Firms," WALL STREET JOURNAL, April 27, 1995; "UPS Files First Nafta Complaint," FINANCIAL TIMES, April 28, 1995; "UPS Delivers a Message to Mexico," BUSINESS WEEK, May 3, 1995; John Maggs, "US Begins Trade Action on UPS' Mexico Complaint," JOURNAL OF COMMERCE, April 27, 1995; Kevin G. Hall, "Nafta Truckers Worry Mexico Isn't in Compliance," JOURNAL OF COMMERCE, May 8, 1995.

CHILE-NAFTA TALKS BEGIN

Chile, the United States, Canada, and Mexico began technical talks in Santiago in April, and high-level negotiations on Chile's accession to NAFTA will begin in May, despite lack of U.S. Congressional approval of "fast-track" negotiating authority. Chilean officials visiting Washington in late April emphasized the importance of their accession to NAFTA, calling Chile "the cornerstone for the Free Trade Agreement of the Americas," and warning that if Chile is not admitted to NAFTA on schedule, there will be widespread disappointment in South America. Republican free trade supporters refuse to support fast track authorization unless the Clinton administration agrees to remove all labor and environmental provisions from the agreement.

"Nafta/Chile Technical Talks Initiated," EL FINANCIERO, April 24-30, 1995; Nancy Dunne, "Chile Begins Nafta Talks Next Month," FINANCIAL TIMES, April 28, 1995; John Maggs, "Congress Frowns on Clinton Plan to Expand Nafta," JOURNAL OF COMMERCE, April 5, 1995.

ENVIRONMENTAL CHALLENGES LOOOM

As the Border Environment Cooperation Commission (BECC) met for the first time in Ciudad Juarez in late April, environmental challenges arising under NAFTA went far beyond the BECC's limited agenda of assessing and certifying environmental infrastructure projects along the 2,000-mile U.S.-Mexico border. Other challenges include logging in the United States, salt extraction in Mexico, and free trade in hazardous wastes. Throughout Mexico, waste-water management (both industrial and municipal) and solid-waste management are big environmental concerns, as is air pollution in Mexico City.

BECC and the North American Development Bank (NADBank) were created under the environmental side accord to NAFTA to focus on border projects, such as wastewater treatment and municipal solid waste. The environmental side accord also created the North American Commission on Environmental Cooperation (NACEC), with a more general mandate to maintain and improve environmental protection.

% United States environmental groups now threaten to use NACEC to challenge proposed changes in U.S. logging restrictions. The changes are contained in a bill that lifts most restrictions on salvaging dead or diseased timber. According to the Sierra Club, the bill would "effectively allow clearcutting of timber anywhere that is claimed to contain dead, diseased, or dying timber," and exempts many timber sales from federal environmental laws. The Clinton administration argues that NACEC was created to assure tough environmental enforcement in Mexico, not to prevent weakening of U.S. environmental protection laws.

% In Mexico, a proposal to build the world's largest salt extraction plant in the Vizcaino Desert Biosphere Reserve is also under attack by environmentalists. Gray whales, who migrate from U.S., Canadian, and Russian waters to the Vizcaino inlets each year to breed, would be threatened by the development, as would other species. Exportadora de Sal (ESA), an industrial salt producer co-owned by the Mexican government (51 percent) and Mitsubishi, says the salt factory will produce 500 jobs producing six million tons of salt for export yearly. Critics maintain that only 200 permanent jobs will result, and that the area's eco-tourism and fishing industries will be severely damaged, along with the eco-system. Mexico's environmental agency, the National Ecology Institute, rejected the salt extraction plan, but ESA still intends to proceed.

% A proposal currently before the Mexican Congress would prohibit importation of hazardous waste for recycling. The proposal is opposed by ProAmbiente, a Mexican recycler, which says it may go bankrupt if it loses the business it now has in recycling U.S. hazardous wastes. Mexican law already prohibits importation of hazardous waste into Mexico for storage and final disposal, and requires return of much of the hazardous waste generated by maquiladoras to the country of origin, usually the United States.

Advocates of legal change to allow free trade in hazardous waste argue that the cost of returning wastes to the U.S. leads to illegal dumping, and that allowing free trade in hazardous wastes could be a boost for the Mexican disposal industry. Although that industry currently lacks capacity to handle all of the hazardous wastes generated within Mexico, proponents of free trade in hazardous wastes say that opening Mexico to imported wastes would make the Mexican disposal industry larger, more efficient, and more prosperous.

Kevin G. Hall, "Nafta Environment Group Holds 1st Meeting Today," JOURNAL OF COMMERCE, April 21, 1995; John Maggs, "Logging Flap Spotlights Nafta Agency," JOURNAL OF COMMERCE, April 17, 1995; New York Times, April 27, 1995; Grupo de los Cien advertisement, NEW YORK TIMES, May 10, 1995; David E. Eaton, "Free Trade in Hazardous Waste: Business and Environment Can Benefit," TWIN P

SOME BENEFIT FROM PESO DEVALUATION

During the first quarter of 1995, the Mexican government approved the opening of 250 new maquiladoras, according to the Commerce Ministry (Secofi). While many Mexican businesses have suffered severe losses in the current economic prices, maquilas are poised to take advantage of lower labor costs. Only a small fraction of the raw materials used by the maquilas are produced in Mexico.

While Mexican textile companies, many based in maquilas, are successful in foreign markets, Mexican textile imports, both legal and contraband, make up about half of the domestic market. The 35-year-old Milyon textile company is one of the world's 30 largest manufacturers of non-woven, disposable cloth. Until this year, the company had exported about 30 percent of its product. Export orders boomed and domestic demand fell with the devaluation of the peso, so this year Milyon will export about 60 percent of production.

"Government Approves 250 New Maquiladoras," EL FINANCIERO, April 24-30, 1995; Guadalupe Hernandez Espinosa, "A Niche of Their Own," EL FINANCIERO, April 3-9, 1995.

CANADA-MEXICO TRADE GROWS

During 1994, bilateral Canada-Mexico trade grew by 22 percent to C$5.5 billion, with Canadian exports to Mexico climbing by 27 percent (to C$1 billion) and Mexican exports to Canada increasing by 20 percent. Canadian direct investment in Mexico increased from $529 million in 1993 to C$1.2 billion in 1994. Despite the current Mexican economic crisis, Canadian exports to Mexico increased to C$189 million in January and February, up from C$152 million during the same months in 1994.

Leo Ryan, "Canadian-Mexican Talks to Focus on Trade, Energy and Nafta," JOURNAL OF COMMERCE, April 27, 1995.

G-7 PREPARES FOR JUNE SUMMIT MEETING

Finance ministers and heads of central banks in the world's seven leading industrial nations (G-7: the United States, Britain, France, Germany, Japan, Italy, and Canada) met in Washington in late April, and disagreed strongly over currency management. The weakening of the U.S. dollar was criticized by other participants in the meeting, though a vague final declaration called on all to "strengthen their efforts" to reverse the dollar's fall. Other disagreements included criticism of the Mexican bailout, and particularly of Washington's arm-twisting to obtain backing for a large International Monetary Fund (IMF) commitment.

The G-7's annual summit, scheduled for June in Halifax, Canada, has an agenda that includes reform of the IMF and World Bank, international trade, economic growth, job creation, the global information highway, nuclear safety, and the environment. Trade is likely to be a contentious issue, but the seven nations are already near a consensus on changes in the IMF and World Bank, including a call for a new emergency lending facility and stepped-up IMF surveillance of the world's economies, particularly those in emerging markets. Both changes are responses to the December collapse of the Mexican peso and economy.

David E. Sanger, "As Wealthy Nations Meet, the New Tone is Divisive," NEW YORK TIMES, April 25, 1995; David E. Sanger, "U.S. and 6 Allies Vow New Efforts to Revive Dollar," NEW YORK TIMES, April 26, 1995; Rose Umoren, "IMF, World Bank Reform Tops June G7 Summit Agenda," INTERPRESS SERVICE, May 2, 1995.

MEXICAN DEBT NEEDS ACTION

Some of Mexico's 31 states are on the edge of bankruptcy, as 100 percent interest rates make it impossible for states and local communities to repay approximately $4 billion in public works project loans. Mexican states and municipalities take out commercial bank loans at variable interest rates, and do not float government bonds. Mexican President Ernesto Zedillo announced a $2.9 billion rescue program to allow states to restructure their loans, pre-paying part of the capital and stretching out repayment for as long as eight years. The four opposition governors criticized Zedillo's plan as intrusive and as "an aspirin" that will continue the states'dependency on the central government.

Frustration at cuts in financial support from Mexico City led the opposition Partido Accion Nacional (PAN) mayor of Ciudad Juarez to erect his own toll booths at the bridge to El Paso, Texas for three days, until he was arrested by federal authorities. The PAN is leading demands for decentralization and opposes the federal government's firm hold on income from such government projects as hydroelectric dams and resorts. States have little taxing authority and must rely on the federal government for 80 percent of their funding. That funding has been cut by 14 percent during the current crisis.

The federal government may need to re-negotiate its foreign debt, as the international bailout funds barely cover payments due. Mexico is scheduled to repay $10.5 billion in long-term debt, $8 billion in short-term debt, the accumulated current accounts deficit (about $2 billion) and more than $14 billion in treasury bills. The treasury bills, which are sold to investors on the Mexican stock exchange, are not renegotiable, but the $18.5 billion in long- and short-term debt may be negotiated with the international private banking sector.

Anthony DePalma, "States in Mexico Trying to Avoid Bankruptcy," NEW YORK TIMES, May 10, 1995; Stanley Reed, "Mexico: A New Rumble of Revolt," BUSINESS WEEK, April 24, 1995; Eduardo Molina y Vedia, "Experts Predict New Renegotiation of Foreign Debt," INTERPRESS SERVICE, May 3, 1995.

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Subject: NAFTA & Inter-Am Trade Monitor 5/19

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture & Trade Policy

May 19, 1995 Volume 2, Number 16

Headlines:

- **EUROPEAN UNION INCREASING TRADE TIES TO THE AMERICAS**
- **ARGENTINA: MENEM RE-ELECTED, FACES ECONOMIC PROBLEMS**
- **U.S. COMPANIES POISED FOR MEXICAN TELECOM PRIVATIZATION**
- **BISHOPS DENOUNCE NAFTA, NEOLIBERALISM**
- **REPORT SHOWS WORLD BANK FAILURES**
- **CUBA IMMIGRATION ACCORD, ECONOMIC CHANGES**

EUROPEAN UNION INCREASING TRADE TIES TO THE AMERICAS

Canada has led a move for trade liberalization between NAFTA and the European Union (EU), though both Mexican and United States government officials have indicated some reservations about progress toward North Atlantic free trade. EU commissioner Sir Leon Brittan said the EU will study the feasibility of a free trade zone with the U.S., though farm products would be excluded. Sir Leon said that a free-trade zone with the U.S. might be preferable to a NAFTA-EU agreement.

In April, the EU Council of Ministers approved the progress of trade negotiations with Mercosur (Argentina, Brazil, Paraguay, and Uruguay), scheduled to lead to the signing of a preliminary cooperation agreement in late 1995. While serious negotiations are underway, many important items, including the sensitive area of agricultural trade, have been postponed until the year 2001. Proponents of an interregional accord between Mercosur and the EU note that many agricultural products, such as soy, coffee, tea, and cocoa, already receive liberalized tariff treatment.

Latin America is an increasingly important market for Germany. Latin American and Caribbean countries increased exports to Germany by nearly 14 percent last year to a total of $10.3 billion, compared to a 7.9 percent rise in total German imports. German exports to Latin America and the Caribbean increased by 11 percent, to $14.5 billion. Germany's major trading partners in the region are Argentina, Brazil, Colombia, Chile, Mexico, and Venezuela.

Italian-Latin American economic ties are also increasing. A recent Latin American visit by Italian foreign minister Susana Agnelli resulted in swaps of debt bonds for Italian participation in companies scheduled to be privatized.

The EU is also supporting economic integration among English-speaking Caribbean nations, giving credits of 27.23 million European Currency Units (ECUs) to CARIFORUM to help establish ties between the Caribbean Community (CARICOM) and the wider Caribbean basin. Additional aid is targeted to improving product competitiveness and promoting tourism. CARIFORUM and CARICOM members will join Central American and some South American nations in the Association of Caribbean States (ACS), once ratification is complete.

The World Trade Organization's (WTO) outgoing head, Donald Sutherland, warned in April that bilateral negotiations between, for example, the EU and the U.S., could undermine the multilateral system of the WTO, as could continued unilateral sanctions, such as the U.S. Section 301 trade sanctions.

Leo Ryan, "Response Cautious to Canada Push to Liberalize Nafta-EU Trade," JOURNAL OF COMMERCE, April 5, 1995; Bruce Barnard, "US, EU Plan Discussions on Implementing Free-Trade Zone, JOURNAL OF COMMERCE, April 28, 1995; "La Union Europea y el Mercosur Comienzan Negociaciones," SUCESOS, April 10, 1995; Debra Percival, "EU Support for Integration Effort," INTERPRESS SERVICE, May 5, 1995; Ramesh Jaura, "Asia, Latin America Are Germany's Major Buyers," INTERPRESS SERVICE, April 20, 1995; Ramesh Jaura, "Exports Up, But Germany Retains Surplus," INTERPRESS SERVICE, April 25, 1995; "Italian Minister Points to 'More Mature' Cooperation," INTERPRESS SERVICE, April 26, 1995; Chakravarthi Raghavan, "Bilateralism, Unilateralism Undermines WTO - Sutherland," INTERPRESS SERVICE/ THIRD WORLD NEWS, April 25, 1995.

ARGENTINA: MENEM RE-ELECTED, FACES ECONOMIC PROBLEMS

President Carlos Menem won a first-round re-election victory on May 14, defeating center-left FREPASO candidate Jose Octavio Bordon and the traditional opposition Radical Civic Union's (UCR) Horacio Massaccesi. The election results make FREPASO Argentina's chief opposition party, displacing the UCR.

Menem faces severe economic problems, including failing banks, massive foreign debt ($85 billion in the public sector and $17 billion in the private sector), and a growing trade deficit. The banks are scheduled to be rescued and privatized with the help of recent, multi-billion dollar loans from multilateral lending institutions. The Mexican financial crisis severely affected Argentina, with withdrawals of $8.5 billion in capital from the country following the December Mexican peso devaluation. About 30,000 Argentine small businesses have failed since December, brought down by decreasing sales and increasing taxes and interest rates.

>From 1990 to 1994, Argentina's Gross Domestic Product grew from $141.17 billion to $273.64 billion, but wages were frozen and unemployment doubled, reaching a record official level of 12.2 pe Argentine exports.

Marcela Valente, "The Foreign Debt, a Weighty Problem for New Government," INTERPRESS SERVICE, May 9, 1995; David Pilling, "Argentina Still on the Operating Table," FINANCIAL TIMES, May 16, 1995; "President Carlos Menem Favored to Win Re-Election," NOTISUR, May 12, 1995; Marcela Valente, "Small Businesses Folding," INTERPRESS SERVICE, March 23, 1995.

U.S. COMPANIES POISED FOR MEXICAN TELECOM PRIVATIZATION

As Mexico prepares to privatize its $7 billion telecommunications market, United States-based AT&T, MCI, GTE, Sprint, Motorola, Teleglobe, and Bell Atlantic have all entered into alliances with Mexican partners. Legislation soon to be approved calls for opening up long-distance telephone services to competition beginning January 1, 1997 and opening local phone services before then. Any consortium planning to offer telephone services has to have a majority Mexican stake.

Providers of local wireless telephony will bid for space in the radio spectrum, but fiber-optic and cable networks will not have to pay a licensing fee. Since most of the new firms are expected to focus on the most profitable "crystal triangle" between Monterrey, Guadalajara, and Mexico City, the Mexican government will continue to subsidize rural telephone development.

Currently, Telefonos de Mexico (Telmex) is a privatized monopoly. Anticipating the competition it will face, it is lowering line installation charges and adjusting the rate structure, which previously used its monopoly long-distance market to subsidize local calls. The Mexican economic crisis has forced Telmex to cut its investment budget by half, to $1 billion this year. Telmex and Sprint have entered an alliance that will have each company carrying the other's long-distance traffic and offering other services such as data transmission and calling credit cards.

Leslie Crawford, "Rivals Eager to Enter Mexico's Telecoms," FINANCIAL TIMES, May 5, 1995; Martin Langfield, "Mexican Bill Eases Way to Telecom Sell-Off," REUTERS, April 26, 1995;

BISHOPS DENOUNCE NAFTA, NEOLIBERALISM

The Mexican Roman Catholic bishops, meeting in late April, denounced NAFTA's free market system and deplored "the catastrophic result of a chain of injustices that has left 40 million Mexicans in poverty while concentrating the nation's wealth in the hands of a privileged few." The conference also criticized government manipulation of the public press and election fraud. In contrast, the bishops praised the Mexican people for "preparing themselves for [democracy] by participating in the electoral process, by attempting to protect their votes, by getting involved in matters that touch the common good ..." at the time of Mexico's "worst crisis in modern times."

According to a recent study from the Autonomous University of Mexico, the minimum wage would have to be raised 250 percent to give workers the same buying power that a minimum wage earner had 20 years ago. Another report cited in the April 27 issue of "La Jornada" said that a pair of shoes costs a U.S. auto worker 2 hours and 15 minutes' pay, but costs a Mexican auto worker doing the same job 32 hours and 15 minutes' pay. A month's rent for a two-bedroom apartment with kitchen and bath costs a U.S. worker 21 hours' pay, and costs the Mexican worker 107 and a half hours' pay.

The Mexican bishops met just before the May 1 opening of the 40th gathering of CELAM, the council of Latin American bishops. CELAM denounced the neoliberal model, saying that it "will fall by itself, perhaps more rapidly than communism." Despite splits between liberal and conservative factions, the bishops ended in denouncing "the absolutization of market forces and the power of money" and insisted that "the economy must be at the service of mankind and not vice versa."

Bill and Patty Coleman, "Mexican Bishops Decry 'Chain of Injustice,'" NATIONAL CATHOLIC REPORTER, May 12, 1995; Diego Cevallos, "Bishops Versus the Market," INTERPRESS SERVICE, May 5, 1995; Diego Cevallos, "Catholic Church Criticizes Neoliberalism," INTERPRESS SERVICE, May 2, 1995; "Bishops Predict Collapse of 'Inhuman' Neoliberalism," INTERPRESS SERVICE, May 8, 1995.

REPORT SHOWS WORLD BANK FAILURES

According to an unpublished, internal World Bank study, a third of World Bank-financed projects in Mexico over the past 50 years failed, compared to an overall failure rate of 26 percent of all World Bank loans. The 184-page "Study of Bank/Mexico Relations 1948-1992" analyzed the transactions between the Bank and its second-biggest customer. Mexico borrowed $23.4 billion from the Bank during the term analyzed in the study.

In the 1970s, Bank senior management ignored its own staff advice against rapid expansion of Mexico's oil sector and against too-large influxes of debt capital. In the 1982 debt crisis, the World Bank and International Monetary Fund joined forces to bail out the Mexican economy. By 1992, the Bank held 15.7 percent of Mexico's debt, and its role in the country has continued to grow since then.

During the 44 years studied, 75 percent of the Bank's 163 loans went to specific projects. The worst-performing projects were in the agricultural sector, where half were rated unsatisfactory. The internal study says that Mexican development failed "to provide enough jobs for its growing labor force and ... to provide an adequate social safety net."

Another Bank study, the well-publicized annual "Global Economic Prospects and the Developing Countries," predicts that Third World economies will grow at an overall annual rate of as much as 5.2 percent for the next decade, and calls the global picture " in general bright." According to the study, Latin American and Caribbean countries should grow at an annual rate of 3.5 percent, or 1.9 percent per capita. Higher-income countries will grow at an average 2.8 percent annual rate, or 2.3 percent per capita. The different per capita rates reflect different rates of population growth. According to the Bank forecast, the gap in per capita incomes between rich and poor countries will increase over the next ten years.

For the first time since its founding in 1945, the World Bank will begin an advertising campaign this year. The campaign, aimed at improving the image of the Bank, will be similar to corporate image advertising, and is expected to cost $3-5 million. The Bank's external affairs director, Malloch Brown, says that "we've allowed ... critics to set the terms of the debate and let our operating failings be the sole standard by which we are judged." The ad campaign, says Brown, will indicate that the Bank has heard the critics and is trying to improve.

Pratap Chatterjee, "Mexico Finance: Find High Failure Rate in Past Mexican Projects," INTERPRESS SERVICE, May 5, 1995; "World Bank Predicts Growth in Poor Nations," INTERPRESS SERVICE, April 18, 1995; Stuart Elliott, "Sensing a Need to Polish Its Image, the World Bank Gets Ready for Its First Campaign," NEW YORK TIMES, May 17, 1995.

CUBA IMMIGRATION ACCORD, ECONOMIC CHANGES

After secret negotiations, the Cuban and United States governments reached an accord on immigration that will allow 21,000 Cuban would-be immigrants held at Guantanamo naval base since last summer's raft exodus to enter the United States. The accord will reverse long-standing U.S. policy by returning all future raft people to Cuba as soon as they are picked up at sea. The Cuban government will discourage illegal immigration, and has expressed hope that the immigration accord will lead to further normalization of relations between the two countries.

The U.S. Clinton administration also announced its opposition to some of the contents of legislation proposed by Sen. Jesse Helms (R-NC) to further tighten the U.S. trade embargo against Cuba. The bill is also opposed by many U.S. allies, including the European Union, Canada and Mexico.

The United Nations Development Organization (UNIDO) opened an office in Cuba in early May to promote foreign investments in Cuba and sale of Cuban technical services abroad. UNIDO will support the development of biotechnology and tourism industries and, in general, "sustainable industrial development."

New Cuban laws on foreign investment, the petroleum industry, and social security changes are expected by the end of 1995, increasing Cuba's attractiveness to foreign investors. A mining law passed in December 1994 already assures foreign investors of the security of their investment in mining concessions. Government budget cuts are part of the planned changes, including job cuts. Guaranteed employment for all has long been part of Cuba's promise but layoffs now planned are expected to eliminate 700,000 jobs, affecting one-seventh of the work force. Social security will provide unemployment benefits, but only if a worker accepts any other job offered, including jobs in the agricultural sector.

Steven Greenhouse, "First Step on Cuba?" NEW YORK TIMES, May 4, 1995; Pascal Fletcher, "A Slight Thaw on Warm Seas for the US and Cuba," FINANCIAL TIMES, May 16, 1995; Dalia Acosta, "Jesse Helms Barks, Investments Flow," INTERPRESS SERVICE, May 11, 1995; Dalia Acosta, "Full Employment is a Thing of the Past," INTERPRESS SERVICE, May 4, 1995; Pascal Fletcher, "Cuba's Workers Bear the Brunt of Reforms," FINANCIAL TIMES, May 9, 1995; Charles W. Thurston, "Cuban Bills Signal Wave of Economic Reforms," JOURNAL OF COMMERCE, April 24, 1995.

RESOURCES/EVENTS

Cuba -- Investment and Business, 1994-95. Published by Consultores Asociados in association with the National Institute of Economic Research, Havana, Cuba, 1994. Official guide to current Cuban foreign investment law, labor legislation, and natural resources, including in-depth description of investment opportunities in specific areas, e.g. health tourism, mining. Information may become dated due to rapid changes in Cuban laws to attract additional foreign investment. To order, call 537/33-6011. $60.

Prado Pacayal, video from Imagenes de Mexico. 26 minute video available in VHS or 3/4-inch tape includes testimony and images from community Prado Pacayal in the Lacandon Jungle of Chiapas following the February invasion by Mexican army. Spanish with English subtitles. Todos Somos Marcos is a 20 minute video covering four protests in Mexico City during February. English narration and subtitles. Order both on one tape from Imagenes de Mexico, 4814 Ave. G, Austin, TX 78751; 512/458-4492; email leopoldo@mundo.eco.utexas.edu. $15 VHS, $30 3/4-inch tape, $3 postage and handling. Institutional rate $50 plus postage."NAFTA Disaster," MULTINATIONAL MONITOR, April 1995. Includes "'Social Dumping' in Mexico Under NAFTA," "NAFTA's Footloose Plants Abandon Workers," "The Zapatista Struggle," "The Fall of the Peso and the Mexican 'Miracle.'" Multinational Monitor, P.O. Box 19405, Washington, DC 20036; telephone 202/387-8030; fax 202/234-5176; email monitor@essential.org. Multinational Monitor is published 10 times each year by Essential Information Incorporated. Subscription: $25 individual, $30 non-profit institution; $40 business, in U.S.; $10 additional in Canada and Mexico. Single copy $3.

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Subject: NAFTA & Inter-Am Trade Monitor 6/23

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

June 23, 1995 Volume 2, Number 19

Headlines:

- **CHILE, NAFTA, AND MERCOSUR**
- **GOVERNMENT-ZAPATISTA TALKS CONTINUE**
- **NAFTA ENVIRONMENTAL COMMISSION TO INVESTIGATE BIRD DEATHS**
- **MEXICO NAFTA OFFICE FAULTS US LABOR PRACTICES**
- **50,000 U.S. WORKERS CLAIM JOB LOSS DUE TO NAFTA**
- **BRAZIL, ARGENTINA CLASH OVER AUTO IMPORTS**
- **WHEAT TRADE**
- **INTER-AMERICAN DRUG TRADE**

CHILE, NAFTA, AND MERCOSUR

Formal negotiations for Chile's entrance to NAFTA began on June 7 in Canada, as about 100 organizations from the four countries (Chile, United States, Mexico, Canada) voiced their opposition to any agreement that fails to reflect labor, environmental and indigenous concerns in Chile and to protect its national sovereignty. Both U.S. President Clinton and House Speaker Newt Gingrich, the leader of the opposition, have voiced support for fast-track legislation to authorize Chile's entry to NAFTA by year's end. Republican opposition to inclusion of labor and environmental side agreements and some Democratic insistence on those provisions are expected to delay passage of the fast-track legislation. Chilean finance minister Eduardo Aninat warned that Chile is not willing to wait indefinitely. "If we don't have fast-track by early February, the whole process is probably doomed," said Aninat. Chile is also negotiating associate membership with the Mercosur free-trade area that includes Brazil, Argentina, Uruguay, and Paraguay, and has begun discussions for agreements with the European Union and with the Asian Pacific trade group.

According to Chilean foreign minister Jos Miguel

Insulza, Chile gives higher priority to joining Mercosur than to NAFTA membership. Insulza pointed out that Mercosur negotiations include "issues of physical integration," such as infrastructure development, opening Chile's Pacific ports to regional products, and circulation of individuals, especially skilled laborers. Chile's 1994 trade with Mercosur totaled $5.2 billion.

The U.S.-based AFL-CIO and the Chilean CUT labor federations have joined forces to demand that worker rights be included in any trade pact reached. Chilean unions were smashed in the U.S.-backed 1973 military coup, with members and leaders suffering firing, jail, and execution. Although a civilian government replaced the military in 1990, Chile's labor code still bans any regional or national union organizations and strictly limits collective bargaining. Chilean business associations say that the labor law works fine and that collective bargaining, which currently covers only about 10 percent of Chilean workers, is not needed. The Chilean government would like to see union organization extended to seasonal workers in building, farming, and forestry, and advocates legalization of cross-company unions, a legal change adamantly opposed by business.

Nancy Dunne, "Chile's Patience Wearing Thin Over NAFTA," FINANCIAL TIMES, June 13, 1995; Yvette Collymore, "NAFTA Entry Could Mean Another Star on U.S. Flag," INTERPRESS SERVICE, June 6, 1995; "Chile Juega Sus Cartas," SUCESOS, June 8, 1995; Fred J. Solowey, "A 'Chile' Reception to NAFTA's Extension," SOLIDARITY, May, 1995; "Unions, Who Needs Them?" THE ECONOMIST, May 13, 1995; Saul Ronzoni, "Minister Confirms Mercosur Priority Over NAFTA," INTERPRESS SERVICE, June 16, 1995; Ximena Souza, "Sin Fast Track No Se Concretara el Ingreso de Chile al TLC," SUCESOS, June 15, 1995.

GOVERNMENT-ZAPATISTA TALKS CONTINUE

In a five-day meeting that began on June 7, the Mexican government and EZLN (Zapatista National Liberation Army) continued discussions and agreed to meet again on July 4. The tentative agreement reached in May regarding creation of seven corridors for Zapatista settlement has not been approved in full by the EZLN after chad previously agreed to do.

Government representatives continued to refuse to discuss national issues. The EZLN representatives insisted that poverty is a national problem, asked unsuccessfully for special attention to the status and problems of women, and called for inclusion of popular sectors in the dialogue. Clashes between the army and local protesters continued in Chiapas, with one dead and six wounded in a June 6 march, which followed four arrests in a June 4 protest.

CONAI PRESS RELEASE, June 13, 1995; CHIAPAS BULLETIN NO. 13, June 20, 1995; Hermann Bellinghausen, "Las Diferencias Entre Gobierno y EZ Siguen Siendo Muchas: Tacho," LA JORNADA, 6/13/95.

NAFTA ENVIRONMENTAL COMMISSION TO INVESTIGATE BIRD DEATHS

More than 40,000 sandpipers, ducks, coots, and other migratory birds mysteriously died at the Silva Reservoir in the Mexican state of Guanajuato. The Mexican government first attributed the deaths to dumping of a pesticide called endosulfin, but ecologists said that many of the birds show no sign of endosulfan poisoning. Later, government environmental officials said that the cause was a large one-time dumping of red-dye colorants.

Environmentalists suspect that the poisoning is due to chromium discharges into rivers feeding the reservoir by local industries, especially tanneries. After petitions by the U.S. National Audubon Society, the Mexican Center of Environmental Rights, and the Group of 100, the Montreal-based North American Commission for Environmental Cooperation (NACEC) agreed to investigate. This will bcerns.

Anthony DePalma, "Deaths of Birds in Mexico Lake Test Trade Pact," NEW YORK TIMES, June 8, 1995; "NAFTA Board to Probe Deaths of Birds in Mexico," CHICAGO TRIBUNE, June 11, 1995; Kevin G. Hall, "NAFTA Group Seeks Swift Answers in Bird Kill," JOURNAL OF COMMERCE, June 20, 1995.

MEXICO NAFTA OFFICE FAULTS US LABOR PRACTICES

On June 2, the Mexican National Administrative Office (NAO), issued findings that Sprint probably violated the National Labor Relations Act when it terminated 177 Spanish-speaking employees at the telephone company's "La Conexin Familiar" in San Francisco last year. The Mexican NAO asked the U.S. government to review the case, and called for ministerial consultation under the provisions of the NAFTA labor side agreement.

The NAO was constituted under NAFTA, as were its counterparts in Canada and the U.S., in order to review the application of labor laws in all three countries. The Mexican Telephone Workers Union (TWU) brought the case against Sprint, alleging that the employees were fired as the culmination of an anti-union campaign, including numerous unfair labor practices. TWU charged that the firings were part of Sprint's response to its workers' efforts to obtain representation by the Communication Workers of America. The Mexican NAO report follows the April 11 U.S. NAO report that concluded that the Mexican government had mishandled an unfair dismissal complaint by 45 workers of Sony Corporation in Mexico.

Jerry Morales, Esq., "Mexican Board Says SPRINT Likely Violated Labor Act," "INTER-AMERICAN TRADE AND INVESTMENT LAW," June 9, 1995.

50,000 U.S. WORKERS CLAIM JOB LOSS DUE TO NAFTA

More than 50,000 U.S. workers have petitioned the U.S. Department of Labor for special NAFTA unemployment assistance. The workers come from 457 firms located in 46 states, including Allied Signal, Sara Lee, Smith Corona, Eveready Battery, Zenith, and Proctor and Gamble, all of which belong to a pro-NAFTA lobbying group. Public Citizen Director Lori Wallach said that "real life job losses are NAFTA's reality," and that the petitions represent only a fraction of NAFTA's actual impact on U.S. workers.

The NAFTA Trade Adjustment Assistance (NAFTA TAA) program provides job training and income support to workers who are certified to have lost jobs because of imports from Mexico or Canada or company production shifts to Mexico or Canada. NAFTA TAA statistics include only workers who petition the Department of Labor under that program, not others who may apply under the generic Trade Adjustment Assistance program, which has fewer administrative requirements.

"Over 50,000 U.S. Workers Have Filed for NAFTA Unemployment Benefits," PUBLIC CITIZEN, June 7, 1995.

BRAZIL, ARGENTINA CLASH OVER AUTO IMPORTS

On June 13, the Brazilian government announced stringent limitations on the number of automobiles to be imported, in an attempt to deal with Brazil's continuing trade deficit and to attract foreign investment. On June 16, after strong protests from Argentina, Brazil's largest trading partner and a fellow member of Mercosur, Brazil suspended the quotas for 30 days.

Argentine auto makers are already suffering from a recession, with domestic sales down by 38 percent. Together with household appliance manufacturers, they export heavily to Brazil, particularly from factories in the southern Argentine province of Tierra del Fuego, a duty-free zone. The automobile quota imposed by Brazil would allow only 110,000 vehicles to be imported during the rest of the year, virtually freezing imports since 70,000 have been unloaded in Brazilian ports and 30,000 more are on order.

Argentine cars enter Brazil duty-free, while Brazilian-made cars are subject to domestic taxes of up to 50 percent. During January-March of this year, 200,000 vehicles were imported. New vehicle sales in Brazil are expected to total 1.5 million during the year.

"Preocupa Que el Brasil Tome Ms Medidas Contra la Argentina," CLARIN, June 14, 1995; Oscar Florman, "Same Time Next Month - Row Over Auto Imports Postponed," INTERPRESS SERVICE, June 16, 1995; "Menem Peeved at Brazil's Decision to Cut Auto Imports," INTERPRESS SERVICE, June 14, 1995; Arnaldo Cesar, "Curbing of Auto Imports is Protectionist Move," INTERPRESS SERVICE, June 15, 1995; Ricardo de Bittencourt, "Continuing Trade Deficit Pressures Against Liberalization," INTERPRESS SERVICE, June 16, 1995.

WHEAT TRADE

A U.S.-Canadian panel announced a consensus on disputed wheat issues that threatened to affect the $210 billion in annual trade between the world's biggest trading partners. Canadian exports of wheat, particularly durum wheat, have sharply increased in recent years, leading to complaints of dumping by United States farmers. The new agreement will limit Canadian wheat exports to the United States to 1.5 million metric tons for one year. A new, non-governmental United States-Canada Joint Commission on Grains will study each country's grain marketing and support systems and make recommendations on longer-term solutions. In related news, U.S-based General Mills and the Alberta Wheat Pool, a farmer-owned cooperative based in Canada, announced that they will build a $1 million grain terminal in Sweetgrass, Montana to handle the increasing cross-border grain trade.

Canada recently dropped an import ban on Italian pasta after a month of protests from Canada's Italian community and from small retailers. The Canadian Pasta Manufacturers Association continues to maintain that Italian pasta is being dumped in Canada at prices below Italian market levels. Italian pasta doubled its market share in Canada to 14 percent last year.

The United Nations Food and Agriculture Organization (FAO) reported that Latin American wheat production rose to 15.4 tons in 1994, nine percent higher than the 1993 yield. Brazilian wheat production is expected to fall to a bare minimum of 1.5-2 million tons, far below the record production of six million tons in 1987. The dramatic fall in production is linked to decreased government support for wheat production and a preference for cheap wheat, much of which is imported from Argentina.

Brazil consumes about 8.5 million tons yearly, according to the Brazilian Wheat Industry Association. The FAO predicts South American imports of 10.6 million tons of wheat in 1994-95, up slightly from the 10.5 million tons imported in 1993-94.

"U.S.-Canada Trade Commission Reaches Consensus on Grain," NEW YORK TIMES; "General Mills to Build $1 Million Grain Terminal," ASSOCIATED PRESS (via STAR TRIBUNE), June 8, 1995; Maria Osava, "Commodities-Brazil: Wheat Production Down to Bare Minimum," INTERPRESS SERVICE, May 12, 1995; "Latin America: FAO Reports Rise in Wheat Production," INTERPRESS SERVICE, May 11, 1995; May 27, 1995; "Canada Drops Curbs on Pasta from Italy," JOURNAL OF COMMERCE, June 1, 1995.

INTER-AMERICAN DRUG TRADE

Cocaine and other drugs represent a large segment of agricultural production in the Americas and a significant aspect of international commerce. In 1993, in Colombia alone, coca planting was estimated at 42,000 hectares, with an additional 20,000 hectares in poppies and 6-8,000 hectares in marijuana. The Colombian government claims that coca and other drug production has doubled since 1993, due to defense of producers by guerrillas, who charge a tax for protecting growers, laboratories, and air fields.

As officially reported Colombian export income shot up by 29.8 percent (from $1.1 billion to $1.4 billion) in the first two months of 1995, compared to the same period in 1994, many experts say that the sharp increase is due in part to fraudulent invoicing to hide drug profits. Colombian drug profits are estimated at $800 million to $3 billion annually.

While drug cartels make large amounts of money, drug couriers receive relatively low pay and are at relatively high risk. Producers, too, receive far less money than those controlling marketing and distribution, and are frequently the targets of international action to destroy their fields. In the face of U.S. demands that the Bolivian government eradicate their fields, Bolivian coca producers joined with teachers and labor unions in national protests over neoliberal government policies and low wages. In April, the government responded to the strikes and protests by declaring a state of siege.

Tarahumara Indians in remote villages of northern Mexico have been brought into marijuana and opium poppy production by Mexican cartels. Initially, the relatively high returns on drug cultivation attracted some farmers. Drug cartels later used violence and threats of violence to consolidate and maintain their hold on production. Mexican police and government officials frequently collaborate with the cartels, removing any avenue of appeal for campesinos who would prefer not to cooperate. Drug trafficking allegedly involves such high officials as the sons of billionaire Carlos Hank Gonzalez and the brother of ex-president Carlos Salinas.

Although the United States and Europe are still the primary markets for cocaine exports from Latin America, Argentina and Chile have also increased domestic consumption in recent years. Argentina is a transit country for cocaine from Peru and Colombia, some of which is processed into hydrochloride by Bolivian-Argentine joint ventures. Most cocaine consumed in or passing through Chile comes from Bolivia. The cocaine trade has fueled a real estate boom in some Chilean cities, and benefits from banking secrecy in Chile.

Nor is government corruption by drug money limited to Mexico and Latin American countries. In early June, a former senior official in the U.S. Justice Department's "war on drugs," two other former Justice Department officials, and two former federal prosecutors in Florida were indicted in Miami on charges of participating in a cocaine smuggling conspiracy. According to the New York Times, "So many Miami lawyers are under indictment at any one time that courts have been obliged to hold special hearings to inform their clients that their lawyers may have conflicts in representing them because the lawyers may also be bargaining with the prosecution for themselves."

"Mexico: Narcos at the Heart of the State;" "Argentina: "White Coffee" Boom;" "Chile: Cocaine Enters Politics;" THE GEOPOLITICAL DRUG DISPATCH, May, 1995; Anthony DePalma, "Mexico's Indians Face New Conquistador: Drugs," NEW YORK TIMES, 6/2/95; Neil A. Lewis, "U.S. Charging Ex-Prosecutors in a Drug Case," NEW YORK TIMES, 6/6/95; Monica Iturralde Andrade, "Colombian Traffickers Use Ecuadorians to Smuggle Narcotics," INTERPRESS SERVICE, May, 1995; "Coca Growers Ready for Dialogue," COCA PRESS, April 26-May 2, 1995; Yadira Ferrer, "Narcoguerrillas Said Raking in Money," INTERPRESS SERVICE, May 8, 1995; "Bolivia: Strikes End, But State of Siege Continues," NOTISUR, May 12, 1995; Yadira Ferrer, "Drugs and Exports," INTERPRESS SERVICE, June 5, 1995.

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From iatp@igc.apc.orgSat Jul 8 15:21:48 1995 Date: Fri, 07 Jul 1995 13:05:01 -0700 (PDT)
From: IATP <iatp@igc.apc.org> To: Recipients of conference trade-news@igc.apc.org
Subject: NAFTA & Inter-Am Trade Monitor 7-7-

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

July 7, 1995 Volume 2, Number 20

Headlines:

- MEXICO: AGRICULTURAL "TIME BOMB"
- END TO CANADA RAIL SUBSIDY AFFECTS U.S., CANADIAN FARMERS
- MEXICAN BANK BAILOUT PROCEEDS
- OAS MEETING IN HAITI
- STRAINS ON MERCOSUR
- LATIN AMERICAN TRADE AND INVESTMENT

MEXICO: AGRICULTURAL "TIME BOMB"

Losses due to the three-year drought centered in northern Mexico total at least 600 million new pesos, and more than 300,000 animals have died. An estimated 12,000 campesinos in Chihuahua have abandoned their land because of the drought and the lack of assistance, migrating to the United States or to larger cities in Mexico. More than a million hectares of agricultural land lie unplanted because of the drought and lack of financing. "In many government offices no one seems to comprehend an evil that just keeps on growing. The risk of larger conflicts is more than obvious," according to La Jornada columnist Herminio Rebollo Pinal.

Farmers in two leading agricultural states -- Sonora and Sinaloa -- have already suspended payments to banks. Those farmers with cash on hand would rather use it to plant again next growing season than to pay bank loans, especially when new financing is virtually unavailable. Despite an agreement between the National Association of Agricultural and Livestock with the Mexican Bankers Association to take advantage of special dollar credits and low interest rats for agriculture ("CCC credits"), many bankers are still turning farmers away. Mexican banks have foreclosed on 52,000 hectares in the h.

Herminio Rebollo Pinal, "Keeping Them Down on the Farm," EL FINANCIERO, June 12-18, 1995; Matilda Perez, "52 Mil Hectareas Embargadas por los Bancos, Segn El Barzon," LA JORNADA, June 19, 1995; Laura Gomez Flores and Matilda Perez, "700 Mil Hectareas de Riego y 300 Mil de Temporal Quedaran Sin Sembrar," LA JORNADA, June 13, 1995; Francisco Ordugo, Ruben Villapando, and Gustavo Castillo, "Suman Ya 600 Milliones de Nuevos Pesos las Perdidas por la Sequia," LA JORNADA, June 9, 1995.

END TO CANADA RAIL SUBSIDY AFFECTS U.S., CANADIAN FARMERS

With Canada's 98-year-old rail subsidy ending on August 1, wheat farmers in western Canada face doubled transportation costs and decreased rail services to many farm towns and small grain elevators. The end to the subsidy is required by WTO rules, and implementing legislation was contained in Canadian transportation and budget bills. This summer, farmers are rushing to empty grain storage facilities before the subsidy ends. The removal of the annual grain transportation subsidy of C$560 million is to be eased by a one-time cash compensation to farmers of C$1.6 billion. A transitional rate cap of about C$40 per metric ton, about C$10 more than railroads currently charge, is also in place for at least five years.

The long-term impact on Canadian and United States agriculture is uncertain. Patty Smith, a manager at the Saskatchewan Association of Rural Municipalities, predicted that some Canadians will lose their farms, while others will switch to higher-value crops such as oilseeds or will grow grain to feed livestock.

The end to the rail subsidy may mean less international competition for U.S. wheat growers as Canadians will no longer be able to afford shipping wheat cross-country to salt-water ports. The U.S. controls one-third of the global wheat market, with Canada in second place with about one-fifth. With Canadian rail transport becoming more expensive, Canadian wheat growers may send more grain to Portland. Oregon or by Mississippi River barge to New Orleans, and may export more across the border to the United States. The Illinois Central railroad and General Mills Inc. both expect to benefit from increased entry of Canadian wheat to the United States, to the detriment of the St. Lawrence Seaway and the port of Vancouver, British Columbia.

Cattle and hog farmers in eastern Canada will also suffer from the end of the subsidy, and may look to the United States as the source of feed grains including barley, corn, and wheat in 1995-96.

A bi-lateral panel charged with making recommendations to end the bitter U.S.-Canada dispute over wheat subsidies made preliminary recommendations in June, but its final report will not appear until September 11. The preliminary report basically finds both countries unfairly subsidizing wheat exports and recommends that the U.S. eliminate its Export Enhancement Program and that Canada make reforms to the Canadian Wheat Board.

John Urquhart and Scott Kilman, "Scrapping of Canadian Wheat Subsidy Could Mean Problems for U.S. Growers," WALL STREET JOURNAL, June 21, 1995; Marc Piche, "Canada May Import Grain to Aid Livestock Industry," JOURNAL OF COMMERCE, June 19, 1995; Leo Ryan, "With Rate Cap Likely to Survive, Canada's Railways Upset," JOURNAL OF COMMERCE, June 20, 1995; Leo Ryan and John Maggs, "US-Canada Panel Urges Broad Changes in Wheat Trade," JOURNAL OF COMMERCE, June 23, 1995.

MEXICAN BANK BAILOUT PROCEEDS

Mexico's troubled Grupo Financiero Probursa was rescued in a $350 million buyout by Spain's Banco Bilbao Vizcaya, after the Mexican government swallowed $780 billion of Probursa's bad loans. British banks are readying proposals to re-capitalize Banco Union, Banca Cremi and Banpais. United States bankers seem to prefer opening their own subsidiaries, rather than taking advantage of new laws that allow foreigners to buy up to 100 percent of all but Mexico's three largest banks.

Maturing dollar-denominated certificates of deposit have put banks at risk, as they lack liquidity to pay off the certificates falling due before October. At the same time, Mexico's economic crisis has resulted in massive defaults on loans and mortgages across the country. Past-due loans have more than doubled since the beginning of the year.

The bank crisis in Mexico comes just four years after Mexico sold 18 state-run banks for $13.5 billion. Now at least half of the privatized banks need government bailouts that may total more than $17 billion. Among the bailouts already announced: the government will pay from 50-70 percent of interest on debts contracted by companies that built 43 highways (total: nearly four billion dollars) and will use a billion dollar World Bank loan to purchase other unpayable loans. Real estate foreclosed by banks, including hotels, restaurants, houses, companies, and up to 52,000 hectares of prime agricultural land, will be auctioned in the United States in August.

The World Bank loan will be partially funded by cutting previously-approved World Bank loans that have not been fully disbursed. Among the loans likely to be affected: the $368 million Northern Border Environment Project approved as part of NAFTA, $350 million for water supply and sanitation, and $200 million for solid waste management along the U.S. border. Loans for rural development and agriculture may also be tapped.

Despite Mexico's own banking problems, about a dozen of Mexico's wealthiest investors and bankers have invested more than $4 billion in the United States and have expressed interest in buying up Venezuela's troubled banks.

Eduardo Molina y Vedia, "Government to Bail Out Banking System," INTERPRESS SERVICE, June 19, 1995; Claudia Fernandez, "Buying Up the Banks," EL FINANCIERO, June 12-18, 1995; Alicia Salgado and Georgina Howard, "The British Are Coming," EL FINANCIERO June 12-18, 1995; Geri Smith and Stanley Reed, "Pulling the Banks From the Rubble," BUSINESS WEEK, 6/12/95; Anthony DePalma, "Mexico Bailing Out Its Weak Banks," NEW YORK TIMES, June 28, 1995; Kevin G. Hall, "Mexico Manages to Avert Banking Sector Collapse," JOURNAL OF COMMERCE, June 16, 1995; Pratap Chatterjee, "World Bank to Bail Out Banks by Cutting Environment, Other Loans," INTERPRESS SERVICE, June 19, 1995.

OAS MEETING IN HAITI

Meeting in Haiti in early June, the Organization of American States annual General Assembly focused on democracy and free trade. As members congratulated themselves on the restoration of Haiti's elected President Jean-Bertrand Aristide to office, they declined to discuss a proposal for creation of a force to intervene in case of coups. Despite extensive discussion of the re-admission of Cuba to the OAS, the topic was not officially on the agenda and no formal declaration mentioned it, though OAS Secretary General Cesar Gaviria said that Cuba "deserved a chance to rejoin the organization." Cuba was expelled from the OAS in 1962.

As U.S. Secretary of State Warren Christopher lauded progress toward hemispheric free trade, Haitian President Aristide expressed hopes that economic integration will benefit all countries and open "doors to an economically better life." Representatives of other OAS countries complained that free trade does not necessarily create fair trade. Guyana's ambassador said that subsidized U.S. rice competes unfairly with Guyanese rice, particularly since the International Monetary Fund has required his country to eliminate all agricultural subsidies. Caribbean banana producers also object to U.S. advocacy oms.

Diego Cevallos, "Democracy and Free Trade, Highlights of OAS Meeting," INTERPRESS SERVICE, June 5, 1995; "Aristide Hopes Integration Will Benefit All," INTERPRESS SERVICE, June 8, 1995; Diego Cevallos, "OAS to Prove a 'New Era' Has Been Entered," INTERPRESS SERVICE, June 10, 1995; Yvette Collymore, "Trade Grievances Overshadow OAS Meeting in Haiti," INTERPRESS SERVICE, June 2, 1995; Peter Bate, REUTER, June 5, 1995.

STRAINS ON MERCOSUR

As Brazil devalued its currency by six percent on June 22, after having announced a plan to severely restrict motor vehicle imports, Mercosur's unity seemed increasingly strained. Brazil is by far the largest member of Mercosur, which also includes Argentina, Paraguay, and Uruguay. The Brazilian devaluation is particularly hard on Argentina, which counts Brazil as its largest trading partner and sends 50 percent of all its exports to Brazil. As a result of the devaluation, the price of Argentine exports to Brazil will rise and the price of Brazilian exports to Argentina will fall.

Brazil agreed to a 30-day delay in implementing its auto import quotas. While Argentine auto exports to Brazil account for only 10 percent of Brazil's vehicle purchases, these exports are vital to Argentina, where domestic sales dropped 47 percent in the first few months of 1995. Although Brazil's treatment of auto imports is clearly subject to Mercosur provisions, Mercosur lacks a formal process for resolution of such disputes. Currehan quotas, but is not regulated by the Mercosur agreement.

Argentina's economy has fallen deeper into the recession sparked by last year's increased U.S. interest rates and Mexico's crisis. On June 22-23, dozens of people were injured and 200 arrested in demonstrations in the central Cordoba province. The protests began with public employees demanding unpaid back wages and objecting to an emergency law that would cut salaries, increase taxes, and allow the provincial government to pay them in bonds instead of in cash.

Uruguayan industrialists also feared that the Brazilian devaluation would have serious consequences, since nearly half of Uruguay's exports go to Mercosur and Brazil is Uruguay's largest trading partner within Mercosur. Uruguayan exports to Brazil rose 102.7 percent during the first four months of 1995, accounting for nearly one-third of its total exports.

Brazil suffers from a recent but persistent trade deficit, running a deficit for the seventh consecutive month in May. The total deficit for the January-May period was about $3.5 billion, and Brazil's international reserves fell from $41 to $30 billion. Brazil's minister of industry and commerce has also indicated that tariffs or quotas could be imposed on Brazil's Mercosur partners in the textile, electronics and shoe industries. She noted that while products from Argentine duty-free zones enter Brazil tax-free, products from Brazil's duty-free zone are subject to Argentine tariffs of up to 30 percent.

"Argentina and Uruguay Fear 'Caipirinha Effect,'" INTERPRESS SERVICE, June 23, 1995; Mario Osava, "Trade Row Highlights Need for Dispute-Settling Mechanisms," INTERPRESS SERVICE, June 21, 1995; "Argentina: Cordoba Province Explodes in Protests," WEEKLY NEWS UPDATE ON THE AMERICAS, July 2, 1995; Marcela Valente, "Trade Row Reveals the Depths of Argentina's Recession," INTERPRESS SERVICE, June 21, 1995; Mario Osava, "Brazil's Negotiators Could Have Played Their Cards Better," INTERPRESS SERVICE, June 20, 1995; Eugenio O. Valenciano, "Mercosur: Algo Mas Que Automoviles," SUCESOS, June 29, 1995; "La Negociacion Desde Brasil: Sin Trascendidos en la Negociacion Automotriz," SUCESOS, June 29, 1995; "Argentina y Brasil Buscan Acercar Posiciones," SUCESOS, June 29, 1995. Marcelo Montenegro, "Brasil Volvio a Devaluar el Real," SUCESOS, June 29, 1995.

LATIN AMERICAN TRADE AND INVESTMENT

According to a report by the U.N. Economic Commission for Latin America and the Caribbean (ECLA), the region has become a net importer of capital, with foreign investment growing at an average annual rate of 15 percent from 1987-1994. The inflow was boosted by privatizations, economic integration, and high interest rates offered in Latin America. By 1994, net foreign capital inflows reached $48 billion yearly, with $19 billion of that amount in direct investment. Although the ECLA report characterized the capital flow as positive, it warned of the dangers of "fly-by-night" capital attracted by short-term speculative opportunities and of heavy geographical concentration of investments in Argentina, Brazil, Mexico, and, to a lesser extent, Colombia and Chile.

The Latin American Integration Association (ALADI) recently reported that increased imports over the past four years have resulted in a $14.9 billion deficit in 1994, which could be financed only by "the persistent influx of foreign capital." Now that Mexico and Argentina are in recession, regional imports will fall drastically. Intraregional trade has increased, especially between Mercosur nations (Argentina, Brazil, Uruguay, Paraguay) and within the Andean Pact (Bolivia, Colombia, Ecuador, Peru, and Venezuela.) Chile increased agricultural and timber exports to other Latin American countries by 29.6 percent in 1994, compared to 1992, and also increased exports to Asia by 51.8 percent. Chile's agricultural sector reported exports of $1.7 billion in 1994, with its forestry sector adding $1.5 billion.

Central American nations have been trying for a few years to put in place a uniform customs code calling for a five percent tariff on raw materials and a 20 percent tariff on processed goods. Now that effort has stalled. First, Costa Rica, faced with a galloping fiscal deficit of more than eight percent of its gross national product, declared an eight percent tariff hike. Then El Salvador has announced unilateral tariff cuts to one percent on raw materials and 15 percent on processed goods. Guatemala said it will also raise tariffs on capital goods and raw materials from five percent to 10 percent. Specific trade disputes, such as Costa Rican barriers to Nicaraguan onions and Nicaraguan retaliation against Costa Rican dairy products or Costa Rican tariffs on Canadian french fries, have caused hard feelings and made trade integration more difficult.

Peter Brennan, "Trade Unity Effort Falters in Central America," JOURNAL OF COMMERCE, May 31, 1995; Gustavo Gonzalez, "The Dangers of 'Hot' Capital," INTERPRESS SERVICE, May 24, 1995; Marcelo Jelen, "Trade-Latin America: Imports Predicted to Fall," INTERPRESS SERVICE, May 24, 1995; "Chile: Agricultural Sales to Emerging Markets Shoot Up," INTERPRESS SERVICE, May 29, 1995.

RESOURCES/EVENTS

"Assessing the Rural Reforms in Mexico, 1992-1995," a research workshop sponsored by the Ejido Reform Research Project of the Center for U.S.-Mexican Studies of the University of California, San Diego. August 25-26, 1995 at University of California, San Diego. For information, contact David Myhre at ejido@weber.ucsd.edu; Ejido Reform Research Project, Center for U.S.-Mexican Studies, University of California, San Diego Dept. 0510, 9500 Gilman Drive, La Jolla, CA 92093-0510.

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From: IATP <iatp@igc.apc.org> To: Recipients of conference trade-news@igc.apc.org
Subject: NAFTA & Inter-Am Trade Monitor 7/21

NAFTA & Inter-AMerican Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

July 21, 1995 Volume 2, Number 21

Headlines:

- DENVER MEETING AND HEMISPHERIC INTEGRATION
- UPS CUTS MEXICO SERVICES
- NAFTA OPPONENTS CONTINUE TO ORGANIZE
- CARIBBEAN NATIONS TO SEEK NAFTA MEMBERSHIP
- MEXICO FACING CONTINUING CRISES, TURMOIL

DENVER MEETING AND HEMISPHERIC INTEGRATION

Trade ministers representing 34 nations of the hemisphere met in Denver in late June to continue negotiations toward the eventual establishment of the Free Trade Area of the Americas (FTAA). Brazil's cautious approach prevailed, delaying establishment of four working groups on intellectual property protection, services, government procurement, and competition policy until the next round of ministerial meetings in March 1996 in Colombia. Seven working groups on market access; customs procedures and rules of origin; investment standards and technical barriers to trade; sanitary and phytosanitary measures; subsidies, anti-dumping and countervailing duties; and challenges facing smaller economies were approved.

Conferees also agreed to use World Trade Organization commitments as a basis for hemispheric negotiations, to base integration on the subregional blocs already existing in the hemisphere; and to take into account varying levels of development and the interests and aspirations of all nations in relation to creation of the FTAA.

The Organization of American States (OAS) was also strengthened by the decision to name the OAS special committee on trade as a key staff organization to help the working groups collect and analyze data. The Inter-American Development Bank and the Economic Commission for Latin America and the Caribbean will also work with the OAS in handling important technical issues.

Meanwhile, Mercosur (Argentina, Brazil, Paraguay and Uruguay) has scheduled an August meeting in Brazil to discuss links with the Andean Pact and Chile. According to Domingo Cavallo, Argentina's minister of the economy, "We think, to help hemispheric integration, all the programs must advance subregionally." Chile hopes to reach timetables for tariff reductions with Mercosur by the end of 1995, while continuing to pursue entrance to NAFTA. The next Chile-NAFTA talks are set for July 25-August 1 in Mexico City, the likely permanent venue for technical talks.

Kevin G. Hall, "South American Trading Blocs to Consider Links," JOURNAL OF COMMERCE, July 5, 1995; Kevin G. Hall, "Chile to Talk Tariffs With Mercosur, Continue Discussing Nafta Membership," JOURNAL OF COMMERCE, July 5, 1995; Kevin G. Hall, "Brazil's Call to 'Go Slow' Holds Sway at Summit," JOURNAL OF COMMERCE, July 3, 1995; "Talks to Resume on Chile's NAFTA Entry," STAR TRIBUNE, July 4, 1995; Gustavo Gonzalez, "Chile: Government Optimism Regarding NAFTA Has Grown Since Denver," INTERPRESS SERVICE, July 5, 1995; Office of the United States Trade Representative, "1995 Western Hemisphere Trade Ministerial Final Joint Declaration," July 5, 1995; Kevin G. Hall, "OAS Trade Unit Meets Key Role in Hemispheric Integration Efforts," July 7, 1995; Ximena Souza, "Denver, Algo Mas Que La Integracion Hemisferica," SUCESOS, June 29, 1995.

UPS CUTS MEXICO SERVICES

After a series of disputes with Mexican regulators about customs inspections and about the use of 18-wheel tractor-trailers on intra-Mexico delivery runs, United Parcel Service announced that it will end cross-border deliveries by ground transportation on July 31. Only more-expensive air deliveries will be available to U.S.-Mexico shippers.

UPS officials acted despite continuing negotiations between U.S. Trade Representative Mickey Kant or and Mexican officials under NAFTA's dispute resolution process. The U.S. negotiators agreed with the UPS position that Mexico's refusal to issue permits for large trucks violated NAFTA provisions. Mexican officials said that they were surprised by the UPS move because they had just sent the U.S. negotiators a draft of new truck-size regulations that should resolve the problem. Negotiations will continue because other delivery services, such as DHL and Federal Express, are still interested in resolving the issue.

UPS is also concerned about proposed Mexican regulations limiting the weight of parcels carried by non-Mexican delivery services and the number of packages that may be contained in a single delivery.

Julia Preston, "U.P.S. Cancels Some Mexican Services in a Setback for Trade Pact," NEW YORK TIMES, July 13, 1995; Martha Brannigan, "UPS Cancels Land Service to Mexico," WALL STREET JOURNAL, July 12, 1995.

NAFTA OPPONENTS CONTINUE TO ORGANIZE

On June 16-17, the Chilean Network for a Peoples Initiative (RECHIP) convened an international gathering of representatives of 200 social organizations. Objectives of the conference were: informing people of their countries on the social, economic, environmental and cultural transformations that accompany free trade treaties; integrating the social, labor, economic, political, environmental, cultural and indigenous sectors that oppose Chile's entrance into NAFTA; and gathering and exchange experiences and strategies with other organizations. Delegates from the current NAFTA members described the contrast between promised benefits and the actual negative impacts of NAFTA on workers, and NAFTA's influence in increasing the power of transnational corporations at the expense of a weakening of citizens' rights.

Conference delegates agreed to continue work already underway on a Continental Social Charter that will respond to NAFTA and neo-liberalism, and to continue educational activities and political opposition to NAFTA.

Meanwhile, in the United States, the Citizens Trade Campaign (CTC), which worked to defeat both NAFTA and GATT, is trying to shift its focus from lobbying to creation of a broad-based, international movement for fair trade and sustainable development. While CTC continues lobbying against Chile's admission to NAFTA, other organizations are moving forward on movement-building. The Alliance for Responsible Trade (ART) circulated a letter calling for inclusion of protections in any new trade agreement, including enforcement of worker rights and environmental standards, strengthening indigenous rights, and protecting national sovereignty. Opposition to Chilean entry into NAFTA has also focused on the threat to democracy possibly posed by the Chilean military, which has been highlighted by the recent refusal of a retired general to surrender and serve a jail sentence for the 1976 assassination of Orlando Letelier in Washington, DC.

Development Gap, "Final Declaration from Chile Conference," June 18, 1995; "Transition Trouble for Citizens Trade Campaign," BORDERLINES, June, 1995; Ximena Souza, "Denver, Algo Mas Que La Integracion Hemisferica," SUCESOS, June 29, 1995.

CARIBBEAN NATIONS TO SEEK NAFTA MEMBERSHIP

Jamaica and Trinidad and Tobago plan to seek individual memberships in NAFTA, while other Caricom (Caribbean Community) countries are less ready to make the move. Caricom is a customs union on its way to becoming a common market, with members including 13 English-speaking countries of the region, and a new member, Dutch-speaking Suriname. Together with the Spanish-speaking Caribbean Basin countries, they have been adversely affected by NAFTA, as textile and apparel companies have moved operations to Mexico to take advantage of more-favorable trade terms accruing under NAFTA.

A report from the Commonwealth Secretariat in London on the impact of NAFTA on Caricom warns that if Caribbean countries fail to gain NAFTA membership, "they will be denied tariff and non-tariff free access to the regional bloc as it expands and deepens. ... The most important function of Caricom may be as a single regional organization for negotiating membership of an expanded Nafta."

Other trade arrangements benefiting the Caricom nations may be in jeopardy in the near future. The Lome Convention, a trade and aid pact between the European Union and the African, Caribbean and Pacific Group, expires in 2000, and its renewal is in doubt. Caribcan, a Canadian trade facility giving duty-free access to some Caribbean nations, can also be unilaterally altered. The Caribbean Basin Initiative (CBI) is a U.S. grant of duty-free access for specific products, and can be unilaterally withdrawn or changed by the United States.

While the CBI provisions exclude textiles, apparel and footwear, leather goods, and petroleum products, textiles and apparel had been covered under a parallel program. With NAFTA, growth in Caribbean textile exports to the United States dropped dramatically, paralleling an increase in Mexican exports to the United States. Proposals to grant CBI countries a "parity" with Mexico for 10 years are now before the U.S. Congress.

While the Commonwealth Secretariat report noted a "clear tendency towards the division of the world into large trading blocs," some Caribbean countries remain wary of NAFTA. They fear that the required deregulation of trade and opening of their markets would harm domestic industries and increase unemployment. Under the CBI, trade grew and the trade balance shifted to give the U.S. a trade surplus, with U.S. exports growing from $5.87 billion in 1983 to $12.3 billion in 1993.

At the same time that Caricom members discuss joining NAFTA, some expressed caution over OAS proposals to eliminate all trade barriers among the 34 member states by the year 2005, saying that smaller, less-developed countries would need some form of special protection. At the Caricom summit in early July, the group called on the United States to end its challenges to Caricom's preferential access to the European Union banana market. The summit also resulted in agreement on privatization of the regional airline, LIAT, and in another agreement allowing graduates of universities within Caricom to live and work in any one of the member countries without having to obtain work permits.

"Nafta and the Caribbean," JOURNAL OF COMMERCE, June 27, 1995;

Canute James, ""Caribbean's Best Economic Hope Said to be a Link With the Nafta," JOURNAL OF COMMERCE, June 15, 1995; Canute James, "Move to Join Nafta Raises Fears for Caricom," FINANCIAL TIMES, June 21, 1995; Scott West, "Caricom Countries Urged to Go With NAFTA," INTERPRESS SERVICE, June 15, 1995; Scott West, "Integration Movement to Benefit From New Leaders," INTERPRESS SERVICE, June 28, 1995; Sandra Marquez, "Caribbean Nations Want Free Trade Protection," REUTER, June 10, 1995; Jim Teeple, "Caricom/LIAT," VOICE OF AMERICA, July 6, 1995; Jim Teeple, "Caricom Agenda," VOICE OF AMERICA, July 5, 1995.

MEXICO FACING CONTINUING CRISES, TURMOIL

A series of high-profile assassinations, three massacres in the state of Guerrero and complaints of police violence in other rural areas, and continuing political scandals ranging from drug involvement to campaign spending have contributed to lack of confidence in government attempts to stabilize the country, both economically and politically. The resignation of Zedillo ally and Interior Minister Esteban Moctezuma Barragan and his replacement by PRI hardliner Emilio Chuayffet Chemor and the abandonment or restructuring of Solidarity, the government's main anti-poverty program, further reinforce a picture of a government in trouble. While the stock market and peso show some stability and international loans continue to bolster shaky banks, workers still suffer from rising prices and unemployment.

In the capital city, the investigator responsible for gathering evidence against Ruta-100 union leaders was shot and killed outside his home on June 20. On June 22, Magistrate Abraham Polo Uscanga was found shot to death in an office building. Polo Uscanga had retired from his post, after protesting imprisonment of Ruta-100 leaders, and said before his death that he had been threatened by the Supreme Court President Saturnino Aguero Aguirre. Aguero subsequently resigned his post and is under investigation for possible involvement in Polo Uscango's death.

Both the PRD (Democratic Revolutionary Party) and the PAN (National Action Party) have withdrawn from electoral reform negotiations with the ruling PRI (Institutional Revolutionary Party). The PRD has accused the PRI of spending approximately $80 million on the recent campaign in Tabasco, where the legal limit was $4 million.

The EZLN (Zapatista National Liberation Army) has called for a national dialogue and plebiscite on its thirteen basic demands -- land, homes, jobs, food, health, education, culture, information, independence, democracy, liberty, justice, and peace-- and on whether the EZLN should become an independent political force or enter into a coalition. Little progress was made during the EZLN-government negotiation session on July 4-6, and the next round is set for July 24.

On June 28, at least 70 police officers armed with semiautomatic weapons stopped a group of campesinos from the Southern Sierra Campesino Organization (OCSS), who were heading for a political rally in Atoyac in Guerrero. The campesinos say the police ambushed them and opened fire, killing 17 and wounding about two dozen others. While police officials claim that the campesinos attacked them, first with a machete and then with gunfire, no witnesses support this story and ten state judicial police were eventually arrested for abuse of authority. PRD mayor Maria de la Luz Nunez Ramos, of the nearby town of Atoyac, reported that Guerrero state governor Ruben Figueroa Alcocer had told her before the massacre that he planned to stop OCSS "any which way," and told her after the incident: "They came for war and war is what they got."

On July 5 in Guerrero, 12 members of a single family were attacked on a dirt road, forced to lie in a ditch and killed. The youngest victim was two years old. The 14-year-old sole survivor says that the attackers were police officers, but authorities claim the killings stemmed from a family feud or drug trafficking. On July 7, a convoy of police traveling back roads near the town of Cualac in Guerrero were ambushed and five officers were killed.

In other incidents in the states of Oaxaca and Chiapas, a bishop was shot at by masked men, demonstrators were attacked by police, and campesinos were forcibly removed from land they were occupying.

Leslie Crawford, "Zedillo Faces Funding Scandal in Tabasco Poll," FINANCIAL TIMES, June 15, 1995; Paul B. Carroll, "Former President of Mexico Faces Cover-Up Inquiry," WALL STREET JOURNAL, June 15, 1995; Elizabeth Malkin, "La Muerte Comes for a Poverty Program," BUSINESS WEEK, July 3, 1995; Maribel Gutierrez, "Son Ya 17 los Muertos por la Balacera en Guerrero, Informan los Campesinos," LA JORNADA, June 30, 1995; JosÈ Gil Olmos, "Tambien Se Indico al Hospital de Atoyac Prepararse Para un 'Acontecimiento' Ese Martes," LA JORNADA, July 1, 1995; "Mexico: Police Arrested for Guerrero Massacre," "Mexican Rebels Push National 'Consultation,'" WEEKLY NEWS UPDATE ON THE AMERICAS, July 9, 1995; Anthony DePalma, "Spasm of Violence is Shaking a Poor Mexican State," NEW YORK TIMES, July 11, 1995; "Massacre in Guerrero," MEXPAZ #29, July 5, 1995; "Chiapas," Mexico Update, June 21, 1995; Paul B. Carroll and Dianne Solis, "Zedillo Appoints Veteran Politician to Interior Post," WALL STREET JOURNAL, June 30, 1995; "Violence in Tabasco," "More Violence in Guerrero," MEXPAZ #30, July 12, 1995; "Mexican Massacre Survivor Says 3 Gunmen Dressed as Police," AP, July 8, 1995; "Murdered Judge Left Accusatory Letter," INTERPRESS SERVICE, June 22, 1995; Osvaldo Leon, "Mexico: Nuevas Sorpresas," ALAI, July 7, 1995.

RESOURCES/EVENTS

"Give Credit Where Credit is Due," an economic development delegation to Nicaragua on August 26-September 2, sponsored by Nicaraguan Conference of Churches (CEPAD) and Wisconsin Coordinating Council on Nicaragua (WCCN). Participants will meet with borrowers and staff of the Nicaraguan Community Development Loan Fund (NCDLF), which has provided $2.75 million-plus in loans to agricultural cooperatives, worker-owned and women-owned businesses, and non-profit organizations in Nicaragua since 1992. $760 plus airfare. WCCN, P.O. Box 1534, Madison, WI 53701; phone (608) 257-7230; fax (608)- 257-7904; email wccn@igc.apc.org.

Rebellion from the Roots: Indian Uprising in Chiapas by John Ross, 1995, 424 pp. Order from Common Courage Press, P.O. Box 702, Corner Jackson Rd & 139, Monroe, NE 04951. Telephone 207/525-0900; Fax 202/525-3068. $14.95. Journalist John Ross has written an impassioned and highly readable chronicle of the Zapatista revolution, placing it in the context of indigenous and agrarian popular movements of the Mexican poor.

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From iatp@igc.apc.orgSat Dec 16 10:44:11 1995 Date: Fri, 04 Aug 1995 08:41:08 -0700 (PDT)
From: IATP <iatp@igc.apc.org> To: Recipients of conference trade-news@igc.apc.org
Subject: NAFTA & Inter-Am Trade Monitor 8-4-

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

Volume 2, Number 22 August 4, 1995

Headlines:

- U.S. CONGRESS PROTESTS MEXICO BAILOUT
- U.S. DAIRY COMPLAINT AGAINST CANADA
- PROCAMPO FALTERS, EL BARZON GROWS
- AVOCADOS AND TOMATOES ARE FOCUS OF TRADE DISPUTES
- U.S. BEEF INDUSTRY TO FACE INCREASED COMPETITION
- EZLN-GOVERNMENT NEGOTIATIONS BUT NO PROGRESS
- CHILE FAST-TRACK STILL IN DOUBT
- TELMEX BUYS CABLEVISION

U.S. CONGRESS PROTESTS MEXICO BAILOUT

In July, the U.S. House of Representatives voted to prevent any future use of the Exchange Stabilization Fund for "the purpose of bolstering any foreign currency." This is the fund used by President Clinton as part of the "bailout" of the Mexican peso, when he proved unable to get Congressional approval of the administration's first assistance plan. The Clinton administration offered Mexico a $20 billion line of credit in February, and had made $12.5 billion in medium-term loans by mid-July. Senator Alfonse D'Amato (R-NY), Chair of the Senate Banking Committee, said he will propose similar legislation in the Senate. The legislation would not be effective until October 1, by which time the line of credit will have been disbursed.

The Mexican government said that the vote will have limited effect. Mexico has used the U.S. loans of $12.5 billion and nearly $10 billion from the International Monetary Fund to reduce outstanding dollar-denominated tesobono debt to $7.9 billion, from a high of $29 billion at the beginning of the year. Mexican central bank reserves are currently $13.6 billion. U.S. Treasury Secretary Robert Rubin said that the U.S. might not need to give further aid to Mexico because the Mexican economy is improving.

David Wessel, "House Protests Mexico Bailout in Vote on Fund," WALL STREET JOURNAL, July 20, 1995; Daniel Dombey, "Mexico Shrugs Off House Vote," FINANCIAL TIMES, July 21, 1995; Chris Simkins, "Rubin/Mexico Economy," VOICE OF AMERICA, July 17, 1995; David E. Sanger, "D'Amato Seeks to Limit Foreign Bailouts," NEW YORK TIMES, July 22, 1995.

U.S. DAIRY COMPLAINT AGAINST CANADA

The United States has asked the North American Free Trade Commission to establish an arbitration panel to consider Canadian tariffs on dairy products, barley, and poultry and egg products. The Canadian government says its plans to impose the tariffs on August 1 are in accord with both World Trade Organization (WTO) and NAFTA rules. Canada says the new tariffs are simply a conversion of previous quotas into tariffs, a process known as "tariffication." While tariffication is mandated under the GATT/WTO accord, NAFTA prohibits imposition of new tariffs. Canada says that the U.S., which unsuccessfully tried to get Canadian agreement to end the tariffs under GATT, is "trying to get by the back door what they couldn't get by the front."

Ian Elliott, "U.S. Files Ag Trade Action Against Canada Under NAFTA," FEEDSTUFFS, July 24, 1995.

PROCAMPO FALTERS, EL BARZON GROWS

In principle, Procampo, the Rural Direct Support Program of the Mexican government begun in 1994, offers subsidies to some of the 60 percent of Mexican farms that are under 12.5 acres in size. The direct subsidies of $1 billion to 4 million small farmers for 26 million acres of planted grain was criticized as a vote-buying project of the governing PRI (Institutional Revolutionary Party) during an election year. Program requirements were tightened in 1995 to allow certification only for farmers who could show that they held legal title to their farms and had planted their acreage. The more stringent requirements bar many farmers who, because of skyrocketing interest rates and irrigation costs and the drought in northern Mexico, have been unable to plant. An alternative disaster relief program for farmers who could not plant gives a far lower subsidy on up to 25 acres.

President Zedillo has ordered a special government commission to come up with concrete proposals for changing government farm programs to increase productivity and expand the Procampo program.

Government bridge loans to farmers have been abandoned this year, and interest rates on available loans are so high that Procampo subsidies could not pay them. The Agriculture Ministry's budget has been cut, decreasing the amount of money available for Procampo. Overdue agricultural debt increased by 35 percent during the first quarter of 1995.

El Barzon, a debtor's organization, is demanding renegotiation and cancellation of agricultural loans, suspension of foreign debt payments to allow for rural credit inside Mexico, and an entirely new federal farm policy. El Barzon has grown to 450,000 members in 30 states and the Federal District, including merchants, business operators, truck drivers and taxicab owners, as well as farmers.

El Barzon's convention in Mexico City in late June issued an ultimatum: El BarzÛn will close every bank office in the country beginning on September 15 unless there is a moratorium on foreclosures and a national political dialogue on debt. At the meeting, farmers and business people told of "loan promoters" who offered farmers blank promissory notes, and farmers and business people who borrowed money in mistaken reliance on the government's promises of continuing economic growth. Now they face foreclosure.

Bankers increasingly use collection tactics such as home visits by lawyers accompanied by uniformed police officers and close contacts with judges who order debtors arrested on "contempt" charges. Such tactics have contributed to a rising rate of suicides throughout Mexico.

Banks have also contracted with U.S. auctioneers to sell foreclosed real estate. One, Lasalle Partners, announced in Texas that its scheduled August auction in Mexico City offers "an enormous opportunity to buy Mexican property." Though Lasalle says it seeks Mexican buyers, its extensive U.S. advertising enrages many Mexicans. "They are selling off the patrimony of our nation to the gringos," El Barzon's national coordinator, Alfonso Ramirez Cuellar, says. "We are not going to permit it."

Talli Nauman, "In the Drought Zone," EL FINANCIERO, July 3-9, 1995; Mark Stevenson, "Debtors of Mexico -- Unite!" EL FINANCIERO, July 3-9, 1995; John Ross, "Return of the Barzonistas," THE TEXAS OBSERVER, July 14, 1995; Kevin G. Hall, "Zedillo Sets 7-Month Deadline for Proposals on Farm Woes," JOURNAL OF COMMERCE, July 25, 1995.

EZLN-GOVERNMENT NEGOTIATIONS BUT NO PROGRESS

The fifth negotiation session between the EZLN (Zapatista National Liberation Army) and the Mexican government ended on July 26 after degenerating into name-calling. No progress was made in this meeting, as the EZLN negotiators called government negotiators "liars" and government negotiators said the guerrilla leaders were "insolent and lousy." EZLN Comandante Tacho warned that "We see no will to listen from the current government representatives. They continue with their arrogant and haughty attitude. Their intransigence could lead this dialogue to failure."

The next meeting between the two delegations is set for September 5. The opposition National Action Party (PAN) proposed a meeting between Interior Minister Emilio Chuayffet and EZLN Subcommandante Marcos, to which the EZLN agreed "if it will lead to peace, and if it is carried out with all the conditions and guarantees for safety."

Margaret O'Shea, "Report on San Andres Larrainzar, Chiapas Dialogue," GLOBAL EXCHANGE, July 26, 1995; Elio Henriquez and Juan Antonio Zuniga, "Trabajaran Sobre un Documento y Dialogaran el 5 de Septiembre," LA JORNADA, July 27, 1995; EZLN COMMUNIQUE, July 25, 1995.

CHILE FAST-TRACK STILL IN DOUBT

Republican leaders in the U.S. House of Representatives are apparently near agreement on the "fast-track" negotiating authority needed to add Chile to NAFTA. The Senate approval, however, is far from certain. Senate rules require a 60-member majority to approve the fast-track legislation. Senate Majority Leader Bob Dole, a candidate for president, seems unwilling to give President Clinton the power to negotiate extension of NAFTA during the 1996 election campaign. Congressional Republicans also oppose inclusion of labor and environmental protection provisions, while Democrats, less happy with free trade in general, insist on these protections as part of any deal. Canadian officials negotiating with Chilean, Mexican, and U.S. representatives in Mexico City expressed hope that a NAFTA pact with Chile could be reached by the end of 1995.

John Maggs, "House Backs Fast-Track on Chile Deal," JOURNAL OF COMMERCE, July 26, 1995; Kevin G. Hall, "Canadian Official Says Nafta Pact Possible With Chile by Year's End," JOURNAL OF COMMERCE, July 26, 1995.

AVOCADOS AND TOMATOES ARE FOCUS OF TRADE DISPUTES

On July 3, the U.S. Department of Agriculture proposed a new rule that would allow imports of fresh Hass avocados grown in approved orchards in Michoacan, Mexico. The public hearing and comment period will delay implementation of the rule, but it is expected that Mexican avocados will be shipped to 19 Northeastern states by some time early in 1996. California avocado growers oppose the change, arguing that Mexican imports could be transshipped from the 19 Northeastern states, resulting in introduction of pests to California fields.

Mexican avocados are already shipped through the United States to Canada and Alaska in sealed containers. The USDA says that new pest-control measures within Mexico, special inspection and shipment procedures, and restriction of imports to colder states where the pests cannot survive will be adequate control measures. Mexico is the world's biggest avocado produce3r, with 45 percent of total world production and production costs less than half of California's. California's crop accounted for 90 percent of U.S. avocado consumption last year.

Florida Congressman Mark Foley (R-FL) recently introduced legislation that would link the tomato tariff rate to the Mexican peso devaluation, effectively raising the tariff rate and making Florida-grown tomatoes more competitive with Mexican imports. Florida growers, who sell mainly to the U.S. winter market, have suffered from increased Mexican competition under NAFTA, with Florida's share of the fresh winter tomato market in the U.S. dropping from 70 percent in 1993 to 36 percent earlier this year. Florida growers filed a complaint last March, alleging harm to the winter tomato industry and asking for imposition of tariffs to protect them. The U.S. International Trade Commission denied relief, apparently finding that the Florida growers represented too narrow a portion of the U.S. tomato industry.

Peter M. Tirschwell, "US May Lift 80-Year Ban on Mexican Avocados," JOURNAL OF COMMERCE, July 10, 1995; Tom Karst, "Avocado Imports: Rule Could Open Door," THE PACKER, July 10, 1995; Larry Waterfield, "Mexican Tomato Tariffs: Bill Hinges Tax Rates on Pesos," THE PACKER, June 5, 1995; Leslie Alan Glick, "What NAFTA Giveth," TWIN PLANT NEWSLETTER, June, 1995.

U.S. BEEF INDUSTRY TO FACE INCREASED COMPETITION

Uruguay and Argentina are both expected to begin exporting fresh and frozen meat to the United States as soon as they win U.S. Department of Agriculture (USDA) approval on eradication of hoof and mouth disease, expected later this year. Each country was awarded a 20,000 metric ton beef quota for this year under GATT, the General Agreement on Tariffs and Trade. The imports will have little effect on the U.S. beef import market, which totaled about 751,455 metric tons last year. Most of the imports are expected to be bulk pack meats for the fast-food hamburger market, and will compete with Australian, New Zealand, and Canadian beef already heavily supplying that market. The entire U.S. beef market is oversupplied at present, with beef prices at a 20-year low.

The major impact of the Argentine and Uruguayan entry into the U.S. beef market is expected to be displacement of Australian beef exports. In turn, Australia is expected to increase exports to Japan where they will compete with U.S. beef exports. The U.S. sent 368,984 metric tons of beef and beef variety meats, 59 percent of all U.S. meat exports by value, to Japan in 1994.

Mexican beef exports to the U.S. increased dramatically in recent months due to the impact of the drought in northern Mexico, but the financial benefit to Mexican cattlemen was diminished because of low average cattle weights. The USDA has also ended an in-bond program for Mexican cattle that allowed Mexican cattle growers to export cattle to the U.S. to take advantage of lower U.S. feed costs, and then to re-import the cattle for slaughter. The U.S. National Cattlemen's Association and the Mexican National Livestock Confederation (CNG) both support bringing back the in-bond program. The CNG has also asked for suspension of Mexican import duties on imported animal feeds. Mexico is expected to see a beef shortage later this year, and U.S. beef imports are still priced too high to win market share in Mexico.

Meanwhile, both Cargill Foods and IBP plan to expand processing capacity in Alberta, Canada, and to import U.S. cattle for processing there. Cargill spokesperson John Simons says that, despite stagnant U.S. and Canadian demand for beef, Japan, Taiwan and Korea offer strong markets. Some Montana ranchers say that Canadian cattle imports negatively affect U.S. cattle prices.

Montieth Illingworth, "Uruguay, Argentina Plan to Re-Enter US Meat Market," JOURNAL OF COMMERCE, June 26, 1995; Peter M. Tirschwell, "Argentina's Comeback Worries US Beef Sector," JOURNAL OF COMMERCE, June 5, 1995; Chris Aspin, "Mexican Cattlemen to Discuss Devaluation, Drought," REUTERS, June 11, 1995; "U.S. Cattle Chief Questions Mexico Program Loss," REUTERS, June 14, 1995; "Cargill Wants to Process Montana Beef in Alberta," FARM AND RANCH GUIDE, July 14, 1995.

TELMEX BUYS CABLEVISION

Telmex, Mexico's telephone monopoly, will buy 49 percent of Televisa's cable television subsidiary, CablevisiÛn in a deal approved by the Mexican Federal Commission on Competition (CFC) on June 20. The deal will unite two of Mexico's largest companies and two of its wealthiest men, Carlos Slim and Emilio Azcarraga. Competitors acknowledge the technological benefits of uniting the two companies, but a director of Marcatel, another company bidding to enter the long-distance market, argues that the merged operation will simply be "a new super monopoly made up of two separate monopolies."

The deal was opposed by such large competitors as US-based GTE and its Mexican partner, Bancomer, who wrote to the CFC that: "Such combination would result in monopolistic control over the Mexican telecommunications market," and warned that the deal would be an "unprecedented and plainly uncompetitive alliance of dominant players." Bell Atlantic and Grupo Iusacell argued that the deal violated the terms of Telmex's 1990 privatization, which forbade its participation in broadcast television programming. Other U.S. companies which would be affected by the deal include MCI and Sprint.

When the CFC began considering the Telmex-Televisa proposal last November, it was headed by Santiago Levy, a committed opponent of monopolies. Levy was replaced by Fernando S·nchez Ugarte under the new Zedillo administration. The deal must still be approved by the Communications and Transportation Ministry.

Claudia Fern·ndez, "The Empire Strikes Back," EL FINANCIERO, June 26-July 2, 1995; Anthony DePalma, "Telmex Gains in Attempt to Buy Cable-System Stake," NEW YORK TIMES, June 22, 1995.

RESOURCES/EVENTS

"Assessing the Rural Reforms in Mexico, 1992-1995," a research workshop of the Ejido Reform Research Project of The Center for U.S.-Mexican Studies, University of California, San Diego, August 25-26, 1995. More than 20 papers will be presented, some in English and some in Spanish, covering various aspects of changing agrarian institutions and laws. Pre-register by August 15. Workshop is free, lunches each day cost $7.50. Workshop will be held at the International Conference Center, Institute of the Americas Complex, University of California, San Diego. Contact David Myhre by email at ejido@weber.ucsd.edu or by fax to 619-534-6447, or mail to Center for U.S.-Mexican Studies; University of California, San Diego 0510, La Jolla, CA 92093-0510.

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Subject: NAFTA & Inter-Am Trade Monitor 8-18

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

August 18, 1995 Volume 2, Number 23

Headlines:

- MAQUILAS AND LABOR
- CHILE MAY WAIT ON NAFTA
- CAMPESINOS KILLED IN BRAZIL PROTESTS
- FORECLOSED MEXICAN PROPERTY SET FOR AUCTION IN TEXAS
- MEXICAN DROUGHT INCREASES GRAIN IMPORTS
- COFFEE PRODUCERS RESTRICT EXPORTS

The next issue of the NAFTA & Inter-American Trade Monitor will appear on September 8. There will be no issue on September 1.

MAQUILAS AND LABOR

Labor rights continue to be a major area of dispute in international trade discussions. Complaints to the United States Trade Representative (USTR) this year charged Guatemala and Colombia with failure to protect workers' rights, and asked the USTR to withdraw the benefits given the two countries under the generalized system of preferences (GSP). The complaints against Guatemala, filed by the AFL-CIO, cite increasing violence and recent killings of several union members. The AFL-CIO, Human Rights Watch, and the International Labor Rights and Education Research Fund (ILSRERF) all Colombia lacks freedom of association and the right to organize and bargain collectively. Despite constitutional guarantees, workers' rights are violated by widespread violence in Colombia. The AFL-CIO also complained of child labor in Colombia.

In May, the Central American Parliament unanimously resolved "to take action against the interference of U.S. labor unions in the Central American maquila industry." Maquila proponents object to U.S. union pressure to raise wages and environmental standards.

Some U.S. companies have responded to consumer concerns about foreign labor practices by instituting codes of conduct for contractors. J.C. Penney Company requires apparel makers to sign a code of conduct forbidding any violation of local labor law, but the agreements are routinely ignored. A maquila owner in Guatemala reports that his business has "never had any request from Penney about how we pay or treat workers -- just the quality of our production." Visits to factories supplying Penney find workers under the legal age of 14 and others paid less than the minimum wage of $2.80 per day and forced to put in unpaid overtime. Penney's Guatemalan buying office director concedes that he has never reported any supplier violation of the company code. The Guatemalan Labor Ministry's child-worker protection chief says her office does not have the personnel to investigate an estimated 300,000 illegally employed child workers.

Levi Strauss employs inspectors to police working conditions in developing world factories, but concedes that they don't dig deeply for fear of offending factory owners. The director of imports for the Target chain says policing is impossible: "I don't want to sound callous, but we probably have 150 major contractors, and sometimes we don't know which factory something is coming from." Target has a code, but does not monitor compliance.

The Caribbean Basin Trade Security Act (CBTSA), currently before the U.S. Congress, would end U.S. duties for exports from 24 Central American and Caribbean maquiladoras. The bill, also known as the CBI parity bill, would provide trade benefits roughly equivalent to those received by Mexico under NAFTA, but does not include equivalent workers' rights provisions. Central American countries complain that textile companies are moving to Mexico because of NAFTA. The Federation of Private Entities of Central America and Panama says that 74 companies moved from Guatemala to Mexico in the last year, leaving 20,000 Guatemalans unemployed. Overall, however, CBI textile exports continued to increase in 1994.

"Maquila Industry Opposes U.S. Unions' Claims," CENTRAL AMERICA REPORT, June 23, 1995; Bob Ortega, "Broken Rules: Conduct Codes Garner Goodwill for Retailers, But Violations Go On," WALL STREET JOURNAL, July 3, 1995; "Latin Nations Charged With Failure to Protect Worker Rights, Patents," WASHINGTON REPORT ON LATIN AMERICA AND THE CARIBBEAN, July 7, 1995; "Congress Considering Millions in New Tax Breaks for Central American Maquiladoras But Ignores Need to Respect Worker Rights," US-GUATEMALA LABOR EDUCATION PROJECT, July 27, 1995; Peter Brennan, "Costa Rica Sees Textile Jobs Begin to Move to Lower-Cost Countries," JOURNAL OF COMMERCE, August 10, 1995.

CHILE MAY WAIT ON NAFTA

After a first round of talks between Chile and current NAFTA members in Mexico City, Chilean chief negotiator Juan Gabriel ValdÈs reiterated that Chile will not enter into substantive negotiations unless the United States has fast track negotiating authority in place. The U.S. Congress has not reached agreement on fast track, and will not vote until some time in October. Republicans are generally in favor of trade pacts but reluctant to give President Bill Clinton negotiating authority, while some Democrats are reluctant to see any widening of NAFTA. Even those Democrats who favor NAFTA and Chilean accession disagree with Republican demands to exclude labor and environmental provisions from a trade agreement with Chile.

U.S. Representative Marcy Kaptur (D-OH) said she will introduce a bill to force renegotiation of all of NAFTA, which she has consistently opposed. "NAFTA was supposed to create jobs in the United States. It has done exactly the opposite." said Kaptur. She also faulted NAFTA for increasing illegal immigration, increasing uncertainty in currency markets, and creating what is projected to be the largest-ever U.S. trade deficit this year.

Rep. Charles Rangel (D-NY) said in early August that drug interdiction should also be part of trade negotiations, and that trade agreements should leave open the possibility of using tariffs to punish countries that tolerate drug production and trafficking. House Trade Subcommittee chair Rep. Phil Crane (R-IL) flatly rejected Rangel's proposal, saying it would "open a Pandora's box" of non-trade issues and protectionism.

ValdÈs said that Chile will evaluate the situation in late September. Meanwhile, negotiations for Chilean association with Mercosur, the Southern Common Market of Argentina, Brazil, Paraguay, and Uruguay, will continue in Uruguay on August 21 with discussion of lists of exceptions to the common external tariff. Chile and Mercosur have agreed to speed up the negotiations, hoping to reach an agreement by the end of this year. Chile's possible entry into NAFTA complicates the talks, as Mercosur wants the same preferential tariffs that Chile will offer NAFTA. The Chilean business and agricultural sectors are reluctant to see this concession.

Kevin G. Hall, "Chile Will Wait Until September to Decide on Substantive Nafta Talks," JOURNAL OF COMMERCE, July 27, 1995; John Maggs, "GOP Bill on Chile, Nafta Derailed," JOURNAL OF COMMERCE, August 2, 1995; Kevin G. Hall, "US: Nafta Negotiations Too Slow; Chile: Talks Are Learning Experience," JOURNAL OF COMMERCE, August 2, 1995; David Bennett, SAN ANTONIO EXPRESS-NEWS, July 26, 1995; John Maggs, "Key House Democrat Wants to Add Drug Interdiction to Nafta Talks," JOURNAL OF COMMERCE, August 3, 1995; Gustavo Gutierrez, "Mercosur: Chile Races Against the Clock Towards Association Pact," INTERPRESS SERVICE, August 9, 1995; Gustavo Gutierrez, "Will Asuncion Meet Chile's Needs?" INTERPRESS SERVICE, August 3, 1995.

BRAZIL: AGRARIAN PROTESTS TURN BLOODY

On August 9, at least 32 people were killed when 200 heavily-armed anti-riot police troops violently evicted hundreds of campesinos from farmland they had been occupying in the northern Brazilian state of Rondonia. At least 53 more people were arrested, 11 police officers were injured, and 355 people were arrested in a nearby town, according to government spokespersons. Non-governmental sources such as the Rondonia Rural Workers Federation, the Landless Peasant Movement and the Catholic Church's Pastoral Land Commission said the number of people killed is more likely to be around 70. The squatters were armed with machetes, sticks, and knives when police came to burn their houses and drive them out of the absentee-owned, 40,000-acre Santa Helena farm.

On July 25, more than 5,000 campesinos had gathered at the third annual congress of the Landless Peasant Movement (MST) in Brasilia. The MST advocated continued land occupations until Brazil implements agrarian reform, and its members have taken over at least 87 farms. The MST says that only 60 million hectares of 400 million suitable for farming are currently cultivated, and that 56 million of the cultivated acres belong to just 2,000 owners while 4.8 million families are landless. During the past decade, 100,000 families have been given land rights, 700 campesinos working for land reform have been murdered, 370 have been tortured, 13 cases have been tried, and four people have been found guilty.

Brazilian law provides that the government can appropriate unproductive land and distribute it to landless campesinos. President Fernando Henrique Cardoso promised to settle 40,000 families this year and a total of 280,000 during his four-year term. His agriculture minister, Jose Andrade Vieira, himself a large landowner, has tried to lower the targets announced by Cardoso during the presidential campaign.

On July 19, farmers from 16 Brazilian states blocked traffic in Brasilia with a caravan of 1,000 trucks and tractors, demanding that the government stop adjusting their debts under the monetary index (TR) that measures inflation, and give farmers a 10-year period to pay their debts. Farmers who are in default on their debts cannot obtain new loans.

Farm protesters said that the agricultural sector's old debts total more than $4.5 billion, more than one billion of which is due to the TR surcharge. The surcharge has raised agricultural debt by 1,200 percent over the past 18 months, with corn and soy prices going up by only 407 percent and 289 percent. Protesters also pointed to competition from Mercosur imports and to the government's failure to guarantee minimum prices while over-valuing the national currency as causes of their difficulties. Despite a grain harvest expected to be six million tons greater than last year's, farm income will drop by $5.6 billion this year.

Agriculture Minister Vieira said that the TR index is used for all other industries, and it would not be possible to stop its use for past agricultural debts. President Cardoso has promised lower interest rates for future production loans for basic products.

"Landless Peasants Massacred in Brazil," WEEKLY NEWS UPDATE ON THE AMERICAS, 8/13/95; "Brazilian Peasants Committed to Land Takeovers," WEEKLY NEWS UPDATE ON THE AMERICAS, 7/30/95; Mario Osava, "Brasilia Awakens to Protesters' Horns," INTERPRESS SERVICE, July 19, 1995; "Farmers Protest in Brazil," WEEKLY NEWS UPDATE ON THE AMERICAS, 7/23/95; Angus Foster, "Land Battle Turns Bloody in Brazil," FINANCIAL TIMES, August 12, 1995.

FORECLOSED MEXICAN PROPERTY AUCTION IN TEXAS

Homes, residential and industrial properties, hotels and condominiums, and commercial centers from nine Mexican states will be auctioned in San Antonio, Texas by Lasalle Partners. The properties to be auctioned in Texas have been seized by Banamex, Serfin, Zaverlat, Banorte and Bancentro for non-payment of loans. The auction, originally scheduled for August 11 but now postponed until the end of the month, has been met with angry opposition within Mexico, where debtor organizations refuse to pay what they call usurious interest rates.

"Mexican Properties to be Auctioned Off in Texas," Statement of Victor Quintana, Federal Representative from Chihuahua, July, 1995.

MEXICAN DROUGHT INCREASES GRAIN IMPORTS

In northern Mexico, one of the worst droughts in history has reduced yields and forced small farmers off their land. Fall planting may not be possible in Chihuahua, Durango, Nuevo Leon and Tamaulipas, where rainfalls as of April 30 were 40 percent below normal. Wheat harvests are expected to fall from four million metric tons last year to 2.5 million metric tons in 1995-96. The Mexican agriculture ministry estimates that grain imports will be at least nine million tons this year, two million higher than anticipated. The Confederacion Nacional de Propietarios Rurales estimates that grain imports will reach 17 million tons.

Mexican water reservoirs have dropped so far that irrigation has been stopped in the northern agricultural region, in order to conserve water for domestic use. Dropping water volumes have increased salt content, making water unsuitable for consumption or irrigation. The International Boundary and Water Commission, which governs water allocations from the Rio Bravo/Rio Grande and several of its tributaries, reported that on July 1 Mexico had only 6.77 percent of stored water capacity available, while Texas had 47.11 percent of its stored water capacity available. Under the terms of a 1944 treaty, Texas can use all the flow from tributaries on the U.S. side of the river, while Mexico has to share the flow from its tributaries with Texas. Texas Governor George Bush and the U.S. State Department earlier this year denied a Mexican request for water for irrigation, but may consider giving Mexico water for human consumption.

Marcelo Morichi and Jan Gilbreath, ≥Drought Brings Severe Crop Reductions and Cattle Losses in Northern Mexico,≤ U.S.-MEXICAN POLICY STUDIES PROGRAM, July 21, 1995; Kim Archer, "Big Drop Forecast for Production of Mexican Wheat as Plantings Fall," JOURNAL OF COMMERCE, August 14, 1995.

COFFEE PRODUCERS RESTRICT EXPORTS

Meeting in Bogota, Colombia in early July, representatives from Brazil, Colombia, Costa Rica, El Salvador, Honduras, and Nicaragua agreed to strictly limit coffee exports in order to bolster falling international prices for coffee. The agreement reached by the six countries sets quarterly quotas for each country for the next year, consistent with the Association of Coffee Producing Countries (ACPC) agreement reached in London in March. The ACPC plan calls for worldwide exports of 60.376 million 132-pound bags during the next year, down from an expected 69 million bags. Coffee prices have dropped drastically from $1.80 per pound to $1.22 per pound since the beginning of 1995.

The Mexican National Coordinator of Coffee Organizations (CNOC), which represents more than 60,000 producers, supports the agreements to limit exports and has petitioned the Mexican government to join the ACPC. Mexico is the only leading coffee producer to remain outside the ACPC plan.

Colombia's National Coffee Union held a 24-hour strike on July 19, demanding government aid to increase prices, to replace disease-killed plants and to forgive $200 million in coffee-growers' debts.

"Coffee Retention Agreement Reached," U.S. STATE DEPARTMENT REPORT, July 12, 1995; Erin Brummett, "Costa Rica/Coffee," VOICE OF AMERICA, July 6, 1995; "Coffee Growers Strike in Colombia," WEEKLY NEWS UPDATE ON THE AMERICAS, July 23, 1995; "Mexico Supports Latam Coffee Export Limits," REUTERS, July 14, 1995; "Coffee Prices Retreat as Doubts Rise Concerning Export Limits," NEW YORK TIMES, July 28, 1995; "Mexico Alone as Guatemala Joins Coffee Export Plan," REUTERS, August 7, 1995.

RESOURCES/EVENTS

LATIN AMERICAN LABOR NEWS, a publication of the Center for Labor Research and Studies, Florida International University. Journal includes reporting on Latin American trade unions and their struggles, news on inter-American labor solidarity, academic research, calls for papers. (Articles are published in original languages of English, Spanish, Portuguese in 1994 double issue.) Back issues available for $7.50-$30 include 1992, 1993, 1994, and 1995 issues focusing on labor and free trade. Published once or twice annually. Subscription is $15 individual, $30 institutional.

Zoned for Slavery: The Child Behind the Label, a video report on maquila manufacturing produced by the National Labor Committee in Support of Worker and Human Rights in Central America. $12. This 23-minute video focuses on the conditions of maquila workers in Honduras. National Labor Committee, 15 Union Square, New York, NY 10033. Telephone 212/242-0700, fax 212/255-7230.

Produced by the Institute for Agriculture and Trade Policy, Mark Ritchie, President. Edited by Mary C. Turck. The NAFTA & Inter-American Trade Monitor is available free of charge to Econet and IATPNet subscribers. For information about fax or mail subscriptions, or other IATP publications, contact: The Institute for Agriculture and Trade Policy, 1313 5th Street SE, Suite 303, Minneapolis, MN 55414. Phone: 612-379-5980; fax: 612-379-5982; e-mail: iatp@iatp.org. For information about IATP's contract research services, contact Dale Wiehoff at 612-379-5980, or e-mail: dwiehoff@iatp.org

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Subject: NAFTA & Inter-Am Trade Monitor 9-8-

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

September 8, 1995 Volume 2, Number 24

Headlines:

- FREE TRADE IMPACT ON LABOR
- U.S.-MEXICO AG TRADE ISSUES
- PERU CHANGES AGRARIAN LAWS
- BANANA WAR UPDATE
- REGIONAL TRADE ALLIANCES MEET
- MEXICAN NATIONAL CONSULTATION DRAWS ONE MILLION PLUS

FREE TRADE IMPACT ON LABOR

In Mexico, industry groups and the government are pressing labor unions to make concessions, including change from a daily to an hourly wage in some industries, hiring more non-union workers, and greater management freedom in hiring and firing part-time workers. Some unions agree that a "new labor culture" is needed, while others say that the phrase is a euphemism for reducing legal protections for workers. An independent union leader in the auto sector, Benedicto Martinez, says business is taking advantage of the situation: "We can fight for better pay or we can fight to maintain jobs." Since the peso was devalued last December, at least one million of Mexico's 35 million jobs have disappeared, and Mexico's economy continues to slow, contracting by 10.5 percent in the second quarter of 1995.

In the United States, skilled workers are watching as their jobs move overseas. "Information age" jobs that require computer skills can be done anywhere that computers, modems, and telephone cables are available, and white-collar jobs are moving to lower-wage sites around the globe. One example: Sea-Land, a division of the CSX Corporation, shut down offices in New Jersey and contracted the computer programming work previously done by approximately 300 U.S. workers in New Jersey to programmers in India and the Phillipines. Experienced programmers in India earn $1,200 to $1,500 monthly, compared to $4,000 and up in the United States.

Blue-collar jobs in the United States remain at risk, both when companies move abroad and when they use the threat of moving to control employees. B.W. Harris Manufacturing Company recently closed a plant in West St. Paul, MN, moving its clothing manufacturing to the Caribbean. Like many other manufacturers, Harris will cut cloth in Florida, ship it to the Caribbean Basin for sewing, and sell the finished clothing in the United States. Caribbean manufacturers benefit from U.S. Caribbean Basin Initiative and Section 807 trade legislation. The number of U.S. textile and apparel industry jobs has declined from more than 1.1 million in 1985 to 969,400 in 1994, according to the U.S. Bureau of Labor Statistics. In contrast, Caribbean Basin countries have increased apparel exports to the United States by more than 25 percent to $2.45 billion during the first quarter of 1995, while Mexican apparel exports rose by 60 percent to $1.35 billion.

Among U.S. workers feeling the pressure of the threat of moving abroad are workers at Leaders Manufacturing Inc. in Willmar, MN, who met this summer to begin organizing a union. One organizer has been fired and some workers report that the company's personnel director showed up at an organizing meeting and threatened to move jobs to Mexico if a union was voted in. Company officials declined to discuss the charges.

Dianne Solis, "Mexico's Economic Crisis Pushes Unions to Consider Concessions," WALL STREET JOURNAL, August 25, 1995; "Mexican Recession Worse; Output Off 10% in Quarter," NEW YORK TIMES, August 17, 1995; Keith Bradsher, "Skilled Workers Watch Their Jobs Migrate Overseas," NEW YORK TIMES, August 28, 1995; Tom Fredrickson, "B.W. Harris Shifts Work to Caribbean," CITY BUSINESS, August 31, 1995; Jill Hodges, "Workers at Willmar Manufacturing Company Press On With Their Effort to Organize a Union," STAR TRIBUNE, July 15, 1995; Canute James, "Caribbean Sees Jump in Apparel Exports to US," JOURNAL OF COMMERCE, August 31, 1995.

U.S.-MEXICO AG TRADE ISSUES

California growers, last year enthusiastic about increased exports to Mexico under NAFTA, have seen those exports fall dramatically in the wake of Mexico's economic crisis. Tomato sales to Mexico, which grew from 600,000 25-pound cartons in 1992 to 2.25 million in 1994, have been cut by 95 percent this year. California wine exports to Mexico, which went from $2.3 million in 1990 to $6.8 million in 1994, totaled only $547,000 in the first half of 1995. California growers blame both the Mexican economic crisis and border crossing problems that never have been resolved. If border officials hold up a shipment for paperwork, perishable produce loses value.

The USDA's Animal Plant Health Inspection Service (APHIS) scheduled hearings on its proposal to partially lift a ban on Hass avocados from Mexico, allowing their entry to 19 northeastern U.S. states each year from November through February. According to APHIS, cold weather would kill the pests that have been the reason for the 81-year-old U.S. ban on Mexican avocado imports. California's $1 billion avocado crop, 90 percent of U.S. avocado production, is sold almost entirely in the U.S. at prices two to three times higher than prices for Mexican avocados.

More than one thousand California avocado farmers packed a USDA hearing in Escondido, insisting that their opposition was based on fear of pests, not fear of competition. Outraged voices on the Internet also protest avocado import proposals: "The Mexican Avocados have been banned because of insects for years because of the bugs down there that we don't have here. ... I don't think bringing in avocados that may have worse bugs will help us control bugs. ... Can someone tell me why bringing in these avocados will help avocado farmers here in the good old U.S.A. How can they quarantine our fruit and not let us sell it yet welcome the Mexican fruit that may well destroy our market?"

USDA officials are also considering ways to transport Mexican mangoes, possibly carrying fruit flies, larvae, or pupae, through the United States to Canada. Shippers and exporters want to simply ship through the U.S. in sealed containers, but the USDA points out that larvae and pupae could fall out of the containers when they are being hauled back to Mexico, and that there are no controls on where the containers or trailers go after the mangoes are unloaded in Canada. Mangoes exported to the United States must have a U.S.-supervised hot water bath to kill fruit flies before entry into the country.

Montieth Illingworth, "Mexican Slump Nips Farm Trade in Bud," JOURNAL OF COMMERCE, August 21, 1995; Kevin G. Hall, "USDA Aims to Block Mexico-Canada Flyway," JOURNAL OF COMMERCE, August 25, 1995; sals@coyote.rain.org, INTERNET POSTING, August 15, 1995; Bill Mongelluzzo, "Growers Emphatic in Support of Ban on Mexican Avocados," JOURNAL OF COMMERCE, September 1, 1995.

PERU CHANGES AGRARIAN LAWS

In mid-July, 27 years after Peru's land reform law was instituted by General Juan Velasco's left-wing military regime, all limits on landholding were abolished. Proponents said that larger agro-industrial operations are necessary to produce efficiently for export. Investors and agri-business are expected to buy up thousands of hectares along the Peruvian coast from cooperatives that have administered the tracts since the Velasco reform.

Opposition leaders argued unsuccessfully that the abolition of limits on landholding will bring a return of latifundios - - large estates farmed with semi-feudal labor. The neo-liberal majority in Congress sees large estates as desirable, and is preparing companion legislation to change irrigation and water laws and set market prices for water. Both the land and water legislation have been strongly advocated by the World Bank and the Inter-American Development Bank, which have pledged a billion dollars in loans over the next three years to rehabilitate drainage and irrigation infrastructure.

Sally Bowen, "Peru Set to Sweep Away 27-Year-Old 'Land Reform' Laws," FINANCIAL TIMES, July 18, 1995.

BANANA WAR UPDATE

Throughout 1995, the United States has threatened retaliatory trade sanctions under its Section 301 trade law to penalize the European Union (EU) for its banana regime. The most recent U.S. deadline for EU changes is October 17. Colombia and Costa Rica are also potential targets of the Section 301 sanctions. [See NAFTA & Inter-American Trade M onitor, April 28, 1995.] In August, the U.S. also said that it will initiate a complaint against the EU policy before the World Trade Organization.

The EU banana regime uses a combination of quotas, tariffs, and export licenses to favor imports from former colonies in Africa, the Caribbean and the Pacific. Complicating matters, four Latin American banana producers -- Colombia, Costa Rica, Nicaragua, and Venezuela -- signed the so-called "banana framework agreement" with the EU, agreeing to shelve challenges under the World Trade Organization (WTO) rules in exchange for somewhat-improved country quotas. Ecuador -- the world's largest banana producer -- and other Latin American countries objected to the framework agreement.

On the request of the Hawaii Banana Industry Association and Chiquita Brands International, the world's largest banana trader, the U.S. Trade Representative (USTR) began an investigation of the EU preferences for Caribbean bananas. Latin America produces about 75 percent of the world's bananas, and Chiquita Brands controls 65 percent of the market. The U.S.-based companies object to preferences for Caribbean producers and to provisions of the EU banana regime that give Latin American countries greater authority to allocate export licenses to companies.

Caribbean countries attending a Washington meeting of hemispheric defense ministers in early August sought to refocus discussions on hemispheric security toward what they see as a United States war on their banana producers. Speaking for the Caribbean countries, which have small armies or none at all, Jamaican Ambassador Richard Bernal said that "the key is economic development." Antigua and Bermuda's Ambassador Patrick Lewis agreed, telling reporters, "I think the enemy is ourselves unless we can work together."

In July, EU farm ministers rejected a call by the European Commission, the EU executive agency, to increase Latin American import quotas by 350,000 tons. France, Britain and Spain insist that they will not accept changes in the EU banana regime. Germany, Belgium, the Netherlands, Luxembourg, Austria, Finland, and Sweden want to increase the Latin American quota and change the distribution and allocation of export licenses. The European Commission will report in September on proposed modifications to the EU banana regime.

Yvette Collymore, "Caribbean-Trade: New 'Enemies' Pose as Friends," INTERPRESS SERVICE, August 9, 1995; Debra Percival, "U.S. Demands May Lead to Modification of EU Regime," INTERPRESS SERVICE, July 25, 1995; Canute James, "Caribbean Banana Exporters Hit US Stance on EU Regime," JOURNAL OF COMMERCE, July 13, 1995; Bruce Barnard, "European Commission May Seek OK to Talk Bananas With Washington," JOURNAL OF COMMERCE, July 24, 1995; Debra Percival, "EU May Change Regime in Bid to Please Washington," INTERPRESS SERVICE, June 7, 1995; Silvio Hernandez, "Banana War Looms," INTERPRESS SERVICE, May 16, 1995; Bill Rodgers, "U-S/ Latam Bananas," VOICE OF AMERICA, May 24, 1995; Tom Karst, "Trade Debate Arises as Market Ascends," THE PACKER, May 22, 1995; "U.S. Plans Trade Appeal in Europe Banana Case," NEW YORK TIMES, August 19, 1995.

REGIONAL TRADE ALLIANCES MEET

When Mercosur member nations (Argentina, Brazil, Paraguay, Uruguay) met in Paraguay this summer, the world's fourth-largest trading bloc agreed to expand, beginning talks to admit Chile and Bolivia. Moving beyond the common external tariff that was implemented on January 1, the summit included discussion of cultural, currency, and other integration. Argentine President Carlos Menem called for progress toward a common currency, but called eradication of poverty and unemployment the greatest challenge facing Mercosur members. The Bolivian and Chilean presidents called for progress on physical infrastructure links, such as highways, railroads, and ports.

Both Chile and Bolivia are negotiating with Mercosur, with Chile expecting to reach an agreement by the end of the year, and Bolivia's president predicting an agreement with Mercosur by the end of June. Cultural officials of Mercosur countries and Bolivia signed an agreement to promote cultural cooperation, including a regional calendar of cultural events, joint publication of a basic collection of works by Mercosur authors, and linkage of national libraries and data centers.

Disagreements among member nations included the dispute between Brazil and its Mercosur partners over import quotas imposed by Brazil on motor vehicles and other items. Brazil exempted other Mercosur countries from its limits on vehicle imports, defusing the biggest conflict at the meeting. Trade among Mercosur member nations has tripled during the past four years.

Central American countries lack a strong trade pact, though trade within the region has grown from $750 million in 1990 to more than $1.4 billion in 1994. While several bilateral pacts, such as agreements between Costa Rica and Mexico or Nicaragua and Mexico, are pending or in place, severe national economic problems remain the main preoccupation of Central American nations.

The Central American nations are included in the world's newest trade bloc, the Association of Caribbean States (ACS), together with members of the 14-nation Caribbean Community (Caricom), the Group of Three (Colombia, Mexico and Venezuela), Cuba, the Dominican Republic, and Haiti, and 15 dependent territories in the region. Citing NAFTA to the north and Mercosur to the south, a Venezuelan delegate to the August ACS meeting warned that, "We in this region are likely to be either squeezed, or left out, or both, and we cannot allow this to happen."

Caricom already has a common external tariff and is moving toward lower tariffs and a common currency. The ACS has the potential to be one of the world's largest trade blocs, but it has just begun work on significant regional issues: trade, transportation, and tourism in the region.

George Meek, "Mercosur," VOICE OF AMERICA, August 3, 5, 7 1995; Mario Osava, "Trade Bloc Fraught With Constant Bickering," INTERPRESS SERVICE, August 4, 1995; Marcela Valente, "Argentina Calls for Realism, Flexibility and Goodwill," INTERPRESS SERVICE, August 5, 1995; Maricel Sequiera, "Central America: Regional Pacts Need Updating," INTERPRESS SERVICE, July 5, 1995; Maricel Sequiera, "Central America: Towards Integration, With Eyes Wide Open," INTERPRESS SERVICE, June 26, 1995; Wesley Gibbings, "Caribbean Meets on Tourism, Trade and Transportation," INTERPRESS SERVICE, August 11, 1995; Scott West, "Caribbean: Regional Grouping Moves Slowly Towards Common Market," INTERPRESS SERVICE, July 24, 1995; Canute James, "Beachhead Against Shifting Trade," "Caribbean Leaders Meet to Forge Trade Bloc," FINANCIAL TIMES, August 17, 1995; Ian Elliott, "U.S., EU Watch as Mercosur Gains Market Strength," FEEDSTUFFS, August 21, 1995.

MEXICAN NATIONAL CONSULTATION DRAWS ONE MILLION PLUS

The August 27 National Consultation for Peace and Democracy, an unofficial plebiscite sponsored by the rebel Zapatista National Liberation Army (EZLN), won the participation of 1.2 million Mexicans. The number of voters was about three percent of the turnout for the 1994 national elections, with heaviest participation in southern states and Mexico City. The number was far greater than the 330,000 who voted in a plebiscite on home rule for Mexico City in 1993 or the 631,193 who voted in a plebiscite on national policy last February.

Early returns showed 97.4 percent of participants supporting EZLN demands for land, justice, democracy, education, and social development and 92.5 percent backing the idea of a "broadbased opposition front" to work for their goals, with 94.3 percent calling for "profound political reform" in Mexico. More than half of the voters -- 53.2 percent -- voted for the EZLN to become a "new, independent political force," while 48.1 percent voted in favor of coalition with other organizations.

The grassroots plebiscite was administered by the Civic Alliance, a non-governmental election monitoring group, and financed by individual donations and fundraising concerts and dances. Voters came to 10,032 tables around the country, and 55,000 votes from outside the country, including more than 9,000 from the US, were registered. Voters produced identification and had their hands stamped with indelible ink when they voted.

The government generally honored its pledge of non-interference, though some unidentified persons videotaped or photographed voters, and government officials prevented tables from being set up in two towns in Oaxaca and some parts of Mexico City.

"Mexicans Vote for Rebels to Form Independent Political Force," WEEKLY NEWS UPDATE ON THE AMERICAS, September 3, 1995; "National Consultation for Peace and Democracy," MEXPAZ, August 29, 1995.

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Subject: NAFTA & Inter-Am Trade Monitor 9-22

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

September 22, 1995 Volume 2, Number 25

Headlines:

- PUBLIC CITIZEN: NAFTA'S BROKEN PROMISES
- SETBACK FOR CBI PARITY LEGISLATION
- MEXICAN DEBT RELIEF PLAN
- MEXICAN GOVERNMENT, EZLN AGREE ON NEW TALKS
- GOLF AND TEPOZTLAN
- METALCLAD HAZARDOUS WASTES
- LOGGING PROTEST GOES TO NAFTA PANEL

PUBLIC CITIZEN: NAFTA'S BROKEN PROMISES

According to a report released in September by the Public Citizen public interest group, companies that promised to create jobs under NAFTA have failed to do so. Public Citizen identified specific job creation and export enhancement promises made by U.S. companies testifying in support of NAFTA during the 1993 debate on the trade agreement. Nearly 90 percent (59 of 66) of the specific job-creation promises have been broken. In addition, 87 percent (13 of 15) specific promises to increase exports have been broken.

Some companies that specifically promised to create new jobs actually laid workers off because of NAFTA. Allied Signal, General Electric, Mattel, Proctor and Gamble, Scott Paper and Zenith all promised to create new jobs under NAFTA. Each company has laid off workers, and the U.S. Department of Labor has certified workers at each company as having lost their jobs due to NAFTA. As of mid-August, 1995, the U.S. Department of Labor had certified 38,148 workers throughout the country as having lost their jobs due to NAFTA. The certifications were made under the NAFTA-TAA (Trade Adjustment Assistance) unemployment assistance program, and represent only a portion of the total jobs lost due to NAFTA. Nearly 70,000 workers in 48 states have filed for NAFTA-TAA certification.

Mattel, a California toy manufacturer, was one example cited in the Public Citizen report. In 1993, a Mattel vice-president testified that NAFTA would create jobs and have a positive effect on more than 2,000 Mattel employees in the U.S. The NAFTA-TAA program has certified that 520 Mattel workers in New York have been laid off due to increased company exports from Mexico. Mattel spokespersons told the Public Citizen researchers that it is too soon to tell whether NAFTA has created any new jobs at Mattel.

The U.S. merchandise trade deficit with Mexico for the first half of 1995 was $8.6 billion. The AFL-CIO estimates that 17,000 jobs are at stake for every billion dollars in trade, suggesting that as many as 146,000 U.S. jobs have been lost in 1995. The overall U.S. trade deficit has also increased, reaching $11.3 billion in June.

Public Citizen, NAFTA'S BROKEN PROMISES: CORPORATE PROMISES OF U.S. JOB CREATION UNDER NAFTA, September 4, 1995; Jim Lobe, "NAFTA Job-Creation Promises Mocked in U.S.," INTERPRESS SERVICE, September 4, 1995; Nancy Dunne, "Nafta Fails to Deliver a Feel-Good Factor," FINANCIAL TIMES, September 5, 1995; Jill Gathmann, "U.S. Trade Deficit," VOICE OF AMERICA, August 17, 1995.

SETBACK FOR CBI PARITY LEGISLATION

In a major blow to Caribbean Basin trade prospects, the Republican Chair of the U.S. House Ways and Means Committee, Rep. Bill Archer, dropped Caribbean Basin Initiative (CBI) parity from a major budget legislative package. The legislation, which was assured of easy passage as a rider to the budget reconciliation bill, is not expected to pass on its own, and may not even come up for debate.

Former U.S. President Ronald Reagan granted special duty-free treatment for many imports from Caribbean nations in the early 1980's, under the Caribbean Basin Initiation (CBI). NAFTA abolished most tariffs between the United States, Canada, and Mexico, giving Mexico a trade advantage over CBI textile manufacturers. The CBI parity legislation, which was supported both by Democratic President Bill Clinton and the Republican Congressional leadership, would have given the CBI nations equal treatment with Mexican assembly and textile plants. Despite NAFTA, CBI textile and apparel imports to the United States have continued to grow, reaching $4.6 billion in 1994, in contrast to $2.4 billion from Mexico.

Large U.S. textile manufacturers, including Fruit of the Loom, Milliken, Converse Shoes, and industry associations, opposed the CBI parity legislation, as did at least 50 congressional representatives who asked Archer to detach the CBI parity bill from the budget legislation. Before the CBI Parity legislation was removed from the budget rconciliation bill, Rep. Phil Crane proposed to eliminate the NAFTA-TAA program, a special unemployment assistance program for workers displaced by NAFTA, and to transfer its funding to compensate for federal tariff revenue lost due to CBI Parity tariff cuts.

Jamaican Prime Minister P.J. Patterson, who met with U.S. President Bill Clinton on September 13, said that Clinton had pledged to support CBI Parity legislation and to recognize Caribbean banana producers' need for access to their European markets.

Jim Lobe, "CBI Parity Dropped From Key Bill," INTERPRESS SERVICE, September 12, 1995; "Patterson Gains Trade Assurances From Clinton," INTERPRESS SERVICE, September 13, 1995; Nick Delle Donne, "Bill Would Cut Worker Training to Help the Multinationals," AFL-CIO IUE PRESS RELEASE, September 12, 1995; Michael Dolan, "Severe Storm Warning: Hurricane Crane," PUBLIC CITIZEN GLOBAL TRADE WATCH, September 11, 1995.

MEXICAN DEBT RELIEF PLAN

On September 1, the Mexican government put in place a Debtor's Aid Agreement, a plan to bail out the banking system and offer some relief to debtors. The mostly government-financed plan will reduce interest rates, extend payment deadlines, and temporarily suspend legal proceedings and foreclosures. By helping debtors, the plan will help the Mexican financial sector, which currently has an "overdue portfolio" -- unpayable debt -- equivalent to 15 percent of the total value of deposits, compared to a worldwide average of two percent. The plan is predicted to cost the government $3.2 billion and to cost banks an additional $1.1 billion.

Under the Debtor's Aid Agreement credit card holders will pay a subsidized 38.5 percent on the first $800 they owe, corporate borrowers will pay 25 percent on the first $31,700 of their loans, and individual borrowers will pay 34 percent interest on bank loans up to $4,750. Mortgage-holders must renegotiate their loans in inflation-indexed terms, with banks charging 6.5 percent in real terms for balances up to $31,700 and 8.75 percent after that.

The government will make payments to banks to subsidize lower interest rates. The new interest rates apply automatically to debtors whose payments are current, but those who are in arrears will have to renegotiate their loans. While the plan lasts for 13 months for most borrowers, it will be in place for 18 months for agricultural borrowers. Interest rates had climbed as high as 120 percent, but recently dropped to 37 percent on bank loans and 77 percent on credit cards.

Researcher Carlos Tur, of the National Autonomous University of Mexico, called the plan regressive, because it increases the total amount that debtors end up paying to creditors, as well as extending the time period for payments. Representatives of El Barzon, part of the national debtors' movement, rejected the plan, saying it would provide relief to only 7-11 percent of the group's 1.1 million members, and called for a moratorium on payments. The National Association of Credit Card Users (ANTAC) also rejected the plan as "just more of the same," criticizing it for capitalizing unpaid interest. Finance Minister Guillermo Ortiz claims that the plan will cover the entire debts of 75 percent of Mexican debtors.

El Barzon continued protests, briefly seizing banks in at least a dozen cities during the week the plan was announced. In one dramatic action, farmers left the coffin and corpse of a man they said died of a heart attack due to worry over debts in the foyer of a bank. Other Barzonista tactics have included tarring and feathering a bank repossession agent in northern Mexico and, in a subsequent action, using honey and feathers instead of tar.

Eduardo Molina y Vedia, "Government Bail-Out of Banks Falls Short, Experts Say," INTERPRESS SERVICE, August 25, 1995; Al Taranto, "How Much Is Enough?" EL FINANCIERO INTERNATIONAL, August 28-September 3, 1995; Tim Golden, "Mexico Plans $1.1 Billion in Aid for the Debt Burdened," NEW YORK TIMES, August 24, 1995; "Support Program for Mexican Banking System Debtholders Announced," INTER-AMERICAN TRADE AND INVESTMENT LAW, August 25, 1995; Kevin G. Hall, "Mexican Accord to Bail Out Debtors a Mixed Blessing," JOURNAL OF COMMERCE, August 25, 1995; Leslie Crawford, "Mexico to Fund Relief for Domestic Debtors," FINANCIAL TIMES, August 25, 1995; Dianne Solis, "In Mexico, A New Kind of Rebel Emerges," WALL STREET JOURNAL, September 1, 1995; "New Program to Restructure Outstanding Loans (ADE)," MEXPAZ, August 29, 1995.

MEXICAN GOVERNMENT, EZLN AGREE ON NEW TALKS

In a seven-day negotiating session in early September, representatives of the Mexican government and the rebel Zapatista National Liberation Army (EZLN) made progress toward an eventual agreement. The negotiators agreed that they would begin to discuss four areas in October: indigenous rights, democracy and justice, well-being and development, and the rights of women in Chiapas. The next discussion will focus on indigenous rights.

While still maintaining that their negotiations with the EZLN must be limited to Chiapan issues, the government delegates said they will agree to "discussion" but not "negotiation" of national issues.

EZLN negotiators credited their just-completed national plebiscite with "opening the eyes of the government" and moving negotiations along. The government has now agreed that the EZLN can, in some way, participate in a planned dialogue on national political issues that will be held between national political parties.

Anthony DePalma, "Mexico Agrees With Rebels on New Talks," NEW YORK TIMES, September 12, 1995; Diego Cevallos, "Government and Rebels Reach Initial Accord," INTERPRESS SERVICE, September 11, 1995; Jose Gil Olmos and Elio Henriquez, "La Consulta 'Abrio los Ojos del Gobierno' Para Ver el Alcance Nacional del EZLN: Tacho y David," LA JORNADA, September 11, 1995; Jose Gil Olmos and Elio Henriquez, "Acuerdo: La Primera Mesa, Sobre Derechos Indmgenas," LA JORNADA, September 11, 1995; "Mexican Rebels to Participate in National Dialogue," WEEKLY NEWS UPDATE ON THE AMERICAS, September 10, 1995.

GOLF AND TEPOZTLAN

International plans for an 18-hole golf course, a heliport, a $30 million computer center, and luxury residential and recreational facilities ran headlong into an alliance of peasants, villagers, and environmentalists in the town of Tepoztlan, about an hour's drive south of Mexico City in the state of Morelos. The 500-acre development would be built on private land that is located inside the Tepozteco National Park, in which Tepoztlan and four other towns are also located. Investors and participants include GTE Data Services, Jack Nicklaus Golden Bear Course Management, and powerful Mexican political and economic figures, including members of the Slim family.

Tepoztlan residents, who are mostly indigenous Nahuas, seized the town hall on August 24, throwing out the mayor who had approved the construction plans. When construction began on September 3, 3,000 of Tepoztlan's 13,000 residents protested in the main plaza, seizing six local officials as hostages and running out of town the 200 state riot police sent to stop the protest. Although the hostages were later released, protests continued, with thousands of residents of other Morelos municipalities joining the Tepoztecos. On September 8, Mexico's environmental attorney general Antonio Azuela de la Cueva temporarily suspended construction, saying that zoning laws had been violated.

Among the villagers' objections: the proposed development would cover an archeological site that some consider sacred ground; the golf course would use more than half a million gallons of water daily, threatening water shortages in the town; herbicides and insecticides used on fairways threaten 28 species of mammals, reptiles, and songbirds; the town already has nearly full employment and does not need the new service jobs.

Francisco Guerrero Garro, "Ocupacion de la Alcaldia en Tepoztlan," LA JORNADA, September 6, 1995; Angelica Enciso and Francisco Guerrero, "Morelenses de 25 Municipios Se Unen a Tepoztecos; Ayer, Mitin Masivo," LA JORNADA, September 11, 1995; Emilio Zebadua, "Tepoztlan, Hoyo 18," LA JORNADA, September 6, 1995; Sam Dillon, "A Mexican Town Rises Up Against a Development Plan," NEW YORK TIMES, September 4, 1995; "Mexican Protests: Bus Drivers and the Golf War," WEEKLY NEWS UPDATE ON THE AMERICAS, September 10, 1995.

METALCLAD HAZARDOUS WASTE SITE

A U.S. company, Metalclad Corporation, is nearing final approval of La Pedrera, a large hazardous waste dump in Guadalcazar in the Mexican state of San Luis Potosi. Metalclad recently acquired a Mexican company, COTERIN, which will run this and other hazardous waste facilities that it plans in Mexico. COTERIN is responsible for a contaminated dump at the La Pedrera site, but still won government approval for the new project.

Metalclad says the cleanup of 20,000 tons of hazardous waste already on the La Pedrera site is conditional on approval of commercial reopening of the toxic waste dump. Residents of Guadalcazar have fought the re-opening of the toxic waste dump for five years, ever since Mexican environmental authorities closed the COTERIN-operated site. Local engineers and ecological experts say the whole dump should be relocated, because it is sited on an earthquake fault.

"Call for International Solidarity for Environmental Justice," GREENPEACE MEXICO, September 18, 1995; Alva Senzek, "U.S. Judge Tests NAFTA Waters," EL FINANCIERO INTERNATIONAL, August 14-20, 1995.

LOGGING PROTEST GOES TO NAFTA PANEL

The Sierra Club and National Resources Defense Council, joined by other groups from the United States, Mexico, and Canada, have filed an appeal to the North American Council on Environmental Cooperation (NACEC) in Montreal, protesting new U.S. legislation that would allow logging of fire-damaged trees on federal lands for 18 months without regard to existing U.S. environmental laws. Among the laws temporarily suspended is the Endangered Species Act.

NACEC is an inter-governmental panel set up by NAFTA to investigate possible violations of national environmental laws in the three NAFTA member countries that could affect trade.

Douglas Heiken, a member of the Oregon Natural Resources Council, says the new law will encourage the burning of forests in order to open them for logging. Heiken cites Oregon state investigators' reports that most large fires in Oregon appear to be the work of arsonists.

The Sierra Club appeal is the third petition to NACEC. The first appeal was submitted in June by the Grupo de los Cien (the Group of 100), the Mexican Centre for Environmental Rights, and the U.S. National Audobon Society, asking NACEC to investigate the suspicious deaths last year of 40,000 birds at a lake in central Mexico. The second appeal calls for review of a new U.S. law that bans the U.S. Fish and Wildlife Service from naming new endangered species or marking out new protected areas under the Endangered Species Act for one year. Two other appeals -- one involving reduced U.S. funding for the Environmental Protection Agency and the other involving a proposed salt expansion venture in Baja California -- are expected soon.

John Maggs, "Environmentalists Give GOP Ammo Against Nafta Deal," JOURNAL OF COMMERCE, August 31, 1995; William Dibenedetto, "US Faces Nafta Challenge Over Logging Program," September 6, 1995; Pratap Chatterjee, "Greens Ask NAFTA Panel to Prevent Logging," INTERPRESS SERVICE, September 4, 1995.

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NAFTA's Broken Promises: Corporate Promises of U.S. Job Creation Under NAFTA, Global Trade Watch, Public Citizen. Details specific promises of job creation by companies lobbying in favor of NAFTA in 1993, and subsequent failure to produce jobs. $12. Order from Public Citizen Publications, 1600 20th St. NW, Washington D.C. 20009. Credit card orders by telephone 1-800-289-3787.

"Cleaning Up the Border: New Promises Under NAFTA," Summer 1995 issue of THE WORKBOOK, a quarterly publication of the Southwest Research and Information Center. 46 pp. Order from SRIC, P.O. Box 4524, Albuquerque, NM 87106. Subscriptions $8.50 students and seniors; $12 individuals; $25 institutions; Canadians add $4. Fully indexed catalog of sources includes book reviews on various topics as well as feature articles on citizen involvement in border clean-up, border environmental health councils, wastewater management in Tijuana, and extensive reportage on the Border Environment Cooperation Commission.

ECOREGION, an official publication of the Secretariat of the Commission for Environmental Cooperation (CEC). 8 pp. Commission for Environmental Cooperation, 393 St-Jacques West, Suite 200, Montreal, Quebec, Canada H2Y 1N9; telephone 514/350-4300; fax 514/350-4314; email: ccastell@ccemtl.org. "Designed to inform you of the CEC activities, accomplishments and future directions."

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From iatp@igc.apc.orgSat Oct 7 10:57:46 1995 Date: Fri, 06 Oct 1995 13:47:46 -0700 (PDT)
From: IATP <iatp@igc.apc.org> To: Recipients of conference <trade-news@igc.apc.org>
Subject: NAFTA & Inter-Am Trade Monitor 106-

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

October 6, 1995 Volume 2, Number 26

Headlines:

- FAST TRACK UPDATE
- U.S. LIFTS WHEAT RESTRICTIONS
- CHANGES IN ANDEAN PACT AGREED
- MEXICAN TELECOM PRIVATIZATION MOVES AHEAD
- MEXICAN RAIL, PORT PRIVATIZATION UNDERWAY
- PESO DEVALUATION HITS AUTO INDUSTRY
- ENERGY: NATIONALISM AND INTERNATIONALISM
- RURAL COALITION CROSSES BORDERS

FAST TRACK UPDATE

Republicans on the House Ways and Means Committee added six years of fast-track negotiating authority to the budget reconciliation bill, but excluded workers' rights and environmental issues from the fast-track authority. Any agreements on workers' rights and environmental issues would have to be submitted to Congress separately, and would be subject to amendment. Even the Clinton administration and Democrats generally supporting extension of NAFTA are opposed to this particular fast track provision.

Republican members of the Ways and Means Committee retracted a previous threat to end all training and assistance for U.S. workers displaced by trade agreements (TAA), agreeing instead to extend TAA to October 2000, while cutting its funding by $519 million.

The budget reconciliation bill must still be approved by the House Rules Committee and then by full House of Representatives. A Senate version of the budget reconciliation bill will probably not contain the fast track provisions. Both Senate and House versions must be combined in a conference committee, and then passed by both houses. Fast track authorization and TAA may be kept in or eliminated at any of these stages.

Robert S. Greenberger and Nancy Keates, "'Fast-Track' Bill on Trade Agreements is Backed by Key Committee in House," WALL STREET JOURNAL, 9/22/95; Lori Wallach, "Sneak Attack," PUBLIC CITIZEN, 9/22/95; John Maggs, "Key House Democrats Set Out Terms for Supporting Fast-Track," JOURNAL OF COMMERCE, September 12, 1995.

U.S. LIFTS WHEAT RESTRICTIONS

In part, because of an increase in worldwide wheat prices, the Clinton administration has lifted restrictions on imports of Canadian wheat. The one-year quota, which expired September 12, was also vulnerable to challenge under the Uruguay Round pact. U.S. Trade Representative Micky Kantor said the United States would monitor imports of Canadian wheat for another year while seeking implementation of recommendations of an independent commission that studied the wheat dispute between the two countries. U.S. wheat farmers were skeptical about the efficacy of the commission recommendations, noting that they did not include a mechanism for protecting U.S. domestic markets from surges of Canadian grain imports.

Increased worldwide demand has led Canadian producers to export more to other markets, easing pressure that U.S. wheat farmers felt last year from Canadian exports. International and U.S. grain reserves have decreased to the lowest levels in 20 years, and weather problems have also trimmed the U.S. harvest. Citing decreasing supplies, the American Bakers Association has asked the U.S. Department of Agriculture to suspend the Export Enhancement Program (EEP) for wheat this year.

John Maggs, "US Lifts Restrictions on Wheat From Canada," JOURNAL OF COMMERCE, September 13, 1995; "U.S., Canada trade officials seek to defuse wheat dispute," MILLING & BAKING NEWS, September 3, 1995; Scott Kilman, "Grain Reserves Dwindle to 20-year Low," July 11, 1995; "Bakers Ask U.S.D.A. to Suspend Use of Export Enhancement," MILLING & BAKING NEWS, July 4, 1995; Juan Miguel Pedraza, "Will There Be Another Canadian Grain Tidal Wave?" AGWEEK, September 18, 1995; Ian Elliott, "U.S.-Canadian Grain Pact Allowed to Expire," FEEDSTUFFS, September 18, 1995.

CHANGES IN ANDEAN PACT AGREED

At the Quito, Ecuador summit of the Rio Group in early September, the Andean Pact nations agreed to make significant changes in the structure of the Andean Pact and in its integration strategy. The Andean Pact countries -- Bolivia, Colombia, Ecuador, Peru and Venezuela -- agreed to abandon the goal of creating a single market of developing countries trying to protect themselves from the rest of the world, but still plan to strengthen their joint market while moving toward integration with other subregional blocs. Political aspects of integration were signalled by a name change to the Andean System of Integration, and greater authority will be vested in the presidents acting together.

Abraham Lama, "Quito Summit Produces Major Reforms in Andean Pact," INTERPRESS SERVICE, September 6, 1995.

MEXICAN TELECOM PRIVATIZATION MOVES AHEAD

United States-based MCI Communications and Banamex-Accival (Banacci), Mexico's largest financial group, won the first government license to compete in Mexico's long-distance market. Several other concessions are expected in the near future. Other applicants include GTE, teamed with Bancomer, Mexico's second-largest financial group; Bell Atlantic, teamed with Iusacell, a Mexican cellular phone company; and AT&T, teamed with Grupo Alfa, a large corporation with diverse interests in steel, prepared food, and chemicals.

Mexico's $4 billion long-distance market will be opened to competition on January 1, 1997. As applications are approved, the groups are expected to begin direct negotiations with Telefonos de Mexico (Telmex) the current telephone monopoly. The MCI-Banacci joint venture, called Avantel, plans to invest $1.8 billion over the next six years to build and operate a fiber-optic network.

Leslie Crawford, "Mexico Kickstarts $7bn Telecom Opening," FINANCIAL TIMES, September 8, 1995; Daniel Dombey and Leslie Crawford, "Getting in Touch With Subscribers," FINANCIAL TIMES, September 8, 1995; Anthony DePalma, "MCI Wins Mexican Long-Distance License," NEW YORK TIMES, September 7, 1995.

MEXICAN RAIL, PORT PRIVATIZATION UNDERWAY

Mexico is expected to begin the concessionaire sale of its national railway in November, with sales expected to bring in up to $10 billion. Ferrocarriles Nacionales de Mexico (FNM) will be sold under terms requiring 51 percent Mexican ownership. The system will be divided into two primary north-south lines one serving the Gulf Coast and one serving the Pacific Coast, and a number of feeder lines. Mexico will still own the existing rails and the land beneath them, but may sell the right-of-way for fiber optic telecommunications lines or other utilities. FNM now owns microwave and land stations for satellite communications.

Labor settlements with FNM workers may slow the process, as buyers try to slash payrolls. Buyers will also need to upgrade much of the rail system to standardize it with the U.S. system. Pricing adjustments to enable rail transportation to compete with trucking are also expected.

U.S. and Canadian railroads are interested in FNM, as is Transportacisn Marmtima Mexicana, Mexico's largest ocean carrier, which also operates a railway from Corpus Christi to Laredo, Texas, as well as ocean and land services in 35 other countries in North America, Latin America, Asia and Europe. Transportacisn Marmtima has a joint venture with J.B. Hunt, a U.S. trucking company. Kansas City Southern Industries, which operates a 2,800 mile railroad in the United States, announced in September that it will purchase 49 percent of the Texas Mexican Railway in a joint venture with Transportacion Maritima. The purchase will enable creation of a new, single-line route between Laredo and Kansas City, giving Canadian and eastern U.S. shippers another route into the heart of Mexico.

Last year Mexico decentralized its port management structure, and this July it awarded concessions for container terminal operation. Companies awarded concessions for private port terminals in 1993-94 have largely failed to build terminals to date, though some say they still intend to do so and are just waiting to see the shape and impact of rail privatization.

Charles Thurston and Lisa Bono, "Sale of the Century," TWIN PLANT NEWS, September, 1995; Kevin G. Hall, "Few Terminal Projects Emerge From Privatization," JOURNAL OF COMMERCE, August 31, 1995; "Kansas City Southern in Deal With Mexican Rail Operator," NEW YORK TIMES, September 6, 1995; Rip Watson and Kevin G. Hall, "Rail Partnership Would Bolster US-Mexico Links," JOURNAL OF COMMERCE, September 6, 1995.

CAR MAKERS HIT HARD BY PESO CRISIS

Although automobile exports from Mexico increased by 25 percent through June of this year, compared to last year, auto manufacturing in Mexico is in trouble. The five major auto makers -- Chrysler, Ford, General Motors, Nissan and Volkswagen -- had expected a thriving internal market. Instead, domestic sales dropped by 74 percent in the first half of 1995, compared to the same period in 1994.

The big companies have felt the Mexican economic crisis through the travails of their dealers in Mexico. Even with interest rates heading back down, Mexicans simply cannot afford to buy new cars. Ford has extended generous terms to its 136 dealers, losing money in order to keep its distributor network relatively intact. Despite extending below-market rate credit to its 150 dealers, Chrysler has seen 20 of them go out of business. Chrysler's Mexican dealers have complained about relations with Chrysler de Mexico and demanded a meeting with Chrysler officials in Detroit.

Mexico's national automobile manufacturers association has asked the federal government for tax and regulatory relief to help them compensate for drastic sales declines, including relief from the increase in the value-added tax (IVA) from 10 percent to 15 percent.

Exports of car parts from Mexico have increased this year. A Goodyear Tire plant at Tultitlan moved from producing mostly for the domestic market to exporting more than half its production to the United States, South America, and Europe, and has actually increased production. Workers complain about the decrease in purchasing power due to the peso devaluation. Goodyear management claims that workers at the Tultitlan plan average $10.50 per hour in wages and benefits, compared to $17 per hour in wages alone the United States, but workers say they earn far less.

Auto workers, hard-hit by the peso devaluation and ensuing inflation, struck the Ford Motor Company plant in Nuevo Laredo, Tamaulipas in July. Workers took control of the factory when they were told on July 17 that the CTM union leadership has signed an agreement with Ford accepting a 7 percent salary increase for the year, instead of the 30 percent that workers had demanded. The CTM union leaders, however, had negotiated a 30 percent increase for themselves. After a four-day wildcat strike, Ford agreed to new union elections and a 30 percent bonus, to be paid in coupons redeemable at major stores rather than in cash.

Kevin G. Hall, "Mexico's Ailing Carmakers Ask Government for Help," JOURNAL OF COMMERCE, July 27, 1995; Julia Preston, "Mexican Peso Fall Leads to Auto-Sales Standstill," NEW YORK TIMES, August 10, 1995; Kevin G. Hall, "Mexican Industry Seeks Answers to Economic Turmoil," JOURNAL OF COMMERCE, August 17, 1995; "Ford Workers Strike for a Living Wage," CJM NEWSLETTER, Summer, 1995; Allen R. Myerson, "Out of Crisis, An Opportunity," NEW YORK TIMES, September 26, 1995; "Mexican Chrysler Dealers Irate," ASSOCIATED PRESS, August 24, 1995; Mark Stevenson, "Too Many Luxury Cars," EL FINANCIERO INTERNATIONAL, September 18-24, 1995.

ENERGY: NATIONALISM AND INTERNATIONALISM

North American and European energy companies are investing in a network of natural gas pipelines across the continent, planning to take advantage of both vast untapped natural-gas fields and growing Latin American needs for new, clean fuel supplies. Argentina, Peru and Bolivia are rich in natural gas, while Chile and Brazil, with comparatively little gas of their own, have fast-growing economies that offer markets for gas. U.S. electric companies also plan to build power plants in Chile in the near future.

The Bolivian government has begun a privatization process that will double the net worth of Yacimientos Petroliferos Fiscales Bolivianos (YPFB), the state-owned oil firm, and transfer its administration and half of its share to a private investor. No private Bolivian firm will be able to compete, since the Bolivian government demands that bidders have a net worth of at least $500 million. YPFB and the Brazilian Petrobras are negotiating final details of a sale of Bolivian gas to supply the industrial market of Sao Paulo, including construction of a 2,200 kilometer pipeline that will cost more than $2 billion. So far, the bidders for YPFB include U.S., Argentine, Brazilian, Canadian, Dutch, Spanish, and French firms, and the Brazilian branch of British Gas.

Argentina and the United Kingdom have reached a tentative agreement on oil exploration and exploitation in disputed waters around the Falkland Islands. Britain and Argentina fought a 10-week war over the Falkland Islands, called the Malvinas by Argentina, in 1982. Argentina still claims the territory, but has put aside its claim of sovereignty to work out business arrangements.

The framework agreement on oil will allow Argentine companies to participate in joint ventures in the disputed waters, but the Argentine government will draw no royalties from the explorations. Revenue from the oil activity in the so-called Cooperation Zone will be split equally between Britain and Argentina, which will require modification to the Argentine hydrocarbons law. According to some experts, the Falklands could have as much oil as the North Sea.

"Untapped Latin Gas Fields Lure N. American, European Investors," REUTERS (in JOURNAL OF COMMERCE), September 15, 1995; Juan Carlos Rocha, "Oil-Bolivia: Privatisation Process Seduces International Giants," INTERPRESS SERVICE, August 23, 1995; David Pilling and Jimmy Burns, "Oil Cash for Argentina," FINANCIAL TIMES, September 20, 1995; "UK and Argentina, One-Time Enemies, Draft Falklands Pact," REUTERS (in JOURNAL OF COMMERCE), September 18, 1995.

RURAL COALITION CROSSES BORDERS

The Rural Coalition, active since 1978 in promoting sustainable development and long-term viability in rural communities through community organizing and development of cooperatives and credit unions, expanded beyond the United States into Mexico through a 1993 alliance with the Chihuahua-based Frente Democratico Campesino (FDC). Two cross-border projects -- one focusing on rural cooperative marketing and the other on health and environment -- have begun.

The alternative marketing project will offer information on marketing networks and training in cooperative and credit union structures and government programs. It may also facilitate projects that eliminate intermediaries, thus increasing profit for farmers. One such project, in the planning stages, will market Chihuahuan blue corn directly to Spanish-speaking communities in the United States and another will market organic coffee from Oaxaca. The marketing will involve a cooperative relationship between the U.S. Federation of Southern Coops/Land Assistance Fund and the FDC.

The environmental health assessment project, which involves identifying and monitoring pesticide use, documenting related health hazards, and training farm workers, began with a May training session for representatives of the FDC, the El Paso-based Union de Trabajadores Agrmcolas Fronterizos, and farm workers associations in Florida and New Jersey.

Loretta Picciano-Hanson and Carlos Marentes, "Rural Coalition Develops Alternatives to Globalization," BORDERLINES, July, 1995.

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Bittersweet Harvests for Global Supermarkets by Lori Ann Thrupp with Gilles Bergeron and William F. Waters, World Resources Institute, Baltimore, MD: 1995. 202 pp. Order from WRI Publications, P.O. Box 4852, Hampden Station, Baltimore, MD 21211. Telephone 800/822-0504 or 410/516-6963, email WendyW@WRI.ORG. $19.95 + $3.50 s&h. Analyzes key characteristics and challenges in diversification of agricultural exports in developing countries, with particular emphasis on non-traditional, high-value fruits, vegetables, flowers in Latin America.

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From iatp@igc.apc.orgSat Oct 21 01:31:47 1995 Date: Fri, 20 Oct 1995 08:46:30 -0700 (PDT)
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Subject: NAFTA & Inter-Am Monitor 10-20-95

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

October 20, 1995 Volume 2, Number 27

Headlines:

- **UNEMPLOYMENT PUSHES WORKERS NORTH**
- **CONFLICTING VISIONS OF ZEDILLO VISIT**
- **SEWAGE KILLED BIRDS**
- **HAZARDOUS WASTE DUMP PLANS ATTACKED**
- **ANOTHER DOLE ENTERS BANANA WAR**

UNEMPLOYMENT PUSHES WORKERS NORTH

California's fields were once harvested by Chinese and Japanese immigrants, then by Filipinos and Mexicans and refugees from the Depression-era Dust Bowl in the United States Midwest. Each group moved up to better jobs, leaving farm labor to its successors. According to Don Villarejo, a professor at the California Institute for Rural Studies in Davis, California farm owners "are reaching deeper and deeper into Central and South America to find people willing to do the work that people who are born here don't want to do."

Now Mixtec and Zapotec Indians from Mexico join a dozen Mayan tribes from Guatemala as migrant farm workers in California. Though no accurate counts of the workers exist, a local health center survey taken two years ago found that 40 percent of the workers interviewed in 19 labor camps spoke 12 indigenous Indian languages rather than Spanish. Some estimate the number of Mixtec Indian farm workers as 50,000 of California's 800,000 farm laborers. Mixtec workers report that they are often in the fields from dawn to dusk during the short raisin grape harvest, taking home as little as $3 an hour. In the Mexican state of Oaxaca, many villages are supported by farm work in the United States.

The total number of undocumented workers stopped at the United States-Mexico border has risen sharply in 1995, reflecting soaring unemployment in Mexico as the result of last December's peso devaluation. University of Texas professor Rudy de la Garza describes the alternatives for Mexican workers: "First, you can become a street vendor. Second, you can turn to crime. Or, third, you can leave. And the third alternative makes a lot of sense if you already have a network of people in the U.S., and those networks exist all over the U.S."

While a million farm workers obtained amnesty under a 1986 law, Martin estimates that 25 percent of today's migrant workers are in the country without documentation, with the proportion of undocumented workers highest among the most recent arrivals. A recent survey by Philip Martin, professor of agricultural economics at the University of California at Davis, found that 82 percent of California's farm workers are Mexican-born. California farm owners insist that they need Mexican workers. They worry that threatened crackdowns on undocumented workers will reduce U.S. fruit and vegetable production.

In addition to Mexicans, thousands of Nicaraguans, Salvadorans, and Haitians in the United States now face deportation. The U.S. Immigration and Naturalization Service (INS) says that Haitians, Salvadorans and Nicaraguans no longer need the special immigration status that they were granted in the past because the countries are now at peace under democratically-elected governments.

>From a 10-foot-high welded steel wall near San Diego to "Operation Hold the Line" in El Paso, the U.S. Border Patrol uses increased funding, personnel and technology to keep out would-be immigrants. But they acknowledge that the border is like a balloon: when squeezed in one place, it bulges in another. Although the wall has decreased border crossings in the Imperial Beach section of the border, crossings and apprehensions further to the east in the San Diego sector have increased by 14 percent over 1994. Stepped-up border patrols by the United States supposedly match increased Mexican enforcement efforts by Grupo Beta, Mexico's U.S.-trained border police unit. In fact, many Grupo Beta police protect would-be migrants from criminals and coyotes, while turning a sympathetic blind eye to their border crossing forays.

Anti-immigration legislation before the U.S. Senate and House of Representatives targets both legal and undocumented immigration, cutting hundreds of thousands of parents, children, brothers and sisters of U.S. citizens off waiting lists. Proposed legislation would also give broad police powers to the Department of Labor and double or triple employer fines for hiring undocumented workers.

Seth Mydans, "A New Wave of Immigrants on Lowest Rung in Farming," NEW YORK TIMES, August 24, 1995; Diane Solis, "U.S. Stops More Mexicans at Border as Their Economic Opportunities Sink," WALL STREET JOURNAL, August 8, 1995; Andres Viglucci, "Exempt No More, Now Deported," MIAMI HERALD, August 30, 1995; "Crowded Asylum Process Favors Salvadorans," CENTROAMERICA, June, 1995; Yvette Collymore, "To Catch A Dishwasher," INTERPRESS SERVICE, October 4, 1995; Robert Collier, "At Border, Mexican Police Unit is the Migrants' Best Friend," SAN FRANCISCO CHRONICLE, September 25, 1995; Seth Mydans, "Clampdown at Border Is Hailed as Success," NEW YORK TIMES, September 28, 1995; Louis Dubose, "El Paso's Desert Shield," TEXAS OBSERVER, September 29, 1995; Larry Waterfield, "Illegal Aliens Face Crackdown," THE PACKER, July 29, 1995.

CONFLICTING VISIONS OF ZEDILLO VISIT

Last-minute trade negotiations before Mexican President Ernesto Zedillo's visit to Washington resolved a long-standing dispute over labeling and inspection of tires made in Mexico by U.S. manufacturers. Two other disputes outlasted last-minute pressures for settlement: the long-standing United Parcel Service demand to use large trucks on Mexican roads and Mexico's refusal to speed up a reduction in wine tariffs.

During his visit, President Zedillo pledged to continue his austerity program and to try an experimental program of "repatriating" undocumented workers from the United States to their hometowns, instead of letting them sit on the border to try another crossing. President Zedillo also agreed to accept more U.S. helicopters to be used in combating drug trafficking.

Just before the visit, Zedillo's government had announced that Mexico soon would pay off $700 million of the $12.5 billion in emergency loans made by the United States to Mexico earlier this year. The ahead-of-schedule payment is intended to demonstrate Mexico's success in dealing with its economic crisis. Mexico will repay the loan by issuing debt bonds in German marks, demonstrating its renewed ability to access European bond markets. Mexico has already paid the U.S. Treasury roughly $470 million in interest. The International Monetary Fund (IMF) announced that Mexico is meeting its economic and financial targets in February and will qualify for additional IMF credits in November.

The Mexican Action Network for Free Trade and Equipo Pueblo, two Mexican non-governmental organizations, pledged to demonstrate in New York and Washington during the visit, saying that NAFTA has had hugely negative effects on jobs and people in Mexico. According to Mexico's Salvador Zubiran National Nutrition Institute, between 80 and 82 children under the age of one die each day because of malnutrition, and 16 percent of the country's children suffer from malnutrition. In late September, the Mexican Trade and Industry Secretariat (SECOFI) announced a 10 percent rise in the price of tortillas and a phase-out of price controls on tortillas over coming months. The price of tortillas has risen 47 percent since January.

Diego Cevallos, "Zedillo's U.S. Visit - an Exercise in Image Polishing," INTERPRESS SERVICE, October 9, 1995; David E. Sanger, "Upbeat White House Visit for the President of Mexico," NEW YORK TIMES, October 11, 1995; Helen Thomas, "Mexico Starts to Pay Back Loan," UPI, October 5, 1995; Kevin G. Hall, "US, Mexico Settling Trade Rows," JOURNAL OF COMMERCE, October 6, 1995; "Mexico: Children Starve, Tortilla Prices Rise, IMF Approves," WEEKLY NEWS UPDATE ON THE AMERICAS, October 1, 1995; Sam Dillon, "U.S. is Drug Suitor; Plying Mexico With Copters," NEW YORK TIMES, September 23, 1995.

SEWAGE KILLED BIRDS

A NAFTA panel's investigation into the deaths of 40,000 migratory birds last winter found that botulism caused by raw human sewage, not industrial pollution, killed the birds. The reservoir waters were probably 100 percent raw sewage from November through January, when most of the birds died. The panel also found substantial exposure to heavy metals, discharged without treatment by 1,000 leather tanneries upstream from the reserve, but said this was not the main cause of death. The panel urged that the Silva Reservoir, 195 miles northwest of Mexico City, be kept drained and that the government spend $50 million on water treatment plants for the city of Lesn, which is upstream from the reservoir. Local farmers still depend on the reservoir for irrigation.

According to Julia Carabmas Lillo, Mexico's environment minister, Mexico has only 660 water treatment plants for 92 million people, and many of those are non-functioning. In Ciudad Juarez, a canal collects the untreated sewage of 1.5 million people, distributing it in a network of irrigation channels to the region's cotton and alfalfa farms. A $50 million plan to build two sewage plants for the city could be funded by a loan from NADBank, the NAFTA agency set up to lend money for border environmental projects. Because of Mexico's economic crisis, Ciudad Juarez can't afford the loan. The economic crisis has also kept Nuevo Laredo from completing a new $40 million sewage treatment plant and stalled a $388 million treatment plant planned for Tijuana.

Nor is the problem of water treatment limited to Mexico. Recent reports from Texas show that developers have built colonias along the Texas side of the border without providing water or sewer lines. The 1,400 colonias hold an estimated 340,000 residents, mostly legal immigrants. Colonia developers used their political connections to fend off attempts to regulate the developments until this year, when a new Texas law began to require developers to provide sewer and water connections and sometimes electricity, gas and paved roads.

Sam Dillon, "Inquiry Finds Sewage Killed 40,000 Birds," NEW YORK TIMES, September 29, 1995; Allen R. Myerson, "Sewers and Clean Water a Must at Border Housing, Texas Says," NEW YORK TIMES, June 20, 1995; Robert Collier, "Cleanup Along the Border Still a Dream," SAN FRANCISCO CHRONICLE, September 26, 1995.

HAZARDOUS WASTE DUMP PLANS ATTACKED

Greenpeace Mexico joined more than a hundred community, social and environmental organizations in an October demonstration against Metalclad's proposed toxic waste dump in Guadalcazar in the state of San Luis Potosi. Metalclad, a U.S. company, purchased the Mexican company Confinamiento Tecnico de Residuos Industriales (COTERIN) in 1993. COTERIN had run a clandestine hazardous waste dump in Guadalcazar since 1989, despite government citations and public opposition. Metalclad said it would clean up more than 20,000 tons of hazardous waste illegally stored at Guadalcazar at the time of its purchase of COTERIN only if it was granted a permit to reopen a dump on the same site.

According to Metalclad executives, approval of the facility by Mexico's Secretariat of Environment, Natural Resources, and Fisheries is expected soon, based on company-conducted studies. Greenpeace charges that the company studies do not include geohydrological models of underground water patterns or epidemiological studies previously ordered by the Mexican Health Minister. The municipal government of Guadalcazar refused to issue the necessary permits, and criminal investigations of COTERIN and Mexican government officials are underway.

U.S. Senator Paul Simon (D-IL) and U.S. Ambassador to Mexico James Jones have written to Mexican President Ernesto Zedillo on behalf of the Illinois-based Metalclad company demanding the immediate approval of the dump.

Charlie Cray, "Greenpeace, Others Call on Senator Simon to Withdraw His Support for Toxic Dump in Mexico," GREENPEACE PRESS RELEASES, October 6,12, 1995; "Greenpeace Petitions Attorney-General to Investigate Waste Confinement Site Review," BUREAU OF NATIONAL AFFAIRS, October 2, 1995.

ANOTHER DOLE ENTERS BANANA WAR

U.S. Senator and Republican presidential candidate Bob Dole tried to slip sanctions against Colombia and Costa Rica through the Senate as a rider to his bill establishing a Senate oversight mechanism for United States involvement in the World Trade Organization. Dole tried to move the combined bill through the Senate by "unanimous consent," a parliamentary maneuver used for non-controversial legislation, but at least three other senators objected to Dole's attempt to impose trade sanctions on Colombia and Costa Rica in retaliation for their participation in the European Union's banana marketing plan.

In late September, U.S. Trade Representative Mickey Kantor said he will challenge the European Union (EU) banana import restrictions before the World Trade Organization. Senior EU officials defend the two-year-old banana import regime, which favors African, Caribbean and Pacific members of the Lome Convention at the expense of Latin American bananas. The EU claims that its policy has not hurt the United States and that the five major multinational banana traders -- Chiquita, Dole, Del Monte, Fyffes and Geest -- actually increased their EU market share from 53 percent to 58 percent from 1991 to 1994. Overall EU banana consumption has also risen.

Dole promised Carl Lindner, owner of Chiquita Brands International, to pressure the two Latin American countries in order to get them to pressure the European Union to allow Chiquita a greater market share. Dole has also tried to add the trade sanctions provision to the budget reconciliation bill. Lindner and his family contribute generously to political campaigns, including $140,000 given to a Republican Party fund last summer and $525,000 given to both Democratic and Republican candidates during 1994.

John Maggs, "Back-Room Banana Bill Effort Slips in Senate," JOURNAL OF COMMERCE, October 13, 1995; John Maggs, "Dole May Use Budget Bill to Strip Colombia of Trade Benefits,: JOURNAL OF COMMERCE, October 5, 1995; Shada Islam, "Lome Banana Import Regime Has Not Hurt U.S., Says EU," INTERPRESS SERVICE, October 9, 1995.

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Broken Promises: Agrarian Reform and the Latin American Campesino by William C. Thiesenhusen, Westview Press, Boulder, CO: 1995. 226 pp. Order from Westview Press, 5500 Central Avenue, Boulder, CO 80301-2847. Telephone 303/444-3541, fax 303/449-3356. $59.95 hardcover, $19.95 paper. Historical and analytical review of agrarian reforms in Mexico, Bolivia, Guatemala, Chile, Nicaragua, and El Salvador shows that most campesinos got no land at all, and that those who did receive land still faced problems of getting needed inputs for efficient farming and of inflation and unfavorable terms of trade.

Fighting for the Soul of Brazil edited by Kevin Danaher and Michael Shellenberger, Monthly Review Press, New York, NY: 1995. 272 pp. Order from Monthly Review Press, 122 West 127th Street, New York, NY 10001 or Global Exchange, 2017 Mission St., Room 303, San Francisco, CA 94110. Telephone 800/497-1994. $15+$1.50 s&h. Collection of 38 essays ranges over economics, politics, ecology, street children, grassroots views, and the Workers Party. Sources of essays range from MARYKNOLL NEWSNOTES and MULTINATIONAL MONITOR to the NEW YORK TIMES.

Governing Capital: International Finance and Mexican Politics by Sylvia Maxfield, Cornell University Press, Ithaca, NY: 1990. 198 pp. Order from Cornell University Press, 123 Roberts Place, Ithaca, NY 14850. Scholarly analysis of some effects of international financial integration on Mexican political economy includes look at financial regulation, monetary policy, and exchange rate policy.

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Subject: NAFTA & Inter-Am Trade Monitor 11-33

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

November 3, 1995 Volume 2, Number 28

Headlines:

- **MEXICO-U.S. AG TRADE CONFLICTS**
- **BRAZIL: AGRARIAN REFORM PROPOSED TO END VIOLENCE**
- **TIGHTENING THE SCREWS ON CUBA**
- **MEXICO: PESO PLUNGES, PLAN PROPOSED**
- **PROGRESS IN CHIAPAS TALKS**
- **BRAZIL: REAL FALTERS**

MEXICO-U.S. AG TRADE CONFLICTS

Avocados and tomatoes continue to create conflicts between U.S. and Mexican growers and government officials. The 80-year-old U.S. ban on Mexican avocados, scheduled to be lifted this November, probably will remain in place for at least another growing season, according to officials of the U.S. Department of Agriculture (USDA). The USDA's July proposal to lift the ban encountered heavy opposition from California growers, who produce almost all of the U.S. avocado crop, and the department now says it will need more time to evaluate more than 1,000 comments received during the 60-day comment period.

USDA officials had proposed allowing Mexican avocados to be shipped to 19 northeastern states where cold winter weather was expected to kill seed weevils and other insects from Mexico that might pose a threat to U.S. avocado trees. Growers maintain that there is no effective way to contain avocados in the northeast, citing examples of avocados now shipped to Alaska that have ended up in Washington and other Pacific northwest states. Mexican growers maintain that the ban is based on economic rather than phytosanitary considerations.

Florida tomato growers' demands for economic protection from cheaper Mexican winter tomato imports appear to have found a powerful advocate in U.S. Trade Representative Mickey Kantor. Kantor proposes that Mexico's imports be measured weekly rather than once for each of the year's two growing seasons, and that higher tariff rates be imposed whenever big shipments exceed the quota. U.S. Customs Service officials say they cannot monitor tomato shipments and adjust tariffs weekly. Mexican growers say that it is impossible to maintain uniform weekly tomato shipments throughout the season, and that the plan violates NAFTA's prohibition against making changes in trade laws to further restrict imports. A Mexican official sarcastically suggested that Mexico begin measuring its corn imports every 10 minutes.

Despite opposition from State, Treasury, and Agriculture departments, President Clinton is considering the plan, which might win him votes next year in the key state of Florida. "This is precisely the kind of sneaky thing that China and Japan and Korea do to us," complained one administration official. Other protection proposals made by Florida growers include raising the tariff on Mexican tomatoes by the same percentage as the devaluation of the Mexican peso since last December; applying U.S. packing standards to tomato imports, which would mean a change in box size; and redefinition of "seasonal industries" provisions of NAFTA.

Peter M. Tirschwell, "US Delays Lifting Ban on Mexican Avocados," JOURNAL OF COMMERCE, October 26, 1995; John Maggs, "Clinton May Put Squeeze on Mexican Tomato Import," JOURNAL OF COMMERCE, October 26, 1995; Nicole Laborde, "U.S. Tomato Growers See Red," EL FINANCIERO, October 9-15, 1995.

BRAZIL: AGRARIAN REFORM PROPOSED TO END VIOLENCE

President Fernando Henrique Cardoso, facing increasing violence in the countryside, ordered his cabinet to make land reform a priority and called for help from the Catholic Church and opposition political leaders.

The Movimiento dos Trabalhadores Sem-Terra (MST), an organization of landless campesinos, says 4.8 million families -- 12 million people -- have no land. More than 1,000 campesinos have been assassinated in the past 10 years in the struggle for land. The August 10 police torture and execution of at least eight campesinos and a 13-year-old girl in Hacienda Santa Elena near Corumbiara in Rondonia focused national and international attention on Brazil's rural crisis.

During his 1994 presidential campaign, Cardoso promised agrarian reform and after his inauguration he proposed distributing 11,000 hectares of land to

280,000 families by 1998. To date, 17,000 families have received land. On September 28, Cardoso replaced the head of the government's National Institute of Colonization and Agrarian Reform (INCRA) with his personal secretary, Francisco Grazziano, who said in 1994 that "agrarian reform is a thing of the past, it belongs to the 1960s." The former head of INCRA, Brazilio de Araujo Neto, was a powerful landowner.

The MST calls the government plan inadequate and proposes that the government call in past-due debts of 1,276 major debts of the state-owned Bank of Brazil, claiming that most large debtors are large landowners who produce nothing on their land but use it to obtain rural credits that are never paid back. Rural landowners have organized to prevent enforcement of the provision in the 1988 Constitution that allows expropriation of unproductive lands.

Meanwhile, the Justice Ministry has ordered investigation of reports that landholders in Paranapanema in western Sao Paulo state are arming themselves with automatic weapons. The National Confederation of Agriculture created a Commission for the Defense of Property in September, calling for resistance by landowners to threats of occupation of their property. MST has pledged to continue land occupations, in which about 85,000 families are currently involved. About 2,100 families occupy the disputed land in Paranapanema. The government owns the land, but large landholders have occupied it for decades.

According to a labor-based research institute, DIEESE, the richest half of Brazil's population controls 88 percent of national income, making Brazil first in the world in concentration of wealth. In rural Brazil, 10 percent of the farmers own 80 percent of arable land. But neither land distribution inequities nor rural violence are limited to Brazil.

Mining and oil drilling have driven native peoples from their lands in Sierra de la Perija in Venezuela, leading to killings of Indians by military and police. The Maroons of Suriname-- descendants of African slaves who escaped their colonial masters 350 years ago -- have been shot at by security officials for the Canadian-owned Golden Star mining company in recent months, according to local human rights organizations. In Paraguay, where 80 percent of the land is owned by five percent of the population, at least one person died in clashes between police and campesinos occupying land. The Paraguayan parliament responded by passing a new proposal for expropriation and distribution of land. In Honduras, where land occupations and clashes with police are on-going, three campesinos were killed by police in October and a campesino leader was assassinated by unknown persons.

Mario Osava, "Fear of Social Unrest Revives Land Reform," INTERPRESS SERVICE, September 28, 1995; President Fernando Henrique Cardoso Makes Agrarian Reform a Priority to Stem Tide of Violence in Countryside," NOTISUR, October 6, 1995; "Brazil President Pledges Land Reform," WEEKLY NEWS UPDATE ON THE AMERICAS, October 8, 1995; "Brazilian Landowners Prepare to Fight Squatters," WEEKLY NEWS UPDATE ON THE AMERICAS, October 8, 1995; Pratap Chatterjee, "Battles Over Land Spread Across Amazon Basin," INTERPRESS SERVICE, October 7, 1995; Cristhian Torres, "Paraguay-Agriculture: Demands for Agrarian Reform," INTERPRESS SERVICE, September 15, 1995; "Three Killed in Honduran Land Clash," WEEKLY NEWS UPDATE ON THE AMERICAS, October 29, 1995.

TIGHTENING THE SCREWS ON CUBA

By a vote of 74-24, the U.S. Senate approved the Helms-Burton bill to tighten the U.S. embargo against Cuba. The legislation commits the United States to seeking a worldwide embargo against Cuba at the United Nations, despite the U.N. General Assembly's consistent and repeated condemnation of the U.S. embargo. It also forbids import of sugar or molasses from countries that buy those products from Cuba and cuts aid to Russia by $200 million in retaliation for Russia's payment of rent to Cuba for an electronic intelligence-gathering base.

The anti-Cuba legislation passed after it was stripped of an even more stringent provision that would have allowed Cuban exiles and U.S. companies whose property was expropriated by the government of President Fidel Castro to use U.S. courts to sue foreign firms and individuals who "trafficked" in those properties. The U.S. House of Representatives included the more punitive provisions in the version of the bill that it passed in September.

Jim Lobe, "Senate Clears Weakened Sanctions Bill," INTERPRESS SERVICE, October 19, 1995; "'Gutted' Bill to Strengthen Cuba Sanctions Passes U.S. Senate," WEEKLY NEWS UPDATE ON THE AMERICAS, October 22, 1995.

MEXICO: PESO PLUNGES, PLAN PROPOSED

After the peso fell dramatically to an seven-month low of 7.23 to the dollar (about 14 cents, compared to 29 cents one year ago), the Mexican government, business, and unions signed a new pact, the Alliance for Economic Recuperation, on October 29. No exchange rates were set, but the government offered various incentives and tax breaks for businesses and set a goal of three percent economic growth and 20 percent inflation in 1996. More pessimistic private economists forecast five percent economic contraction and 50 percent inflation. The latest economic figures show inflation at 1.1 percent for the first two weeks of October (about 30 percent annually). Foreign reserves fell by $1.034 billion to $13.758 billion from October 6 to October 13. Up to 95 percent of the reserves is borrowed money.

The Alliance for Economic Recuperation raises some minimum wage categories by 20 percent to about $3 per day, and increases gasoline and electricity rates by seven percent in December and 1.2 percent each month in 1996, except for a six percent rise in April. Business agreed to moderate price increases, and the government agreed to eliminate sales taxes on new cars, which have had a 70 percent drop in domestic sales during 1995. The government also pledged to reduce the budget but increase spending on investment in energy production, education, and health.

Carlos Heredia, "Peso Plunge Once Again Underscores Lack of Strategy for Recovery," EQUIPO PUEBLO, October 27, 1995; "Behind the Latest Mexican Crisis," WEEKLY NEWS UPDATE ON THE AMERICAS, October 29, 1995; Craig Torres, "Mexico Reaches Wage and Price Accord But Some Economists Are Wary of Goals," WALL STREET JOURNAL, October 30, 1995; Anthony DePalma, "Mexicans Reach New Pact on the Economy," NEW YORK TIMES, October 30, 1995; Anthony DePalma, "Mexican Markets Applaud Economic Plan," NEW YORK TIMES, October 31, 1995.

PROGRESS IN CHIAPAS TALKS

As a 6.3 magnitude earthquake shook Chiapas on October 20, government and Zapatista National Liberation Army (EZLN) talks continued. Six concurrent working groups met in two cities to discuss indigenous rights and autonomy, with both sides characterizing the talks as successful. "The document under discussion was so good we made the earth shake," joked an EZLN adviser.

Then, on October 21, police in Mexico City arrested Fernando Yanez Munoz, whom they alleged to be Commandante German, the "maximum leader" of the EZLN. Yanez and two companions were arrested in what police tried to pass off as a routine traffic stop, and charged with possession of weapons. Police accounts of the stop and arrest were contradicted by eye-witnesses. Yanez says he is not Commandante German and has no links to the EZLN, "though it would be an honor for me," but was part of the guerrilla Liberation Armed Forces (FLN) in the 1970s. In response to the arrest, the EZLN went on "red alert," and charged that the government had broken a special March 11 amnesty suspending arrest warrants against rebels during the peace talks. On October 27, the government dropped all charges and released Yanez.

In elections held in Chiapas in mid-October, the governing Institutional Revolutionary Party (PRI) maintained control of the state congress and won a majority of disputed municipal elections. Voter turnout was the lowest in ten years, 44 percent according to official figures, and violence during the pre-election period included 30 murders and four disappearances, according to human rights organizations. The PRI won 48.5 percent of the vote, with 31.5 percent going to the Democratic Revolutionary Party (PRD), and 13 percent to the conservative National Action Party (PAN). Voting was postponed in Ocosingo, due to the possibility of violence, and the local PRI leaders in the Tzotzil municipality of San Juan Chamula delivered only 100 percent of the vote to the PRI, down from a high of 110 percent of registered voters in Ocosingo who voted for the PRI in 1988.

"Mexico: Peso Plunges as 'Rebel Leader' Arrested," WEEKLY NEWS UPDATE ON THE AMERICAS, October 29, 1995; "PRI Holds Chiapas, Although Opposition Gains Ground," INTERPRESS SERVICE, October 16, 1995; "Final Vote Count in Elections," MEXICO UPDATE, October 24, 1995; "Communique from the Indigenous Revolutionary Clandestine Committee General Command of the EZLN," October 21, 1995; Elio Henriquez and Herman Bellinghausen, "Alerta Roja," LA JORNADA, October 26, 1995; "This Week in Mexico," EL FINANCIERO, October 23-29, 1995.

BRAZIL: REAL FALTERS

After rapid economic growth of about 10 percent on an annualized basis during the first quarter of 1995, Brazil's economy has slowed dramatically. The government Planning Ministry now predicts annual growth of about five percent, down slightly from 1994's rate of 5.8 percent. While 1995's 25 percent inflation is low compared to previous years, it is expected to continue in double digits for the foreseeable future.

After Brazil's "Plan Real" currency and economic stabilization plan was implemented in July 1994, Brazil's balance of trade went from monthly deficits in the billion dollar range to eight months of trade surpluses ranging from $183 million in November 1994 to more than $2 billion in March 1995 to $775 million in June 1995. Trade deficits reappeared, with $2 million in July 1995 and $328 million in August. Both exports and imports have increased since the implementation of the Plan Real.

The bond debt of the central government grew by 41.7 percent during the third quarter of 1995 alone, to a total of more than $100 billion or 98.4 billion Reals, according to Central Bank figures. The debt has increased by 65.4 percent since the Plan Real took effect in July 1994. State bond debts rose by 88.6 percent to $37.3 billion since July 1994. In response, the government proposes to eliminate job security for Brazil's public employees through a constitutional amendment. Most state payrolls exceed 60 percent of state budgets, and grow by more than 25 percent per year.

Bill Tomson, "Brazil Economic Slowdown to Extend Into 1996," KNIGHT-RIDDER

FINANCIAL SERVICE, October 24, 1995; Mario Osava, "Public Finances Threatened by Soaring Debt and Payrolls," INTERPRESS SERVICE, October 23, 1995; James Bruce, "Stretched to the Limit," JOURNAL OF COMMERCE, October 25, 1995.

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Mexican Insights: Mexican Civil Society Speaks to the United States, Washington Office on Latin America, Washington, DC: 1995. 51 pp. Order from Washington Office on Latin America, 400 C Street NE, Washington, DC 20002. Telephone 202/544-8045, fax 202/546-5288, email: wola@igc.apc.org. Compilation of presentations given by Mexican participants in roundtables sponsored by WOLA and the Mexican Academy for Human Rights in 1995, focusing on Chiapas and prospects for peace, on prospects for democratization under Zedillo, and on drug trafficking in Mexico and international implications.

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Subject: NAFTA & Inter-Am Trade Monitor 11-17

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

November 17, 1995 Volume 2, Number 29

Headlines:

- U.S. AG EXPORTS AT RECORD HIGH
- MEXICO: NEW FARM PLAN PROPOSED
- PESO STILL FALTERING
- COMMENTS ON TOMATO IMPORTS CONSIDERED
- CANADIAN TRADE SURPLUS A CHIMERA
- "CBI PARITY' BILL CHANGED
- FAST TRACK SLOWED IN CONGRESS
- NAFTA ENVIRONMENTAL CONCERNS CONTINUE

U.S. AG EXPORTS AT RECORD HIGH

U.S. agricultural exports saw estimated growth of 22 percent in fiscal 1995 (October 1994-September 1995) to a record $53 billion, the biggest year-to-year increase since 1988. Agricultural exports are expected to grow by three percent in 1996 to set a new record high of $54.5 billion. U.S. agricultural imports are expected to remain at 1995's level of $29 billion for another year.

U.S. coarse grain exports (corn, sorghum, barley, rye, oats, and mixed grains) fell in volume in 1995, but higher export prices kept their value steady at 1994 levels. U.S. corn export prices are expected to rise further in 1996. Exports of high-value product -- fruit, vegetable, and meat exports -- continue to rise, partly as a result of market-opening agreements and expanded international fast food sectors. In Colombia, for example, the government has agreed to allow imports of meat and poultry from the U.S., provided it comes from federally inspected U.S. plants. International market opening is a two-way street, as Argentina and Uruguay have finally met U.S. concerns about hoof-and-mouth disease and have gained permission to begin shipping fresh and frozen beef to the United States.

Exports of animal products also continue to rise steadily. U.S. beef exports rose, driven by higher sales to Japan and South Korea. Citing "competitive priced pork products" and record U.S. pork production, the USDA Foreign Agricultural Service reported that the U.S. has reversed its traditional position as a large net importer of pork, and will probably be a net exporter of pork for the first time in 43 years. Live cattle imports from Mexico to the U.S. increased dramatically in 1995, as Mexican producers sold off drought-stricken herds.

Meanwhile, Marvin Lehrer, director of the USDA's trade office in Mexico City, predicted increasing U.S. agricultural exports to Mexico in the future, despite 1995's sharp decline in agricultural exports due to the peso devaluation. Lehrer maintains that Mexico simply cannot produce enough to feed its growing population. With decreasing tariffs under NAFTA, U.S. products such as meat, fresh fruits and vegetables, and processed foods are more attractive to the Mexican middle class. Mexico will import a record ten million tons of grain in 1995, more than a quarter of total annual grain consumption.

"U.S. Ag Exports to Set Record in FY96," AGRICULTURAL OUTLOOK, October, 1995; "U.S. Pork Exports Setting Record Pace," THUMB FARM NEWS, October 2, 1995; Robert H. Brown, "Colombia Opening Borders to U.S. Meat," FEEDSTUFFS, September 18, 1995; Paul F. Conley, "US Live Cattle Exports Plummet; Drought-Hit Mexico Sells Herds in US," JOURNAL OF COMMERCE, August 30, 1995; Calvin Sims, "South American Beef to Broaden Markets," NEW YORK TIMES, October 5, 1995; Bill Mongeluzzo, "US Sees Farm Sales to Mexico Sprouting," JOURNAL OF COMMERCE, September 14, 1995; Chris Aspin, "Mexico Corn Shortage Forces Farm Policy Shake-Up," REUTER, October 19, 1995.

MEXICO: NEW FARM PLAN PROPOSED

The Mexican government announced a new Alliance for Rural Areas (Alianza Para el Campo - APC) as a companion to the Alliance for Economic Recovery (APRE), and the "Alliance to Strengthen and Modernize Social Security."

The broad objectives of the APC are increasing agricultural profitability, combating rural poverty, providing staples at low costs, and reducing reliance on imports of dairy and beef products. "Mexico cannot continue importing 40 percent of the milk it consumes nor continue importing meat," said Agriculture Secretary Francisco Labastida. Cooking oil production will also be supported, in order to reduce reliance on imports and to export to Asian markets. According to Labastida, consumer subsidies for the purchase of wheat, cornmeal and tortillas will take the place of direct subsidies to producers.

Specific proposals include a 20 percent subsidy to farmers who purchase tractors (though this is offset by a 10 percent increase in the price of John Deere tractors), and subsidies to ranchers and dairy farmers for grass seeding, fertilization, irrigation, and storage plants for cold milk. Between 25 and 30 billion new pesos will fund the Programa de Apoyos a la Capitalizacion del Campo (PRODUCE) over the next five years. In addition, the APC will make land transfers easier. Mexican critics faulted the APC as a subsidy program for the sectors who need it least, the ranchers and large agricultural producers.

The APC also calls for transferring 85 percent of the functions of the Secretariat of Agriculture, Ranching and Rural Development's 126 functions to state governments next year in a massive decentralization move. Foundations operated by producers in each state would be charged with encouraging technology transfer. David Myhre, an expert on Mexican Agriculture at the University of California-San Diego's Center for U.S.-Mexican Studies, warned that the states may not be ready to take on the federal functions and that the foundation structure may favor large, wealthy landholders.

"There's no guarantee that transfer to state officials will make it more democratic, participatory and efficient," said Myhre. "Where are the checks and balances?"

Kevin G. Hall, "Mexico's Farm Plan Carries Benefits, Risks," JOURNAL OF COMMERCE, November 3, 1995; "Alliances for Whom?" MEXPAZ, November 8, 1995; Matilde Perez U.," "Se Destinaran de N$25 Mil Hasta N$30 Mil Millones en 5 Anos: Labastida," LA JORNADA, November 2, 1995; Matilde Perez U. and Ricardo Aleman Aleman, "El FIRA Operara Ahora Como Medio de Financiamiento Rural," LA JORNADA, November 1, 1995.

COMMENTS ON TOMATO IMPORTS CONSIDERED

Although most members of U.S. President Clinton's cabinet oppose new restrictions on tomato imports from Mexico, the National Economic Council has recommended that the administration solicit comments on the import restriction proposal. The proposal, put forward by U.S. Trade Representative Mickey Kantor and supported by Florida tomato growers, would require calculation of the tomato import quota weekly instead of twice yearly. If, as expected, President Clinton agrees to request comments, the notice would appear in the Federal Register and the issue would remain alive into next year's electoral campaign season.

John Maggs, "Clinton Team to Seek Comment on Tomato Import Restrictions," November 6, 1995.

PESO STILL FALTERING

The Mexican peso continued to show weakness in early November, fluctuating between 7.5 and 8 pesos to the U.S. dollar. The Bank of Mexico intervened on November 9, halting what seemed to some to be a new free fall for the peso by raising interest rates and buying pesos. This was the first intervention by the central bank since February. The peso devaluation increased Mexico's foreign debt from 853.3 billion new pesos to 908.9 billion new pesos on Friday, November 3.

Mexican government officials angrily blamed the peso's continuing slide on rumors originating in New York and Chicago. The rumors, traced to the New York Stock Exchange and Dow Jones, alleged that a military coup was imminent and/or that Finance Minister Guillermo Ortiz had quit. Both rumors proved false, but some questioned whether the rumors were a strategy of speculators planning to take advantage of a peso sell-off.

As money markets showed continuing weakness, the Mexican government introduced a bill in Congress to restructure the nation's Social Security Institute, privatizing much of the pension and health care systems and cutting back daycare and cultural centers. The Mexican Social Security Institute runs everything from hospitals in which one of every three Mexicans is born to a chain of 16 funeral parlors that offer $73 pine coffins and $52 wakes.

Roberto Gonzalez Amador, "Ayer, 'Mas Estabilidad' Cambiara: BdeM; El Dolar Se Mantuvo a 8 Pesos," LA JORNADA, November 11, 1995; Michael Stott, "Wild Rumors from U.S. Hurt Mexico Markets," REUTER, November 3, 1995; "Rumors Lead to Market Instability," MEXPAZ, November 7, 1995; Julia Preston, "Intervening, Mexico Halts Slide in Peso," NEW YORK TIMES, November 10, 1995; Anthony DePalma, **"Insecurity and Calls for Change Rock a Cradle-to-Coffin System in Mexico,"** NEW YORK TIMES, November 13, 1995; "Mexico Gets New Pact, Social Security Under Attack," WEEKLY NEWS UPDATE ON THE AMERICAS, November 5, 1995.

CANADIAN TRADE SURPLUS A CHIMERA

Although Canada typically runs a merchandise trade surplus with the United States, analysts say that much of the surplus is due to re-export of parts and components that had originally been imported for use in manufacture. Many high-value parts and components for manufactured goods are purchased from abroad, with the result that Canadian subsidiaries assemble products that have been researched and designed in the United States, using U.S.-produced component parts. If the value of these components is taken into account, Canada's trade surplus evaporates. In 1993, for example, taking imported parts and components into account would change Canada's $19.5 billion merchandise trade surplus with the United States into a $4 billion trade deficit.

David Crane, "Canada Really Importing More Than It's Exporting," CCPA MONITOR, November, 1995.

"CBI PARITY" BILL CHANGED

Although the "CBI Parity" bill, which would grant duty-free status to apparel products from Central America and the Caribbean, seems to be dead in the 1995 session of Congress, trade and labor activists claimed a small victory when Senator Bob Graham (D-FL) agreed to include worker protections in the proposal. The original CBI Parity bill did not include worker protections, but Graham agreed to add a provision explicitly authorizing a petition process for worker rights, similar to the process in place under the Guaranteed System of Preferences (GSP) law.

The CBI Parity legislation has the support of several U.S. textile and apparel industry groups, who agree with the Caribbean Basin nations that they have been disadvantaged by NAFTA. From January to August, 1995, Mexico's apparel exports to the United States grew by 71.6 percent, while the CBI apparel exports grew by 26.2 percent.

While the 24 Caribbean Basin nations seek greater access through the CBI Parity legislation, they already enjoy a special-access textile program that allows them to negotiate more generous import quotas for goods sewn with U.S. fabric. This special-access program was extended in September to the four Andean nations of Colombia, Peru, Ecuador and Bolivia. The extension was predicated on the assumption that building Andean export industries will provide alternatives to coca production and export.

U.S. Trade Representative Mickey Kantor will lead a delegation to Guatemala, Honduras, and El Salvador in mid-November. The delegation, which will include members of worker rights groups, will investigate progress on worker rights in relationship to duty-free treatment of some commodities.

"New Trade Benefit," GUATEMALA WORKER RIGHTS UPDATE, November 3, 1995; Canute James, "U.S. Business Warns Against Denying Caribbean Parity," JOURNAL OF COMMERCE, October 31, 1995; Paula L. Green, "Andean Nations to Join US Special-Access Textile Program," JOURNAL OF COMMERCE, August 13, 1995; "USTR Moves to Increase GSP Pressure," GUATEMALA WORKER RIGHTS UPDATE, November 3, 1995.

FAST TRACK SLOWED IN CONGRESS

Republicans in the U.S. House of Representatives continued to block any consideration of labor or environmental issues in trade agreements, effectively ending the possibility of a "fast track" provision passing Congress this year. Although current U.S. law allows trade sanctions to be used in the case of unfair labor practices, Republicans demanded that such provisions be specifically excluded from any fast track authority. "Fast track" negotiating authority would allow the Clinton administration to negotiate the addition of Chile to NAFTA by guaranteeing that there would be no amendments to any agreement reached. While the three NAFTA partners and Chile continue negotiations and report progress in their talks, no deal will be reached unless the United States has fast track negotiating authority.

John Maggs, "Agreement on Fast Track Trade Authority Proves Elusive," JOURNAL OF COMMERCE, October 17, 1995; "NAFTA Partners Make Progress in Talks With Chile," REUTERS, October 25, 1995.

NAFTA ENVIRONMENTAL CONCERNS CONTINUE

In a contentious meeting in Mexico in mid-October, environmental ministers from the United States, Canada and Mexico argued over wording of two reports, one focusing on bird deaths in Guanajuato and the other on a regional action plan to eliminate lead, cadmium, DDT and PCB pollution.

Mexican Environment Secretary Julia Carabias was apparently concerned about language in the commission report attributing the deaths of 40,000 birds in the Silva Reservoir to raw sewage. Carabias wanted to ensure that the language did not appear to dictate what Mexico should do. Mexico also objected to naming all four pollutants in the regional action plan, and the final accord named only PCBs, with a provision to add the other chemicals at a later date. Mexico wants to expedite action on PCBs because it has 11-12 million tons of PCBs in need of destruction, while the United States has 380 million tons. Mexico would like to export PCBs to the United States for disposal, instead of continuing to send them to Finland for environmentally safe handling.

In late October, environmental groups blasted Mexico's relaxation of requirements for environmental impact statements. Instead of conducting environmental impact studies, many businesses will be allowed to file prevention plans giving sketchy outlines of their plans to protect the environment. If the National Ecological Institute (INE) does not respond to a filed prevention plan within 30 days, the company can move ahead with plant construction. The INE has 2,000 files currently awaiting review, and environmentalists doubt that adequate review of new filings will be possible.

"What we're seeing," says Dan Seligman, a senior fellow with the U.S. Sierra Club, "is a race to the bottom in environmental standards as countries compete for foreign investment." The Sierra Club and the Mexican Environmental Law Center say that the new rules may be appealed under Article 14 of NAFTA's environmental side agreement.

Kevin G. Hall, "Disputes Mar Nafta Environmental Meeting," JOURNAL OF COMMERCE, October 16, 1995; Kevin G. Hall, "Nafta Countries Agree to Focus on PCB Elimination," JOURNAL OF COMMERCE, October 17, 1995; Kevin G. Hall, "Environment Rule Change Draws Fire in Mexico," JOURNAL OF COMMERCE, October 26, 1995

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Planning the Border's Future: The Mexican-U.S. Integrated Border Environmental Plan, by Jan Gilbreath Rich. University of Texas at Austin: 1992. 48 pp. Order from U.S.-Mexican Policy Studies Program, Lyndon B. Johnson School of Public Affairs, University of Texas at Austin, P.O. Drawer Y, University Station, Austin, TX 78713-7450. Environmental policy analyst presents brief history of economic trends leading to Plan, responses to plan gathered from public hearings in 1991, and final version of plan developed after hearings.

INTERCONNECT, a quarterly publication aimed at "grassroots movement-building and sharing of resources within the US-Latin America solidarity community." 10 pp. INTERCONNECT, 57 South Main Street., Pittsford, NY 14534; telephone 716/381-5606; fax 716/381-3134. Profiles organizations and resources.

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Subject: NAFTA & Inter-Am Trade Monitor 12-1-

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

December 1, 1995 Volume 2, Number 30

Headlines:

- U.S. WHEAT, DAIRY EXPORTS TO MEXICO
- CHILEAN CROPS AND PESTICIDES
- COFFEE UP, COFFEE DOWN
- CHIAPAS TALKS CONTINUE
- MEXICO AND LATIN AMERICA: POVERTY AND INTEGRATION
- TRUCKING CHANGES AHEAD
- CONTINUING OPPOSITION TO NAFTA WITHIN UNITED STATES

U.S. WHEAT, DAIRY EXPORTS TO MEXICO

Mexican authorities held up 45 rail cars of U.S. wheat at the border for nearly three weeks in November, alleging that inspectors had found small amounts of ergot, a wheat-related fungus. Kansas Republican Congressional Representative Pat Roberts protested that the Mexican action violated NAFTA, by setting standards more stringent than the uniform grain quality standards set by NAFTA. The grain had already passed USDA inspection, and re-inspection by U.S. and Mexican inspectors found that the ergot levels were well below the U.S. tolerance level, so Mexico allowed the rail cars to enter the country. Both countries agreed to discuss Mexico's grain regulations in order to avoid future problems.

A new USDA dairy export initiative under the Export Credit Guarantee Program for fiscal year 1996 has been announced by the USDA. The Foreign Agriculture Service of the USDA said $700 million of the $1.25 billion in new Credit Guarantee Program sales to Mexico will be designated for dairy products, including butter, butter oil, milk powder, and various cheeses. Mexico also contracted for 12,000 tons of nonfat dry milk at the end of the July-September interim Dairy Export Incentive Program, for delivery in October-November.

Robert H. Brown, "Roberts Says Situation Threatens Trade," FEEDSTUFFS, November 27, 1995; "Mexico Allows U.S. Wheat to Enter," STAR TRIBUNE, November 21, 1995; "Dairy Included in $1.25 Billion in New Export Credits to Mexico," FUMMC MILK MATTERS, November 16, 1995.

CHILEAN CROPS AND PESTICIDES

As the winter fruit season began in late November, the volume of Chilean fruit exports to North America was expected to be close to last year's record 58.5 million cases. Chile provides nearly 5 percent of the fruit consumed in North America, up to 15 percent of all fruit sales in pounds from January through April. According to Fedefruta president Ricardo Arztia, volume of all exports will increase from 154 million cases in 1994-5 to 160 million cases this season. Leading imports include table grapes, kiwi fruit, raspberries, plums, pears, nectarines, peaches, and cherries.

In Chile's fruit-growing Central Valley, Dr. Victoria Mella studied birth defects in 1988-90 and found that three times as many babies were born without brains or with exposed spines and water retention in the brain, compared to periods before the fruit industry began heavy use of pesticides. Most of the parents of children with brain and spinal defects worked in the export fruit industry, which uses about 60 percent of the $38 million in pesticides imported annually. Since Mella's study was released in 1990, little has changed. The billion dollar fruit industry employs about 250,000 of Chile's 600,000 farm workers in the fields, with another 100,000 working in packing plants. Most of the industry is controlled by six large companies, including Dole, Standard Trading, and Unifrutti.

Although health officials have resigned in protest over massive sprayings of Malathion in Santiago in 1994 to eliminate fruit flies, agriculture ministry officials argue that the pesticides are safe. Chile also uses pesticides banned in the United States, such as Lindano and Paraquat, and Parathion, which may be used in the United States only by specially trained handlers. Methyl bromide, which is banned in the United States, is required for fumigation of grapes to be exported there. While it dissipates before the end consumer receives the fruit, workers and even children in nearby schools have been intoxicated or killed by the gas.

Tom Karst, "Volumes Up Slightly," THE PACKER, November, 13, 1995; Lake Sagaris, "The Killing Fields," CHICAGO TRIBUNE, November 5, 1995.

COFFEE UP, COFFEE DOWN

Coffee exporters earned $8.2 billion last year, up from $5.3 billion in 1992, leading to increased investment in plantations. Production is expected to increase by 18 percent by the end of the century. Coffee prices may remain high until then compared to the historically low prices during the 1980s, because of damage to Brazil in last year's frost and drought and the retention agreements of the Association of Coffee Producing Countries. The retention agreement limits the amount of coffee that each producer country will export, in order to maintain coffee prices. Demand for coffee is expected to grow more slowly, with declining U.S. consumption being replaced gradually by increased coffee drinking in Japan.

Colombia and Indonesia have agreed to abide by the retention agreement, joining Brazil, Ecuador, Costa Rica, El Salvador, Angola, Ivory Coast, and Uganda. According to Brazil's foreign ministry, exporting countries will not have more than 65 million bags of coffee to sell in 1995-96, though consumer countries will want 72 million. The shortfall is due to the continuing effects of last year's frost and drought in Brazil, which cut the Brazilian harvest in half. Brazil's share of world production is expected to fall from 25 percent to 20 percent by the end of the century, with Vietnam and Colombia increasing their shares. Brazilian coffee production has fallen so low that, for the first time in 200 years, Brazil expects to import less expensive Mexican and Guatemalan coffee this year to meet domestic demand, since its own crop is entirely contracted for export.

Meanwhile, a campaign by a coalition of labor activists including the U.S./Guatemala Labor Education Project (U.S./GLEP) and the International Labor Rights Education and Research Fund (ILRERF) won an agreement from Starbucks, the largest U.S. retailer of specialty coffees to put in place a "Framework Code of Conduct" encouraging good labor and environmental practices by its producers. The framework affirms the right of farm workers to unionize and to earn wages and benefits that provide for "the basic needs of workers and their families." While U.S./GLEP points to significant shortcomings in the framework, including lack of enforcement mechanisms, it said Starbucks' response "is a statement that the company considers itself publicly accountable for abuses and worker rights violations on plantations from which it buys." In addition, says U.S./GLEP, the media coverage of the Starbucks statement "means that concerned groups and individuals have new leverage to press for significant changes from the growers from whom Starbucks buys and to make Starbucks accountable for conditions on those plantations."

Alison Maitland, "Coffee Production 'to rise 18 percent by 2000,'" FINANCIAL TIMES, September 19, 1995; George Meek, "World Coffee," VOICE OF AMERICA, September 21, 1995; George Meek, "Brazil Coffee," VOICE OF AMERICA, November 22, 1995; "U.S. Coffee Firm Adopts Labour Guidelines," INTERPRESS SERVICE, October 24, 1995; "Starbucks Releases Code of Conduct," GUATEMALA WORKER RIGHTS UPDATE, NOVEMBER 3, 1995.

CHIAPAS TALKS CONTINUE

After six days of talks, the second round of discussions on Indigenous Rights and Culture in San Andres Larrainzar concluded on November 19 with some points of agreement, notably on the rights of indigenous people in the judicial system, and with disagreements on issues of autonomy and changes to land tenure provisions of Article 27 of the constitution. The government wants to restrict autonomy to the community level, while the EZLN proposes autonomous regions or Indian nations. The next round of discussions, beginning on January 10, will analyze concrete proposals on the theme of indigenous rights and culture.

"Negotiations," MEXPAZ, November 21, 1995; Rosa Rojas and Elio Henriquez, "Se perdieron los Consensos en Larrainzar; Nueva Cita, 10 de Enero," LA JORNADA, November 21, 1995.

MEXICO AND LATIN AMERICA: POVERTY AND INTEGRATION

As Mexico's economy continues to slide, other Latin American markets follow the peso's ups and downs. The so-called Tequila Effect drove ING Barings Latin America index down nearly 20 percent from August's post-devaluation peak, as the peso's renewed slide shook Argentine, Brazilian, Peruvian and Chilean markets.

Regional economic connections have been fostered by subregional trade agreements of Mercosur, the Andean Group, the Group of Three, the Central American Common Market, and the Association of Caribbean States. Trade within Latin America doubled to $32.3 billion in 1994 from $16 billion in 1990. Trade within the Mercosur group nearly tripled in the same time period, and is expected to increase further when Bolivia and Chile join Mercosur in the near future. Mercosur is also negotiating a preferential trade agreement with the European Union.

Although Mexico has insisted repeatedly that it is and will continue to be "profoundly Latin American," Latin American economic and political integration have taken a back seat to economic integration with the United States. Mexico's membership in NAFTA and Chile's pursuit of NAFTA membership show the continued economic dominance of the United States in the region.

International trade has not alleviated problems of poverty that plague the region. According to the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), the region's Gross Domestic Product will grow less than two percent in 1995, with real wages falling and unemployment rising. Nearly half of all Latin Americans live in poverty with monthly incomes of $60 or less. According to a study by the Institute for Economic Research at the National Autonomous University of Mexico (UNAM), the percentage of Latin Americans who could be classified as poor (lacking sufficient caloric intake) grew from 43 to 46 percent (200 million people) from 1986 to 1990 and those in extreme poverty grew from 19 to 22 percent (98 million people). UNAM's research showed that the percentage of income received by the poorest 50 percent declined between 1980 and 1990, while the percentage of income received by the richest 10 percent of the population increased.

UNAM socio-economic researcher Osorio Paz blames the development model imposed on the region by international lending institutions for the increasing inequality of income in the region. Foreign debt doubled since 1982 to $530 billion, with debt and interest payments from Latin America to creditor nations and multinational lenders exceeding loans and aid received by $35 billion in 1994, according to Salvador Arriola, permanent secretary of the Latin American Economic System (Sela). The U.N. Conference on Trade and Development predicts falling economic growth throughout the region, from 3.7 percent in 1994 to less than two percent in 1995.

"Mexico and Latin America," EL FINANCIERO, September 25-October 1, 1995, October 2-8, 1995; October 9-15, 1995, October 16-22, 1995; Matt Moffett and Jonathan Friedland, "South American Markets Yanked by Peso," WALL STREET JOURNAL, November 17, 1995; "1995 A Year of Low Growth and High Unemployment," INTERPRESS SERVICE, November 9, 1995; Charles W. Thurston, "Latin America's Regional Commerce Outpacing Trade With Rest of World," JOURNAL OF COMMERCE, November 21, 1995.

TRUCKING CHANGES AHEAD

The U.S.-Mexico border is set to open to foreign trucking on December 18, as required by NAFTA, but some issues remain unresolved. Texas insurance regulators worry that Mexican carriers may not be able to obtain adequate insurance coverage. According to Gloria Leal, international legal counsel for the Texas Department of Insurance, U.S. insurance companies have no history of working with Mexican truckers and no information on which to base underwriting assumptions.

Frustrated Mexican truckers feel that insurance issues amount to non-tariff barriers. In addition to paying $800 per truck registration requirements, they will have to meet minimum insurance requirements costing about $3,000 annually and provide workers compensation coverage for drivers while they are in Texas.

Mexican truckers are pushing for a repeal of last year's permission for 53-foot trailers and longer-combination vehicles, worrying that the longer trailers will give U.S. truckers an advantage when border states are opened to international trucking. The Mexican government is considering a return to the previous 48-foot limit on trailer length, but is not expected to act until early 1996. U.S. truckers and transport officials also complain that Mexican rules and regulations are vague and that Mexico has not provided sufficient details on application for permits.

Texas Attorney General Dan Morales complains that federal regulators have not provided sufficient safeguards to prevent damage to Texas roads from overweight Mexican vehicles. Morales has also expressed concern about lack of control over Mexican truckers carrying hazardous wastes.

Kevin G. Hall, "Insurance Worries Mexican Truckers," JOURNAL OF COMMERCE, November 17, 1995; Kevin G. Hall, "US Truckers: Mexico Fails to Supply Operating Rules," JOURNAL OF COMMERCE, November 16, 1995; "Texas Official Seeks Way to Control Mexican Haulers," KNIGHT-RIDDER/TRIBUNE, November 13, 1995; Kevin G. Hall, "Mexico Thinking of Rescinding Rule Allowing 53-Foot Trailers," JOURNAL OF COMMERCE, November 17, 1995.

CONTINUING OPPOSITION TO NAFTA WITHIN UNITED STATES

On the second anniversary of NAFTA's ratification in mid-November, debate showed continuing opposition to NAFTA. Opponents, such as Lori Wallach of Ralph Nader's Public Citizen's Global Trade Watch, characterized NAFTA as "a disaster" in a recent multinational forum in St. Paul, Minnesota. Canadian Tony Clarke, former chair of the Action Canada Network public interest group, said Canada's six years of liberalized trade with the United States, both before and during NAFTA, have cost Canada more than 23 percent of its manufacturing jobs. Mario Monroy, of the Mexico Action Network, pointed to a decline in Mexican wages since NAFTA took effect in January 1994, and to the increase in billionaires in Mexico from one in 1990 to 24 in 1994, according to a FORTUNE magazine report. Sara Larrain, of the Chilean National Environmental Coalition, warned that the extension of NAFTA to Chile would endanger the environment by increasing exports of natural resources at an unsustainable rate.

In a press release, William H. Bywater, president of the electrical workers' union, contrasted NAFTA's promises of a $12 billion trade surplus and 200,000 jobs with its delivery of a $15 billion trade deficit and 300,000 jobs lost. Congressional opponents introduced a bill to set conditions for the United States to stay in NAFTA, with the support of both Democrats and some conservative Republicans. The NAFTA Accountability Act would set the stage for a repeal of NAFTA in 1997, unless some of its terms are renegotiated.

NAFTA supporters said that 21 months of experience is not enough to judge its effects, and that Mexico's recession and currency crisis have more to do with Mexican governmental policies than with NAFTA. They also dispute the number of jobs lost, pointing out that only about 40,000 U.S. workers have been given special aid for displacement due to NAFTA.

"U.S. Lawmakers Propose Conditions to Stay in NAFTA," REUTERS, November 20, 1995; Mike Meyers, "NAFTA Under Fire," STAR TRIBUNE, November 20, 1995; Nick Delle Donne, "IUE Labor Leader William Bywater Hails NAFTA Accountability Act," IUE NEWS RELEASE, November 16, 1995.

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The North-South Agenda Papers, "Odd Couples: Joint Ventures Between Foreign Capitalists and Cuban Socialists" by Jorge F. Pirez-Lspez. No. 16 in an occasional series of papers of the North-South Center, 1995. 38 pp. University of Miami North-South Center Press, 1500 Monza Avenue, Coral Gables, FL 33146-3027. Economist discusses recent history of foreign investment in Cuba, changes to foreign investment law passed in September 1995, benefits to Cuba of foreign investment, and remaining risks to investors.

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NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

December 15, 1995 Volume 2, Number 31

Headlines:

- SLOW CHRISTMAS, SAD CHRISTMAS - MEXICO CORN IMPORTS UP
- CHICKEN WARS AHEAD
- AFTER NAFTA: MOVING TOWARD FTAA?
- DOLE POSTPONES PUBLIC BANANA HEARINGS - MEXICAN SUGAR GROWERS STRIKE
- MODEL ENVIRONMENTAL LAW APPROVED
- U.S. FARMERS FIGHT FUMIGANT PHASEOUT
- U.S. GRAPE GROWERS CHARGE DUMPING

PUBLICATION SCHEDULE

This is the last issue of the NAFTA & INTER-AMERICAN TRADE MONITOR for 1995. We are looking forward to hearing from you again in 1996.

SLOW CHRISTMAS, SAD CHRISTMAS

Many U.S. merchants on the Texas-Mexico border lamented the prospect of slowing Christmas sales, despite an October order of Mexican Treasury officials increasing the duty-free regulations to $400 per person per month. Border merchants note that the Mexican economic crisis has simply left most people with little or no money to buy, and that devaluation of the peso has hit border residents, who purchase more U.S. goods, particularly hard. With 2.4 million people newly out of work this year and the average number of workers per family down from 3.1 in 1994 to one in 1995, Mexican families are preparing for a bitter and lean Christmas. Purchases of records, gifts and toys have fallen 40.4 percent below last year's levels. An estimated one in five Mexicans goes to bed hungry every night. Mexico's falling gross domestic product (slowing by 9.6 percent in the third quarter after a 10.5 percent drop in the second quarter) has affected people at all levels. Even kidnappers have lowered ransom demands because the rich are less liquid now.

Philip True, "Peso May Turn Into Grinch Along Border," SAN ANTONIO EXPRESS-NEWS, October 28, 1995; "Bitter Christmas for Most Mexican Families," MEXPAZ, November 28, 1995; Craig Torres and Paul B. Carroll, "Mexico Says Its Economy Contracted 9.6 % in Quarter," WALL STREET JOURNAL, November 20, 1995; John Ross, "Mexico: The Gods Must Be Angry," THE NATION, December 18, 1995.

MEXICO CORN IMPORTS UP

Mexican corn imports through the end of October rose by 71.9 percent over the same time period in 1994, according to the government-private sector Corn Import Quota Evaluation Committee. Mexico increased tariff-free corn import quotas for 1995 to 3.3 million tons, up 28.3 percent over the amount originally agreed under NAFTA, and corn imports through October 31 totaled 1.9 million tons, or 57.1 percent of the quota for the year. Corn import needs increased because of drought and hurricane damage to Mexican corn crops. Some import quotas will be deferred until next year, at the request of importers.

Chris Aspin, "Mexican Corn Imports Up 71.9 Percent to October 31," REUTER, December 1, 1995.

CHICKEN WARS AHEAD

In a sharp reversal of strategy, Canadian and European chicken producers are joining forces to oppose NAFTA and GATT's market openings to giant U.S. and Brazilian poultry companies. Canadian producers face a pending NAFTA dispute resolution panel hearing U.S. complaints against Canadian tariffs. GATT also forces Canada to open up to seven percent of its chicken market to imports. Last year, the Ontario Chicken Producers Marketing Board instigated a rebellion against the restricted production and allocation of provincial production shares by the Canadian Chicken Marketing Agency. Ontario, which accounts for about a third of Canadian production, was joined by Quebec, which accounts for another third. Producers and processors said that lower prices and higher production were necessary to prepare for competition that would be coming from the United States under the provisions of GATT and NAFTA. As chicken prices fell to $1.09 Canadian per kilogram live weight in 1995, versus $1.16 in 1993, production increased by 10 percent. Under the new system, producers in each province are allowed to produce as much chicken as that province's processors want, at a price negotiated between producer and processor organizations. If the two fail to agree on a price, they submit their final two prices to an arbitrator, who then chooses one of the two offers, not a middle ground. Chicken consumption is increasing as chicken shortages to the consumer become only a memory. During a government-organized trip to study chicken production in the Netherlands and France, Canadians discovered that European producers blame the United States and GATT for current problems and are preparing to fight GATT restrictions on national supply management systems. Instead of focusing on reducing producer prices to compete with the giant U.S. firms, Canadian producers now plan to join the fight.

Jim Romahn, "A Bold New Strategy," MEAT & POULTRY, November, 1995; "It's Official! Chicken Shortages are a Thing of the Past," ONTARIO CHICKEN, October, 1995.

AFTER NAFTA: MOVING TOWARD FTAA?

Despite continuing opposition to NAFTA within all three member countries, the Clinton administration reiterated its commitment to moving toward a hemispheric free trade area by sending Treasury Secretary Robert Rubin to Argentina and Brazil in early December. Rubin said his visit will reassure trading partners that, despite Congress' recent inclination to "look inwards," President Clinton remains firmly committed to economic integration in the Americas. Rubin termed failure to enact fast-track trade negotiating authority "very disappointing." NAFTA opponents cite a variety of problems that they say are either caused by or suspiciously coincident with the accord. Promised job creation in the United States hasn't happened, but job losses have, while real hourly wages for the 77 million production workers in the U.S. dropped three percent during NAFTA's first year. In Mexico, the collapse of the peso was accompanied by an economic crisis that cost jobs and reduced wages. U.S. companies have found investment opportunities in cash-starved Mexican companies, and U.S. agribusiness giant Archers Daniel Midland calls Mexico a "great market for basic foods." Mexican small-scale producers have been devastated by the country's economic crisis and competition from abroad, leading to increases in malnutrition and malnutrition-related deaths of children. Last year's Summit of the Americas in Miami set a goal of achieving a hemispheric trading bloc by 2005. One year later, Venezuela and Mexico are in economic crisis with effects in Argentina and Brazil. U.S. Senate Majority Leader and Republican presidential candidate Bob Dole is urging a moratorium on trade pacts. Chile has all but given up hope of joining NAFTA until at least 1997, and has run into problems with Mercosur, the Southern Cone Common Market that includes Argentina, Brazil, Paraguay and Uruguay, and with European Union negotiations as well. Some of the problems stem from trying to join more than one trade grouping. For example, NAFTA and Mercosur rules of origin conflict, raising obstacles to Chilean membership in Mercosur. Chile also wants to exclude agriculture from the trade agreement that it is trying to negotiate with Mercosur, while Mercosur wants everything on the table. Nonetheless, movement toward integration is evident in Latin America. Bolivia just signed a framework agreement to create a free trade zone with Mercosur. The European Union is aggressively moving to forge ties with various Latin American nations and will sign a formal pact with Mercosur providing possible trading preferences and may negotiate similar pacts with Chile and Mexico. At the annual Miami Conference on the Caribbean and Latin America in early December, financial analysts insisted that hemispheic integration must include financial integration and harmonization of currently differing laws and regulations governing banks and financial markets. The state of Florida announced plans to make Miami the "central finance and information clearinghouse" for all of Latin America through a plan called Cyberport Miami, which would link all Latin American stock exchanges.

Richard Lawrence, "Financial Integration Seen as Vital to Hemispheric Trade," JOURNAL OF COMMERCE, December 8, 1995; Richard Lawrence, "Rubin Trip Will Pursue Hemispheric Free Trade Goal," JOURNAL OF COMMERCE, December 1, 1995; Kevin G. Hall & Richard Lawrence, "Hemispheric Trade Pact Faces US Obstacles," JOURNAL OF COMMERCE, December 4, 1995; Richard Lawrence & Kevin G. Hall, "Bilateral Deals Could Keep Chile's Nafta Talks Alive," JOURNAL OF COMMERCE, December 6, 1995; "Bolivia Signs Agreement With Mercosur," UPI, December 7, 1995; Kevin G. Hall, "Chile, Mercosur Extend Trade Talks 90 Days," JOURNAL OF COMMERCE, December 8, 1995; Imogen Mark, "Chile Hits Snags in Pacts Quest," FINANCIAL TIMES, December 8, 1995; "NAFTA: The Second Year," WEEKLY NEWS UPDATE ON THE AMERICAS, December 2, 1995.

DOLE POSTPONES PUBLIC BANANA HEARINGS

After running into substantial Congressional opposition to his proposal for sanctions on Costa Rica and Colombia, Republican Senator Bob Dole got "too busy" for public hearings on the question. Dole has tried for months to push through the trade sanctions, which are a priority for Chiquita Banana and banana baron Carl Linder, a heavy contributor to political campaigns who provides free travel for Senator Dole's presidential campaign on his corporate jet. Longtime good government crusader Dole was unsuccessful in getting his legislation attached to various spending bills. When Senate Finance committee Chair Bill Roth offered to hold public hearings, in which Chiquita opponents would also testify, Dole aides said the senator would be too busy for hearings for the foreseeable future. Fred Wertheimer, former president of Common Cause, noted that both Linder and Dole would "be crazy to seek publicity for this. It smells bad." Meanwhile, the U.S. has apparently decided to make another effort to negotiate a solution to the banana dispute, and will hold off on challenging the European Union's banana regime in a dispute settlement panel of the World Trade Organization.

John Maggs, "Dole Cancels Hearings on Bill to Aid Banana Firm," JOURNAL OF COMMERCE, November 30, 1995; "U.S. Holds Off on WTO Banana Panel, Seeks New Talks With EU," INSIDE U.S. TRADE, December 1, 1995.

MEXICAN SUGAR GROWERS STRIKE

Mexican sugar growers struck in early December against mil owners, refusing to cut or sell cane unless they receive a 40 percent price increase. The highest offer from mill owners has been a 28.5 percent hike. Mill owners have just agreed to a 25 percent pay hike for sugar workers. Mexico's 61 sugar mills were privatized four years ago, and mill owners claim their debt burden will not allow the price increase. "Instead of buying sugar mills, these people should have bought circuses, because they are acting like clowns," said a frustrated grower. Before the strike, producers hoped for a record 4.4 million ton harvest. Caribbean sugar producers employ about half a million people, sell about 800,000 tons annually, and have seen rising prices and stable export markets in the European Union, Portugal, and the United States.

Chris Aspin, "Mexico Sugar Growers Continue Strike, Talks, Tuesday," REUTER, December 5, 1995; Chris Aspin, "Mexico Sugar Growers in Day Seven of No Sales," REUTER, December 7, 1995; Bert Wilkinson, "Sugar Producers Rise to New Challenge," INTERPRESS SERVICE, November 13, 1995.

MODEL ENVIRONMENTAL LAW APPROVED

Two commissions of the Latin American Parliament (PARLATINO) approved a model law that requires environmental impact studies to be carried out prior to approval of any undertaking that has risks for the environment or quality of life. Meeting in Havana, members of the PARLATINO commissions on Health and the Environment said that the profit motive must give way to a recognition that economic progress, health and environmental conservation are not mutually contradictory. Impact studies are required from 25 listed activities, including nuclear power and chemical plants, iron and steel works, dams, mining installations and toxic waste management. The model law will be effective only when and if it is enacted by the government of each country, but its recommendation by PARLATINO adds weight to national initiatives.

Dalia Acosta, "Latin American Parliament Approves Model Law," INTERPRESS SERVICE, December 2, 1995.

GRAPE GROWERS CHARGE DUMPING

Stung by an increase in Mexican grape exports to the United States from 3.9 million 22-pound boxes in 1994 to 7.9 million boxes in 1995, U.S. table grape growers are threatening to pursue anti-dumping charges against Mexico. Mexican growers, faced with a disappearing market at home due to the economic crisis, began selling grapes on a consignment basis, essentially sending grapes north for whatever price they could get, instead of continuing the traditional firm sale arrangement based on a pre-agreed price. Last month the Florida Fruit & Vegetable Association requested that U.S. Agriculture secretary Dan Glickman take action to curb surges in bean, cabbage, sweet corn, pepper, radish, tomato and cucumber imports, adding their voice to the long-standing complaint of Florida tomato growers about Mexican imports.

Peter M. Tirschwell, "US Growers Threaten Action Against Mexican Table Grapes," JOURNAL OF COMMERCE, December 11, 1995.

U.S. FARMERS FIGHT FUMIGANT PHASEOUT

Led by California strawberry growers, U.S. farm groups are fighting to ban methyl bromide use worldwide by January 1, 2001, the date when the U.S. Clean Air Act requires its phaseout inside the United States. The question of worldwide limits on methyl bromide use was considered at the Montreal Protocol meeting in Vienna in early December. The Montreal Protocol is an international body that governs ozone- depleting substances. Methyl bromide is used to eradicate pests prior to planting and after harvest, but it has also been cited as a cause of ozone depletion. California strawberry producers say yields will be reduced by 40-50 percent without methyl bromide, and the Methyl Bromide Working Group, a coalition of some 2,000 farm groups, says that even a freeze in use during the first year of a phaseout will cost $401 million. Neither European nor developing nations support a worldwide methyl bromide ban. Japan and some other Asian countries require some crops to be fumigated with methyl bromide prior to export. Since U.S. farmers are unlikely to achieve a worldwide ban, they are also lobbying to lift the U.S. ban and stop the phaseout schedule until an affordable alternative to methyl bromide is found or an international uniform phaseout date is reached.

Peter M. Tirschwell, "Fumigant Phaseout Faces Stiff Fight," JOURNAL OF COMMERCE, December 7, 1995.

RESOURCES/EVENTS

Migration News, a monthly summary of immigration and integration developments, available in three formats. Paper copy (approx. 8,000 words) $30 U.S. and $50 international; email (12,000-14,000 words) and gopher (14,000-18,000 words) versions are available free of charge. To subscribe, send email address to: Migration News (migrant@primal.ucdavis.edu) or access current and back issues on Migration News Home Page -- http://migration.ucdavis.edu. For paper subscription, send check payable to UC Regents to Philip Martin, Department of Agricultural Economics, University of California, Davis, CA 95616. Produced with the support of the University of California-Berkeley Center for German and European Studies and the German Marshall Fund of the United States.

NAFTA & Inter-American Trade Monitor is produced by the Institute for Agriculture and Trade Policy and edited by Mary C. Turck. Electronic mail versions are available free of charge for subscribers. For information about fax subscriptions contact: IATP, 1313 Fifth Street SE, Suite 303, Minneapolis, MN 55414. For information on subscribing to this and other IATP news bulletins, send e-mail to: iatp- info@iatp.org. IATP provides contract research services to a wide range of corporate and not-for-profit organizations. For more information, contact Dale Wiehoff at 612-379-5980, or send email to: dwiehoff@iatp.org.

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NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

January 12, 1996 Volume 3, Number 1

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- **CLINTON ADMINISTRATION BACKS TOMATO GROWERS**
- **U.S.-CANADIAN POTATO WARS**
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TRUCKS CREATE NAFTA DISPUTE

On December 18, U.S. Secretary of Transportation Federico Pena announced a 45-day delay in implementation of the NAFTA provision allowing Mexican truckers free access to the highways of Texas, California, Arizona and New Mexico, and allowing U.S. truckers into Mexican border states. Fearing foreign competition, both U.S. and Mexican truckers had asked for the delay, and Pena initially said that the delay was acceptable to the Mexican government. However, Mexican officials filed a complaint alleging U.S. violation of NAFTA.

Secretary Pena claimed safety concerns were the reason for his action, which was supported by Texas Republican Senator Kay Bailey Hutchison. Texas Republican Governor George W. Bush and Texas Democratic Attorney General Dan Morales maintain that Texas has already taken steps to ensure highway safety, and that the federal action is merely an attempt to solidify union support for President Bill Clinton's 1996 campaign. A coalition of consumer groups and Teamsters alleged that trucks crossing the border within the current 17-mile limit have already been found with 16-year-old drivers, bald tires, and improperly packaged toxic cargo.

Earlier in December, Mexican officials had ordered strict enforcement of limits on the use of longer trailers that are more often used by U.S. and Canadian truckers. In a related move, U.S. Customs officials began accepting applications for expedited cargo clearance for short cross-border hauls, conditioned on agreement to a comprehensive anti-drug plan that requires background checks on drivers, secure premises and crime awareness training.

Kevin G. Hall, "Mexico Protests Border Action," JOURNAL OF COMMERCE, December 20, 1995; "U.S., Mexico Work to End NAFTA Trucking Provision," COX NEWS SERVICE, December 21, 1995; Kevin G. Hall, "Mexico Curbs Use of Longer Trailers," JOURNAL OF COMMERCE, December 12, 1995; Kevin G. Hall, "Border Clearance Sign-Ups Set Today," JOURNAL OF COMMERCE, January 2, 1996; Debra Beachy, "U.S. Halts Expansion of NAFTA Trucking," HOUSTON CHRONICLE, December 19, 1995.

CLINTON ADMINISTRATION BACKS TOMATO GROWERS

A debate between U.S. Trade Representative Mickey Kantor and Secretary of Agriculture Dan Glickman was resolved with Glickman's agreement to join Kantor in calling for weekly tariff rate quotas so that import surges in fresh tomatoes can quickly trigger imposition of emergency tariffs. Florida tomato growers welcomed the unified support from the Clinton administration, which came after a symbolic dumping of Florida-grown produce on December 6 to protest alleged Mexican dumping. The Clinton administration will also back legislation proposed by Sen. Bob Graham (D-FL) to allow the International Trade Commission to consider the seasonality of the tomato industry in determining trade injury.

Larry Waterfield, "Law Would Speed Trade Relief," THE PACKER, December 18, 1995.

U.S.-CANADIAN POTATO WARS

U.S. potato growers have charged that Canadian potato imports are having a "national impact" and that Canada is unfairly targeting exports to the United States in violation of NAFTA and the World Trade Organization. The U.S. National Potato Council wants a snap-back tariff of one percent on Canadian potatoes as a remedy for alleged unfair trade practices.

Maine potato farmers, already hurt by a reduced harvest in 1995, have found that prices have not risen over 1994 levels. They attribute the failure of prices to respond to reduced harvests to increased Canadian potato shipments, including shipments of substandard potatoes. While looking into allegations of unfair practices, such as grower subsidies, the U.S. Department of Agriculture (USDA) has tightened border inspections of potatoes from Maritime Canada, especially Prince Edward Island.

Canadian growers protest that the "issue is where is this level playing field promised in the trade agreements? ... The reinspection runs contrary to everything the two countries have had for 30 or so years."

Larry Waterfield, "Feuds Scar Free Trade," THE PACKER, January 8, 1996; Bud Middaugh, "Potato Council Takes on Canadian Policies," THE PACKER, January 1, 1996; "Increased Border Inspections Anger Prince Edward Island Potato Growers," JOURNAL OF COMMERCE, December 20, 1995.

UNREST AMONG MEXICAN CAMPESINOS

Tensions throughout Mexico increased with year-end protests in several areas. Campesinos and members of the opposition Party of the Democratic Revolution (PRD) protested the ruling Institutional Revolutionary Party (PRI) electoral victories in October, with some protesters seizing town halls in a dozen municipalities on December 26 to prevent PRI governments from taking office on January 1. In Simojovel, Chiapas at 3:00 a.m. on December 31, State Police violently evicted protesters, arresting and incarcerating more than 60 people. In Ocosingo, 2,000 indigenous people protested the failure to hold a vote in October and the failure of the state government to recognize a multi-party council set up by 26,000 residents to form the new government.

In Tlacoachistlahuaca in the state of Guerrero, Mixtec campesinos who had occupied the town hall since May set it on fire on December 16, and then returned to their own communities to set up a "Popular Municipal Council in Rebellion." The village of Tepoztlan, near Mexico city in Morelos state, is still in rebellion against the state government, in protest against a planned golf course. On December 2, a local PRI member, Pedro Barragan Gutierrez, was shot and later died and the state government has issued arrest warrants for homicide against 14 members of the Tepozteco Unity Community (CUT). CUT leaders say that Barragan was actually shot by a heavily armed group of PRI members who were firing indiscriminately at a CUT group.

On January 3, about 150 state police evicted campesinos who had occupied the La Gloria ranch on the Pacific coast, arresting about 25 PRD members.

Despite stepped-up military maneuvers throughout Chiapas throughout December, including confrontations between soldiers and large groups of indigenous campesinos protesting their incursions, the new year and the second anniversary of the Zapatista uprising passed without renewed fighting.

"Mini-Rebellions in Mexican Villages and Mexico City," WEEKLY NEWS UPDATE ON THE AMERICAS, December 31, 1995; Susana Anibarro, "Arrests in Simojovel, Chiapas," LATIN AMERICAN SUPPORT OFFICE, January 1, 1996; Jose' Gil Olmos, "Military Alert in Chiapas," LA JORNADA, December 27, 1995; "Gatecrashers Expected at Chiapas' Birthday Party," INTERPRESS SERVICE, December 26, 1995.

CANADIAN HEALTH INDUSTRY NERVOUS OVER NAFTA

Canadian health care providers and health professionals organizations see a threat to the country's public health care system from NAFTA. Social services established and maintained for a public purpose and subject to government control can be protected from foreign investment and competition. Lists of such protected services must be maintained by governments. The U.S. Trade Representative has proposed an interpretation of "government services" that excludes any services "if the state allows private providers to offer similar services on a commercial basis."

Proposed amendments to Canada's Independent Health Facilities Act will also eliminate some preferences previously granted to non-profit Canadian clinics and allow the Minister of Health to choose any company, north or south of the border, as a provider. Private health care companies in Canada are generally non-unionized and pay workers much less than those in public hospitals and their affiliated clinics. An assistant to Health Minister Jim Wilson said that his ministry had no bias against U.S. companies and was just seeking "to have the highest quality service at the best price."

Lisa Wright, "Door Opens for U.S. Health Firms," TORONTO STAR, December 2, 1995; "Concern About NAFTA's Impact on Canada's Public Health Care System," CBC RADIO NATIONAL NEWS, December 21, 1995; Frances Russell, "Social Programs for Sale," WINNIPEG FREE PRESS, December 20, 1995; INSIDE NAFTA, November 29, 1995.

MEXICAN SUGAR STRIKE ENDED

The Mexican government intervened on December

6 to end a strike by sugar growers, ordering arbitration of the dispute that had temporarily halted the sugar harvest. Prices paid to sugar farmers are expected to increase in an amount between the 40 percent demanded by farmers and the 30 percent offered by refiners. Even after arbitration was ordered, Mexican sugar growers continued their strike against three mills, demanding that debts be paid before they delivered cane for milling

"Sugar Prices Grow in Mexico," AGWEEK, December 11, 1995; Chris Aspin, "Mexico Sugar Growers on Strike Against Three Mills," REUTERS, January 5, 1996.

INTERAMERICAN TRADE, INTERAMERICAN SOLIDARITY

A U.S. government delegation led by assistant U.S. Trade Representative (USTR) Jon Rosenbaum visited Guatemala, El Salvador, and Honduras in late 1995, delivering the message that progress on worker rights is a condition of continued eligibility for duty-free trade benefits provided by the U.S. Generalized System of Preferences (GSP). U.S. labor and human rights organizations had filed petitions opposing Guatemalan eligibility for GSP, and the USTR office is reviewing Guatemalan eligibility. For the first time, the USTR delegation invited the GSP petitioners to send representatives with the delegation as advisors.

A campaign by labor and solidarity groups in El Salvador and the United States convinced the U.S. retailer Gap Inc. to work with human rights officials in Central America to monitor working conditions at maquilas that have contracts to supply Gap. In December, Gap also agreed to renew a contract with the Taiwanese-owned Mandarin International maquila in El Salvador, a specific focus of the campaign, if Mandarin rehires 330 workers fired last June, allegedly for union activities.

In Guatemala, significant lobbying efforts focused on Marissa maquila, where the vast majority of union members were fired last fall and union leaders were kidnapped, drugged, bribed, and threatened with death in 1994. Pressure by the US/Guatemala Labor Education Project campaign on U.S. companies supplied by Marissa led to an agreement that Marissa officials will meet with union leaders to deal with issues of violence.

Some Central American government and union officials criticize U.S. pressure as a self-interested effort to preserve U.S. apparel manufacturing jobs. Salvadoran President Armando Caldero'n Sol, whose economic program relies heavily on promotion of maquilas and includes a vision of El Salvador as "one big duty-free zone," denounced the campaign for improved maquila conditions, labeling opposition deputies who supported the campaign as "traitors to the fatherland." Labor and solidarity groups in both countries have urged that U.S. retailers take action to protect worker rights, rather than terminating contracts, which results in loss of jobs.

U.S. apparel manufacturers say that NAFTA and GATT have hurt them badly, and predict further damage if the Caribbean Basin Initiative (CBI) parity legislation is enacted. Al Howell, executive director of the Southeastern Apparel Manufacturers & Suppliers (SEAMS), speaking tongue-in-cheek at an October meeting, quoted from the bible, Zephaniah 1:8 that God would "punish the princes and the king's children and all such as are clothed with foreign garments." Some U.S. manufacturers, however, are taking advantage of cheaper foreign labor by entering into contracts or joint ventures with offshore firms.

"U.S. Trade Representative Turns Up Heat on Guatemala," GUATEMALAN WORKER RIGHTS UPDATE, January 3, 1996; "Gap Inc. to Help Watch Maquilas," CENTROAMERICA, January 1996; Flanigan, "Maquiladora Overview," U.S. EMBASSY CABLE, September 25, 1995; Georgia Lee, "U.S. Contractors Cry the Blues Over Biz Moving Offshore," DAILY NEWS RECORD, October 31, 1995.

SECTION 936: PUERTO RICO AND CARIBBEAN BASIN

Manufacturers in Puerto Rico threatened by the proposed elimination of Section 936 tax breaks have been joined by Caribbean and Central American countries in opposition to the repeal of Section 936. The tax break, which partially exempts profits earned from manufacturing in Puerto Rico from U.S. income taxes, is a major support for Puerto Rico's manufacturing sector, which accounts for 40 percent of its gross domestic product.

Section 936 also funds significant financing for agribusiness projects in Caribbean Basin Initiative (CBI) countries. An end to Section 936 would cripple this low-cost financing program, which has promoted more than 180 projects since 1987, creating 37,000 jobs and resulting in investment of $2.1 billion, including $1.2 billion in direct CBI loans or bond issues from Puerto Rico's Caribbean Basin Projects Financing Authority. The ten eligible countries are Jamaica, Dominica, Barbados, Costa Rica, the Dominican Republic, Grenada, Guyana, Honduras, St. Lucia and Trinidad & Tobago.

Larry Luxner, "Officials Call for Elimination of Tax Program," THE PACKER, December 25, 1995.

RESOURCES/EVENTS

NAFTA's Broken Promises: The Border Betrayed, published by Public Citizen and Red Mexicana de Accisn Frente al Libre Comercio (RMALC), January 1996. 100 pp. Provides information on trends in concentration of maquila industries in border area, with particular reference to environmental impacts, pollution, hazardous waste, and birth defects attributed to environmental causes since implementation of NAFTA on January 1, 1994. $15. Order from Public Citizen Publications, 1600 20th Street NW, Washington, DC 20009. (202/546-4996).

No Laughter in NAFTA, published by Institute for Policy Studies, Development GAP, and Equipo PUEBLO, December 1995. Study of impact of NAFTA on workers, farmers and women, and environmental deterioration in Mexico and the United States since January 1, 1994 documents NAFTA-related job losses in United States and loss of jobs and purchasing power by Mexican workers. Order from The Development GAP (202/898-1566) or The Institute for Policy Studies (202/234-9382).

A Bitter Pill: Structural Adjustment in Costa Rica, by Alicia Korten, June 1995. Institute for Food and Development Policy, 389 60th Street, Oakland, CA 94618. 78 pp. Explores failure of structural adjustment policies to resolve gap between exports and imports or to solve debt problems, despite success in increasing exports and stabilizing unemployment at a higher rate. $8 plus $4 s&h from Subterranean Company, Box 160, 265 S. 5th Street, Monroe, OR 97456. Telephone 800/274-7826; fax 503/847-6018.

Advancing the Miami Process: Civil Society and the Summit of the Americas, edited by Robin Rosenberg and Steve Stein, 1995. Lynne Reinner Publishers, 1800 30th Street, Suite 314, Boulder, CO 80301-1026. Collection of official Summit documents, intergovernmental publications, proposals from nongovernmental sectors, and summit correspondence. $29.95. Order from Lynne Reinner Publishers, 1800 30th Street, Suite 314, Boulder, CO 80301-1026. Telephone 303/444-6684.

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Elections, Avocados, Tomatoes And Wine

As the 1996 U.S. presidential election looms on the horizon, negotiators in Mexico and the United States acknowledge its impact on key agricultural trade disputes.

The U.S. Department of Agriculture's Animal and Plant Health Inspection Service (APHIS) last year proposed to lift the 81- year-old ban on importing Mexican avocados, saying that shipments to Northeastern U.S. states between November and February would not threaten California growers. The California Avocado Commission, representing California's $220-million-a-year avocado industry, and a University of California study challenge APHIS conclusions, saying that a species of fruit fly could become established in California after entering the country on avocados. Shipments of avocados from Michoacan could lower California avocado prices in the United States and cost President Bill Clinton key California electoral support. A final decision on avocado imports has been delayed and is still pending.

Florida growers seek changes in application of NAFTA- permitted snap-back provisions to combat what they call a flood of Mexican winter vegetable imports, estimated at 30 percent above 1994 levels. The Clinton administration has promised to tighten import curbs to protect Florida growers, figuring tomato import quotas on a weekly rather than a quarterly basis, a move that Mexico denounces as protectionist. The snap-back provisions alone offer only a reversion to pre-NAFTA tariff levels. At less than five percent, these tariff levels would not offer much protection to growers, but weekly figuring of import quotas might slow imports by increasing regulatory hurdles and red tape.

Pursuant to a January 12 notice of emergency, Florida officials began a stringent inspection program on January 23. During the first twelve hours, they inspected 76 trucks carrying produce into the state, and said they confirmed a high volume of Mexican produce imports and removed samples for bacteria and pest testing. Arizona trade officials criticized Florida's new inspection regime, saying it will mean higher costs for foreign producers and shippers as well as for Florida consumers. Arizona Fresh Produce Association of the Americas officials said they are comfortable with USDA inspections, which include spot checks of about two percent of fresh produce entering the country. Most Mexican produce enters the United States through Nogales, Arizona.

In January meetings between U.S. and Mexican agriculture secretaries, wine tariff reductions were also on the table. Because of a pact between Mexico and Chile, Chilean wines now enter Mexico duty-free. U.S. agriculture secretary Dan Glickman is seeking the same treatment for U.S. wines, which would greatly benefit the key electoral and wine-producing state of California.

Charles Lunan, "Much Foreign Grown Produce Entering Florida," FORT LAUDERDALE SUN SENTINEL, January 23, 1996; Arthur H. Rotstein, "Arizona Slams Florida on Mexico Produce Plan," JOURNAL OF COMMERCE, January 18, 1996; Jane Bussey, "Mexico, U.S. Start Trade Talks," MIAMI HERALD, January 18, 1996; "Glickman Says He Will Not Violate NAFTA to Help Florida Growers," INSIDE U.S. TRADE, January 19 1996; Peter M. Tirschwell, "US Poised to Admit Mexican Avocados as Opposition Mounts," JOURNAL OF COMMERCE, January 11, 1996; "US and Mexico Make Some Headway on Resolving Thorny Bilateral Issues," JOURNAL OF COMMERCE, January 17, 1996; Mark Fineman, "Politics, Pests Fuel Debate on Michoacan Avocado Imports," LOS ANGELES TIMES, January 20, 1996.

Grain Policy Differences

Facing a decline in world grain reserves to the lowest levels for at least 23 years, U.S. and European agricultural policy makers have taken opposite tacks. European Union (EU) agriculture commissioner Franz Fischler advocates continued central control, with maintenance of a 10 percent setaside of grain-producing land and imposition of a tax on grain exports to ensure sufficient EU stocks to feed its own livestock. U.S. under-secretary of agriculture Eugene Moos predicted a continuing decline in global grain stocks and said that U.S. farmers will be encouraged to respond to high grain prices with increased production.

Secretary of Agriculture Dan Glickman is reportedly under intense pressure from grain traders and milling and baking companies to allow farmers to take land out of the Conservation Reserve Program before their contracts expire, in order to increase grain production. Some farm lobbyists oppose "early out" provisions, saying that releasing the acres will just cause lower commodity prices.

David Richardson, "Farmer's Viewpoint: A Study in Agricultural Semantics," FINANCIAL TIMES, January 16, 1996; Jerry Hagstrom, "Agriculture Secretary May Let Grain Growers Opt Out of Conservation," AGWEEK, January 22, 1996.

U.S. Backs Down On Bananas

Despite the U.S. Trade Representative's determination that Costa Rica and Colombia are in violation of U.S. trade law, the U.S. signed an accord allowing both countries to continue present banana quota systems. Costa Rica and Colombia signed an agreement promising to improve the fairness of the system and to urge the European Union to respect whatever decision is made by the World Trade Organization. The U.S. agreed not to impose trade sanctions that it had threatened. In 1995, about 40 percent of Costa Rica's $2.4 billion in exports went to the United States. Colombia also depends heavily on exports to the United States, which totaled more than $2.5 billion from January-September of 1995, including flowers and other products promoted as alternatives to coca, the raw material of cocaine.

The disputed banana quota systems were imposed by the European Union (EU) for the benefit of African, Caribbean, and Pacific (ACP) producer nations that are former European colonies. Costa Rica and Colombia agreed to cooperate with the quota programs. The United States challenged the quota system at the behest of a major U.S.-based transnational, Chiquita Brands, and the Hawaiian Banana Growers Association. Chiquita has large plantations in Costa Rica and other Latin American countries. French Prime Minister Alain Juppe urged the EU in January to increase protection for the ACP nations.

Peter Brennan, "Costa Ricans Triumphant Over US Banana Decision," JOURNAL OF COMMERCE, January 16, 1996; "France Pressures EU to Tighten Curbs on Banana Imports from Latin America," JOURNAL OF COMMERCE, January 10, 1996; John Maggs, "US Imposes No Sanctions in Banana Trade Dispute," JOURNAL OF COMMERCE, January 11, 1996; "U.S., Costa Rica Move Toward Settlement of Battle Over Bananas," INSIDE NAFTA, January 10, 1996.

Ag Exports To Mexico Fall

During the first 10 months of 1995, Mexican agricultural exports to the United States, excluding grains, rose by 42 percent to $2.9 billion, while U.S. agricultural exports to Mexico fell 44 percent to $724 million. Comparisons between the July-September reporting period in 1994 and 1995 showed live animal exports down by 79 percent (from $41 million to $8 million); meat exports down by 42 percent (from $160 million to $92 million); animal feed exports down by 23 percent; edible fruit and nuts down by 43 percent; and processed tea, coffee, and sauces down by 35 percent. Cotton exports, including fabric, fell by 27 percent.

Manitoba Agriculture predicted a continuing decline in agricultural exports to Mexico from Canada and the United States in 1996. According to Manitoba Agriculture, lower fed cattle prices in the United States in 1996 will also pressure Manitoba prices lower, as more than 50 percent of Manitoba cattle and beef sales are exports to the United States. At the same time, lower prices for replacement animals and for calves will encourage growth in Manitoba beef herds.

Peter M. Tirschwell, "US Farmers Increasingly See Nafta as Raw Deal," JOURNAL OF COMMERCE, January 22, 1996; "US Exports to Mexico: What's Up and What's Down," JOURNAL OF COMMERCE, January 16, 1996; "Manitoba Agriculture Sees Fewer Exports to Mexico," REUTERS, January 9, 1996; "Manitoba Ag Says Provincial Cattle Output May Rise," REUTERS, January 9, 1996.

Trade Watchdog Proposed

The U.S. Trade Representative, the Department of Commerce, and Democratic Congressional leaders Rep. Richard Gephardt (D-MO) and Senator Ernest Hollings (D-SC) have each made proposals for establishment of trade watchdog offices. USTR Mickey Kantor announced creation of a Monitoring and Enforcement Unit in early January. While the USTR and Commerce officials agreed to coordinate their initiatives, Gephardt and Hollings proposed legislation to strengthen and make permanent the watchdog monitoring efforts.

U.S. trading partners from Japan to Latin America seemed unenthusiastic about the U.S. move, expressing concern that it could signal punitive unilateral actions rather than reliance on the World Trade Organization for enforcement.

"Gephardt, Hollings Plan Bill to Strengthen USTR Trade Enforcement," INSIDE U.S. TRADE, January 5, 1996; John Zaracostas, "Views Mixed on Trade Watchdog Proposal," JOURNAL OF COMMERCE, January 10, 1996.

Export Restrictions On Washington Apples

Basing its action on concern about the presence of the Oriental fruit fly in California last October, Colombia has ordered fumigation of all U.S. fresh fruit and vegetable exports at their point of origin or shipment. U.S. growers object on the grounds that fumigation is costly and could damage commodities. Brazil, Argentina and Ecuador have previously imposed phytosanitary regulations that could limit U.S. agricultural exports, but the United States has been able to get waivers or delays in their regulations.

U.S. officials agree with apple producers that fumigation of Washington crops is not scientifically indicated because of California fruit fly sightings. According to one apple producer, the industry fumigates only for Japan because of its large market potential. Colombia is the second-largest South American market for Washington state apples, after Brazil, receiving more than 214,000 42-pound cartons of Washington State apples last year and 110,000 cartons of pears from the U.S. Northwest. Washington's total apple harvest this season is about 80 million boxes, down from last season's record 92 million boxes. Washington produces about half of the apples sold in the U.S. and 90 percent of U.S. apple exports.

"Quarantine Restrictions Possible," THE PACKER, January 8, 1996; William DiBenedetto, "Colombia Threatens Curbs on US Fruit," JOURNAL OF COMMERCE, January 17, 1996.

Hormone-treated Beef Disputed

After resolving a dispute with Mexico over alleged unfair trade practices by U.S. cattle ranchers, U.S. Secretary of Agriculture Dan Glickman hopes to enlist Mexican support for a complaint to the World Trade Organization about the European Union's (EU) longstanding ban on hormone-treated beef. U.S. beef producers export about $100 million in hormone-treated beef each year, mostly to Asia, and export more than $20 million in non-hormone treated beef to Europe.

U.S. cattle ranchers maintain that the EU ban costs them $100 million annually in lost sales and fear that the EU ban could be copied by Asian importers, particularly Korea and Japan. U.S. Trade Representative Mickey Kantor says a formal challenge will be filed soon. More than 80 scientists advised the EU in December that controlled use of five "natural" hormone drugs does not threaten humans.

Mexican and U.S. cattle growers worked out a deal to drop the Mexican charges of U.S. dumping of cheap beef, in return for a U.S. commitment to send breeding heifers to replenish drought-stricken Mexican herds, with financing to come from the U.S. Commodity Credit Corporation. Mexico is the third- largest export market for U.S. beef.

Kevin G. Hall, "US Asks Mexico for Assistance in EU Beef Spat," JOURNAL OF COMMERCE, January 17, 1996; Katherine Butler, "EU, US Look to Solve Dispute Over Hormones," JOURNAL OF COMMERCE, January 11, 1996.

Intellectual Property Rights Still Disputed

The Free Trade Area of the Americas (FTAA) is the latest arena for U.S. pressure to protect intellectual property rights (IPR). The Clinton Administration has asked that the IPR working group of the FTAA process move beyond collecting information on existing laws and policies to identification of measures that would increase market access for IPR-related products and services, and has asked that the IPR group recommend measures for swift implementation of the World Trade Organization agreement on intellectual property rights.

Meanwhile, U.S. Trade Representative Mickey Kantor warned that Argentina may face loss of Generalized System of Preferences (GSP) benefits because of what the United States considers foot-dragging on implementation of IPR protections, particularly in the area of pharmaceuticals.

"Clinton Administration Seeks Stronger IPR Protection in FTAA Process," "Kantor Says U.S. 'Very Impatient' With Argentina's IPR Regime," INSIDE U.S. TRADE, January 12, 1996.

Chile, Canada And Mercosur

Discouraged by lack of progress on NAFTA accession talks, Chile and Canada have begun bilateral negotiations on an accord that will cover trade in goods, trade in services, investment and dispute settlement, but will exclude intellectual property rights. Officials of both countries announced the planned negotiations on December 29, after concluding that the U.S. Congress and President Clinton will be unable to agree on fast-track negotiating authority for NAFTA expansion. They predict an agreement by the end of 1996.

Both countries say the aim of the talks is to keep up the momentum on NAFTA expansion and that any bilateral accord will be compatible with NAFTA. Labor and environmental side accords are not under discussion. Mexico and Chile already have a bilateral trade agreement.

Many Canadian firms expect an advantage from gaining earlier access to Chile, whose economy has grown by an annual average of six percent for ten years. Chile also offers a base for third-country operations in Latin America, particularly if it manages association with Mercosur, the trading bloc composed of Argentina, Brazil, Paraguay and Uruguay.

The Mercosur bloc has a gross domestic product of $650 billion, 70 percent of South America's total. Trade among the Mercosur members has more than doubled to $15.8 billion during the past three years, making it an increasingly significant world player. The European Union is negotiating for a free trade pact with Mercosur, aiming to have one in place by 2005.

Janice Hughes, "Chile, Canada Gear Up for Talks This Month on 'Bridge' Pact to NAFTA," INSIDE U.S. TRADE, January 5, 1996; Aviva Freudmann, "Canadian Firms Expect Head Start From Chile Deal," JOURNAL OF COMMERCE, January 8, 1996; Robert S. Greenberger and Jonathan Friedland, "Latin Nations, Unsure of U.S. Motives, Make Their Own Trade Pacts," WALL STREET JOURNAL, January 9, 1996.

New Amazon Port For Soy Exports

Itacoatiera, a little-known Amazon River port, may expand to a major grain shipping point within the next few years, cutting the transportation cost of Brazilian soybean exports to Venezuela or Europe by $30 per metric ton. Grupo Maggi investment corporation and the government of Amazonas state have agreed to spend $29 million to make the river port accessible to grain ships up to 60,000-dead-weight-ton capacity by September 1996. Associated investments include a fleet of tugboats and barges, a 97 meter pier, a 70,000 metric ton storage silo, and a $21 million soya processing plant to produce soya oil and meal. These investments will, in turn, stimulate development of poultry, cattle feedlots, and fish farms.

Most grain from the Mato Grosso state is now transported by truck more than a thousand miles to distant coastal ports, at a cost of $110 per metric ton and 11 days of time. The new route would cut transportation time to eight days and cost to $75. Brazil is the third-largest producer of soybeans and already has among the world's cheapest soybeans. Nearby Venezuela is one of the world's biggest soybean importers, and currently buys most of its soy products from the United States, but the new port would increase Brazil's cost advantage.

James Bruce, "Unknown Amazon Port Gets Push to Become Big Grain Hub," JOURNAL OF COMMERCE, January 3, 1996; "Port to Sharpen Brazil's Edge in World's Soy Market," JOURNAL OF COMMERCE, January 3, 1996.

NAFTA & Inter-American Trade Monitor is produced by the Institute for Agriculture and Trade Policy, Mark Ritchie, President. Edited by Mary C. Turck. Electronic mail versions are available free of charge for subscribers. For information about fax subscriptions contact: IATP, 2105 1st Ave. S., Minneapolis, MN 55404. Phone: 612-870-0453; fax: 612-870-4846; e-mail: iatp@iatp.org.
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NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

February 9, 1996 Volume 3, Number 3

Headlines:

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U.S.-CANADA AG DISPUTES

A binational NAFTA panel will hear the U.S. challenge to Canadian dairy, egg and poultry products, though a decision is not expected until May. The U.S. maintains that high over-quota Canadian tariffs negotiated in the Uruguay Round of trade talks violate NAFTA tariff agreements, while Canada says Uruguay Round agreements are exempt from NAFTA's prohibition on raising tariffs beyond the level negotiated between the U.S. and Canada under NAFTA.

The newly-formed Coalition for Fair Trade with Canada, which includes the (U.S.) National Milk Producers Federation, the National Broiler Council, and the United Egg Association among its 165 members, urged U.S. Trade Representative Mickey Kantor to continue pressure on Canada to open markets to U.S. dairy, egg and poultry products.

A study by Informetrics, a Toronto economic forecasting firm, predict "Americanization of Canada's food supply" and loss of 27,000 Canadian jobs if tariffs on U.S. dairy, egg and poultry products are removed. The study also predicts dumping of excess U.S. dairy and poultry products on the Canadian market and infiltration by inferior U.S. products subject to lower testing standards, taking up about 20 percent of the Canadian market.

After prolonged negotiations, the Canada-U.S. Joint Commission on Grains issued a final report recommending that the U.S. curtail export subsidies and the CanadianWheat Board (CWB) be placed at greater risk of profit or loss in the market and make its operations more transparent. The CWB buys wheat from Canadian farmers at 75 percent of its projected value, then sells it on the world market and distributes profits back to farmers. The final report weakened a recommendation, made in an earlier preliminary report, for establishment of a mechanism torecommend trade restraint penalties if Canadian wheat exports disrupt the U.S. market. U.S. Commissioner Alan Bergman, a grain farmer and president of the North Dakota Farmers Union, refused to sign the final report, citing his disappointment in the commission's failure to address protection of U.S. producers from surges in Canadian grain exports.

The Canadian wheat industry has seen increasing concentration, with a decline in farms in Saskatchewan alone from 140,000 in 1941 to 57,000 today. Over the next three years, one in five prairie elevators run by the Wheat Pool, the largest Saskatchewan cooperative, will be eliminated, making way for 10 concrete inland terminals. The Wheat Pool itself is being "privatized" by creation of a two-tier membership system that will allow purchase of non-voting shares by non-farmer investors. Ontario's rural cooperative network - United Cooperatives of Ontario (UCO) - was taken over by the U.S. cooperative giant, Growmark of Chicago, in 1994. Growmark bought all of UCO's assets, with Canadian member cooperatives becoming members of Growmark.

"U.S., Canada Name Panelists to Settle Dairy, Poultry Dispute," INSIDE U.S. TRADE, January 26, 1996; "Canadian Farmers Warn of Disaster If Tariffs Go," REUTERS, January 29, 1996; ""Canada Warns on Farm Jobs," FINANCIAL TIMES, January 31, 1996; U.S.-Canada Joint Grain Report Made Public After Four Month Delay," INSIDE U.S. TRADE, February 2, 1996; Mitch Diamantopoulos, "Market Forces Threaten Farm Co-ops," INTERPRESS SERVICE, December 18, 1995; Stephen Dale, "Cooperative Movement Moves Into the Cities," INTERPRESS SERVICE, October 19, 1996.

TOMATO BILL BACK TO COMMITTEE

As Mexican legislators threatened retaliation against U.S. meat, grain, and dairy imports, the leadership of the U.S. House of Representatives sent a tomato protection bill back to committee on January 30, delaying action until at least March. The bill, advocated by the Florida Fruit & Vegetable Association, has been passed by the Senate and initially reached the House floor without committee hearings. U.S. commodity groups, including meat, grain and egg producers, oppose the legislation, fearing that a protectionist move in regard to one commodity will lead to counter-measures that will limit exports of their products.

The proposed legislation would redefine who can qualify for import protection under Section 301 of U.S. trade law, broadening the category to include producers of "seasonal" perishable commodities. The Clinton administration backs the bill, which opponents say would violate NAFTA and World Trade Organization rules. Meanwhile, U.S. tomato growers and fast food restaurants are pushing Japan to end a ban on U.S. tomato imports, which they say would be better in quality and 80 to 90 percent cheaper than Japanese-grown tomatoes.

Richard Lawrence, "Tomato Import Proposal Derailed," JOURNAL OF COMMERCE, January 31, 1996; Larry Waterfield, "Groups Speak Out Against Tariff Quotas," THE PACKER, January 29, 1996; Peter M. Tirschwell, "A Slice of the Market," JOURNAL OF COMMERCE, January 251996.

AVOCADO, MEAT AND GRAIN DECISIONS NEARER

The U.S. Department of Agriculture (USDA) is reviewing a final rule that will lift an 81-year-old ban on imports of Mexican avocados, allowing them to enter 19 Northeastern states, according to Mark Affleck, president of the California Avocado Commission. USDA officials insisted that internal review was continuing and no decision has yet been made. The Avocado Commission plans to challenge any rule change in court.

The USDA is also completing a regulatory framework for import of meat and livestock from regions of Mexico and other foreign countries. The new framework, agreed to under the Uruguay Round trade negotiations, will allow imports from regions deemed to be free of disease, even if other parts of a country are not disease-free. Even before the framework is complete, the USDA will probably approve pork imports from the Mexican state of Sonora, after extensive assessment of Sonora as a disease-free region.

The United States is pushing Mexico not to implement proposed phytosanitary regulations that would set a zero tolerance for the ergot fungus in grain imports, a level the United States calls impossible to certify. Both sides agreed to refer the issue to the North American Plant Protection Organization, a standards-setting body for all three NAFTA members.

Peter M. Tirschwell, "USDA Said to Soon Lift Ban on Mexican Avocados," JOURNAL OF COMMERCE, February 6, 1996; "USDA Close to Finishing Regulations to Allow Mexican Meat Exports," INSIDE U.S. TRADE, January 26, 1996.

SECTION 936 ON THE WAY OUT

Section 936 of the U.S. Internal Revenue Code, which has saved U.S. companies operating in Puerto Rico about $480 billion in taxes over the past two decades, is slated for repeal when some version of a budget bill finally passes the U.S. Congress. Both Democrats and Republicans agree that the provision, passed to boost the Puerto Rican economy, costs taxpayers too much and shows too little benefit to Puerto Rico. According to representatives Dan Burton (R-IN) and Peter Deutsch (D-FL), "Unemployment in Puerto Rico has remained chronically high, between 15 and 17 percent . . . [and] the manufacturing sector on the island provides approximately 101,000 jobs - the same as 20 years ago." U.S. and Caribbean businesses strenuously oppose repeal of Section 936.

Caribbean countries have benefited by $1 billion in loans from a lesser-known part of the 936 program. Section 936 required U.S. companies in Puerto Rico to keep their profits on deposit in Puerto Rico, and some of these funds were designated for use as low-interest loans to Caribbean countries that signed Tax Information Exchange Agreements with the United States. Trinidad and Tobago and Jamaica were the major beneficiaries, receiving $775 million in loans. While Section 936 would be phased out over 10 years, the interest rates on already-disbursed 936-derived loans would immediately revert to market rate.

Canute James, "Caribbean Decries Program's End," JOURNAL OF COMMERCE, January 11, 1996; Yvette Collymore, "More Cheers Than Tears as Credit Scheme Approaches the Axe," INTERPRESS SERVICE, January 18, 1996.

ZEDILLO SEEKS TRADE ALLIES ACROSS ATLANTIC

During his first state visit to Europe, Mexican President Ernesto Zedillo advocated a free trade agreement between Mexico and the European Union and insisted that free trade is the way to solve Mexico's economic problems. The Mexican president credited NAFTA with increasing bilateral trade with the United States and noted that Mexico already has free trade agreements with Chile, Costa Rica, Colombia, Venezuela and Bolivia, and is working on other agreements with Nicaragua, Honduras, and El Salvador.

"Free trade works," Zedillo told the Royal Institute for International Affairs in London. "Mexico strongly believes that free trade has, and will continue to be, the true engine for growth." Zedillo visited Spain, the United Kingdom and Italy, as well as attending the World Economic Forum in Switzerland.

Darius Bazargan, "Free Trade the Answer, Says Zedillo," INTERPRESS SERVICE, January 31, 1996; Leslie Crawford, "Zedillo to Seek Closer EU Ties," FINANCIAL TIMES, January 19, 1996.

ONGOING TRUCKING DISPUTE

The Teamsters union launched a radio ad campaign calling for continuing the ban on Mexican trucks in the United States. The ads say that Mexican trucks are older and heavier than U.S. trucks and that drivers earn only seven dollars a day and lack training to handle hazardous materials. Under NAFTA, border states were supposed to open to foreign trucking on December 18, but U.S. officials said that they would not act on applications by foreign truckers pending further talks on safety issues.

The U.S. government has said it will not move on applications, at least 29 of which have been filed, and the Mexican government reportedly has 20 applications pending. Mexican Commerce Undersecretary for external trade Raul Ramos denied reports in the Wall Street Journal that Mexico would begin processing applications from U.S. and Canadian truckers, saying that discussions with the United States were continuing.

"Mexican Officials Deny Rumors of Border Opening," KNIGHT RIDDER, February 5, 1996; "Union Seeks Permanent Ban on Mexican Trucking in US," JOURNAL OF COMMERCE, January 31, 1996; Kevin G. Hall, "US, Mexico Play Game of Tit for Tat in Nafta Row," JOURNAL OF COMMERCE, January 31, 1996.

TEXTILES FOCUS OF DISPUTES WITH COSTA RICA, MEXICO

The United States and Costa Rica will resolve their underwear trade dispute before the World Trade Organization, after Costa Rica sought "consultation" before the WTO Dispute Settlement Body. In March 1995, the United States unilaterally restricted underwear imports from Costa Rica, claiming damage to U.S. manufacturers. Costa Rica maintains that its exports are not a significant factor, particularly when more than half of U.S. underwear imports from all countries are products assembled abroad from U.S. components. Some Costa Rican workers have been laid off or work shorter weeks as the export quota fills up, and Costa Rican officials also fear that foreign investors will go elsewhere.

Meanwhile, U.S. exporters object to new textile and apparel labeling rules published by Mexico on January 24. The rules require that goods assembled in a foreign country with fabric from a third country say that on the label. The U.S. Apparel Exporters Association termed the requirement "just another obstacle," while Mexican officials defended it as necessary to stop a flood of Asian exports that has hurt domestic manufacturers.

Mexico's maquiladoras, which assemble textiles and other goods for export, make up 18 percent of the country's total manufacturing jobs and 34 percent of the total value of Mexican exports. During the first eleven months of 1995, 432 new plants were approved and 635 plants built additions, bringing the total number of maquiladora workers to 742,700 in more than 3,000 plants. Caribbean Basin apparel exporters also expanded sales to the United States by some 24 percent during the first three quarters of 1995, despite CBI arguments that their U.S. market is threatened by Mexico's open access under NAFTA.

In the United States, plant closings continue. "If you own a business and you could get a product made for a bowl of rice a day, or you could pay someone $6 an hour, what would you choose?" asks Douglas Benad, whose Texas garment factory closed in December. Phillips-Van Heusen Corp. cited the "impact of NAFTA, GATT and other trade laws that are reducing tariffs and quotas" in closing three Alabama manufacturing facilities. In October, Fruit of the Loom, the largest underwear maker in the United States, announced closings of six U.S. plants and cutbacks at two others, with layoffs of 3,300 workers or about 12 percent of its U.S. work force. According to American Apparel Manufacturers Association president Larry Martin: "[O]ur attitude always has been that it's better to do this [apparel assembly] work in this hemisphere than in the Far East."

"U.S., Costa Rica Clash Over Justification for Underwear Quota," INSIDE U.S. TRADE, January 26, 1996; Paula L. Green, "Costa Rica, US Seek to Avert Textile Showdown Before WTO," JOURNAL OF COMMERCE, January 31, 1996; Chakravarthi Raghavan, "Costa Rica Complains Over U.S. Textile Restrictions," INTERPRESS SERVICE, February 1, 1996; Kevin G. Hall, "Mexican Labeling Rules to Hit Asian Goods," JOURNAL OF COMMERCE, January 30, 1996; "Mexico's Maquiladoras Provide 742,700 Jobs," JOURNAL OF COMMERCE, January 11, 1996; "Free Trade: Clean Air, PCBs, Maquilas," WEEKLY NEWS UPDATE ON THE AMERICAS, January 21, 1996; Canute James, "Caribbean Apparel Exports to US Rise Despite Failure to Win Easier Access," January 16, 1996; "U.S. Plant Closings Continue," BOBBIN, January, 1996; Barnaby J. Feder, "Citing Trade Treaties, Fruit of the Loom Will Close," NEW YORK TIMES, October 31, 1995; Sam Howe Verhovek, "In Small-Town Texas, the Sewing Stops," NEW YORK TIMES, January 15, 1996.

COFFEE PRICES FALL, PRODUCERS MEET

After coffee prices peaked at more than two dollars a pound in July 1994, they fell steadily to less than a dollar a pound in December 1995, despite coffee producers' attempts to control supply and despite a worldwide coffee shortage. Brazilian National Coffee Council president Gilson Ximenes explains the combination of low prices and low production as market manipulation by the four giants of the staple goods market, including General Foods and Nestle. In a highly concentrated market, roasters counter producer retention plans by using up old stocks instead of buying fresh coffee.

Last year the Association of Coffee Producing Countries (ACPC) agreed to restrict world coffee exports to 60.4 million 60 kilogram bags for the year. Meeting in London in January, the ACPC decided to continue supply restrictions past 1996. World production is expected to reach 83.4 million sacks on 1995-96, 10 percent lower than the preceding year, but production is expected to rebound in 1996-97.

Coffee production supports 10 million people in Brazil, 350,000 families in Colombia, 62,000 in Venezuela and 82,000 in Honduras. The Costa Rican coffee sector employs 60,000 people, 22 percent of all agricultural workers. Guatemala's National Coffee Association claims that the sector employs 11 percent of the work force and affects half the population.

Darsha Damavanthi and Mario Osava, "Coffee, Free Market Make Strange Brew," INTERPRESS SERVICE, January 21, 1996; Julia Meehan, "Coffee Nations to Extend Supply Curbs to Buoy Prices," REUTER, January 23, 1996.

RESOURCES/EVENTS

Special Issue Report by Washington Office on Haiti focuses on the Rice Corporation of Haiti, its ties to the former military regime, and its impact on rice farmers and consumers in Haiti. Washington Office on Haiti, P.O. Box 29218, Washington, DC 20017. Telephone 202/319-4464. Donation requested.

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NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

February 23, 1996 Volume 3, Number 4

Headlines:

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- FLORIDA, CALIFORNIA ARE FOCUSES OF AG TRADE DEBATE
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- CHILEAN FRUIT INDUSTRY EXPANDS
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- CULTURE WARS CONTINUE

U.S., CANADA SETTLE LUMBER DISPUTE

In mid-February, Canada and the United States reached an agreement limiting Canadian lumber exports to the United States. The five-year agreement, which will take effect on April 1, ends a 13-year trade dispute. Under the agreement, British Columbia, Canada's largest lumber-exporting province, will impose an export tax of $50 for each 1,000 board feet for the first 250 million board feet in excess of 9 billion yearly, and $100 for each 1,000 board feet after that. Other provinces will increase fees paid by producers for cutting timber. According to the National Association of Home Builders, the agreement will increase U.S. lumber prices by about 14 percent, raising the cost of a new home by $1,000. United States lumber mills have long charged that Canadian mills enjoy an unfair advantage because the Canadian government, which owns 97 percent of the country's timber, sells wood to Canadian mills below market value. Canada's share of the U.S. softwood lumber market increased from 27 percent in 1991 to 36 percent in 1995. U.S. Trade Representative Mickey Kantor cited a report showing that 5,838 U.S. jobs were lost due to mill closings in the Pacific Northwest between 1993 and 1995, and said that more than 70 mills have closed permanently since 1993.

Canadians agreed to settle under threat of filing of a countervailing duty petition by U.S. producers, which could have resulted in imposition of duties on all Canadian lumber imports. Both U.S. and Canadian governments seemed eager to avoid submitting their dispute to the World Trade Organization, despite their free trade rhetoric.

John Maggs and Aviva Freudmann, "U.S.-Canada Lumber Deal Flouts Global Trade Rules," JOURNAL OF COMMERCE, February 21, 1996; Robert D. Hershey, Jr., "U.S. and Canada in Deal That Ends Lumber Dispute," NEW YORK TIMES, February 17, 1996; "U.S. and Canada Reach Agreement on Softwood Lumber," OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE, February 16, 1996; Kim Chipman, "Canada Tentatively Agrees to Slow Down Softwood Lumber Shipments Into U.S.," THE SUN HERALD (Biloxi, MS), February 17, 1996; "U.S., Canada Softwood Lumber Negotiators on the Verge of Agreement," INSIDE U.S. TRADE, February 16, 1996.

TORTILLAS FOR FOOD AND FORTUNE

The Mexican government awarded Maseca, Mexico's largest producer of corn flour and tortillas, 200,000 tons of 1996 direct corn import quotas, compared to 36,500 tons for Grupo Minsa, its nearest competitor. According to a Mexican Agriculture and Trade Ministries report in February, total quotas for corn flour producers were set at 276,500 tons. The import quota award further solidifies the dominance of Maseca in Mexico's corn flour and tortilla sector, which began with an agreement with the Mexican government in 1990 that froze the amount of corn allotted to traditional tortilla makers and awarded all growth in the market to corn flour manufacturers. Tortillerias that refused to switch from traditional nixtamal to Maseca's corn flour method of manufacturing tortillas were allotted the worst corn in strictly limited quantities.

In addition to forcibly shifting the market to Maseca, the government subsidizes its operation, with subsidies totaling $300 million in 1994, approximately 43 percent of Maseca's net revenues. Through Conasupo (the government-operated National Basic Staples company), the Mexican government paid farmers above-market prices for corn, then sold the corn at lower prices to tortilla makers, theoretically subsidizing poor consumers of tortillas at a cost estimated at 8.5 billion pesos last year. The government is considering eliminating all tortilla subsidies in 1996, which would at least double the price of a kilo of tortillas.

Mexico's rural poor, who usually do not buy ready-made tortillas, and the country's independent tortilla sector, do not receive much benefit under this system. Traditional tortillas are made by boiling corn kernels in water and lime and then grinding the pulp into dough (nixtamal) and making tortillas. Approximately 15,000 nixtamal mills supply 40,000 independent tortillerias. These independent operations, averaging 2.6 employees each, typically operate at a bare subsistence level.

Grupo Maseca does business in Latin America and the United States, where it is known as Mission Foods Corporation, and also bought Banorte (the Banco del Norte) in 1992, when bank privatization began, and is now taking over Banco del Centro and negotiating for parts of two other banks. Archer Daniels Midland reportedly wants to buy 30 percent of the company, which is traded on the New York Stock Exchange.

While Maseca dominates the corn flour quota allotment, nearly half of the total 1996 direct corn import quota of 3,134,601 tons was assigned to the farming sector. A far smaller second round of quotas will be determined at a later time.

"Tortilla Subsidy May Be Eliminated in 1996," MEXICO UPDATE, December 12, 1995; Chris Aspen, "Mexico Assigns 1996 Direct Corn Import Quotas," REUTERS, February 9, 1996; Anthony DePalma, "How a Tortilla Empire Was Built on Favoritism," New York Times, February 15, 1996; Raul Llanos Samaniego, "55 Mil Molinos y Tortillerias Independientes Apenas Logran Subsistir," LA JORNADA, February 16, 1996; Patricia Mun~oz, "Hasta 8.5 Mil Millones Podri'an Gastarse en el Subsidio a la Tortilla, LA JORNADA, February 13, 1996.

FLORIDA, CALIFORNIA ARE FOCUSES OF AG TRADE DEBATE

Florida tomato growers are leaving tomatoes to rot in the fields, saying that they just can't compete with Mexican tomatoes selling for $4 and $5 for a 25-pound box. Florida growers say they need $8 a box just to break even. Consumers have seen no benefit from the tomato war, with grocery store prices remaining constant at about $1 per pound.

Florida's Department of Agriculture has tried to slow Mexican imports by imposing roadside inspections of trucks bearing Mexican tomatoes and charging a $70 per truck fee for the inspection, over protests from Chile, Canada, and Mexico. On February 14, Florida exempted some, but not all, Canadian and Chilean imports from the inspection and fees, and the U.S. Department of Agriculture forestalled a proposed Florida inspection program covering air and seaports by agreeing to add inspectors and increase inspection activities. The U.S. Congress backed away from legislation that would have increased tariff protection by classifying winter tomatoes as a separate product, referring the legislation to committee for hearings.

The December 1994 Mexican peso devaluation made Mexican tomatoes much cheaper, leading to what U.S. officials say is a 65 percent increase in Mexican tomato exports this year. Mexicans say that tomato exports have grown only 15 percent. University of Florida economics professor John Van Sickle says that the number of Florida tomato farmers has dropped from 200 two years ago to about 100 today, with their revenues falling from $700 million to $400 million during the same time period. Florida Agriculture Commissioner Bob Crawford claims that Florida's share of the U.S. winter vegetable market has fallen from 68 percent to 37 percent because of NAFTA and the 1995 import surge from Mexico.

In contrast to the Department of Agriculture, Florida's Department of Commerce says that the state has actually benefited for NAFTA. While acknowledging that "it was always a given that there was going to be some losses to farmers over the short term," a spokeswoman for the Florida Department of Commerce said that in the long run, Florida will benefit from NAFTA, noting that Florida's 1994 exports to Mexico were $844.2 million, compared to imports from Mexico of about $174.5 million. During the first three quarters of 1995, Florida exports to Mexico dropped to $415.8 million, but Mexican imports rose to only $187.9 million. Most Florida exports to Mexico are high-value goods, such as industrial machinery and computer and electronic equipment. South American and Caribbean nations, however, are more important markets than Mexico, making up Florida's top seven markets, with China at number eight and Mexico not even in the top 15.

As Florida farmers denounce NAFTA, California agri-business firms say foreign trade is their future. According to Jim Pandol, vice president of marketing for California's Pandol Brothers Inc. farms, global marketing, particularly in Latin America and Asia, is the wave of the future. Because of California's tough environmental standards, its produce has an excellent international reputation. While domestic fruit sales are flat, foreign markets are booming for the Pandols, who farm 5,000 acres in California and more in Chile. Like Pandol, Pierre Tada, CEO of Limonaire Associates, predicts growing markets in Asia for his company's 6,000 acres of citrus products.

Despite Californian advocacy of global agricultural marketing, the state's avocado growers maintain their adamant opposition to allowing Mexican avocados to enter the northeastern United States, claiming fear of pests. Mexican officials maintain a ban on West Coast cherry imports, claiming fear of the plum curculio and apple maggot pests, a fear that some trade specialists call equally unfounded. According to Kraig Naasz, a trade specialist with the Northwest Horticultural Council in Yakima, Washington, representatives of the Mexican government said privately that "we would be permitted to export cherries on the day they were permitted to export avocados to this country, and not before."

Jane Bussey, "Unable to Compete With Mexico, Florida Farmers Let Their Tomato Crops Rot," MIAMI HERALD, February 18, 1996; Jim Carnal, "California Agriculture Committee Highlights Foreign Markets," THE BAKERSFIELD CALI-

FORNIAN, February 6, 1996; Kevin G. Hall, "Florida Sees Good in NAFTA, Even as Tomato Farmers See Red," JOURNAL OF COMMERCE, February 12, 1996; "Peter M. Tirschwell and John Maggs, "Florida Slaps Fee on Foreign Produce Moving by Truck," JOURNAL OF COMMERCE, February 9, 1996; Larry Waterfield, "Congress Delays Action," THE PACKER, February 5, 1996; Peter M. Tirschwell, "The Avocado as Political Football," JOURNAL OF COMMERCE, February 15, 1996; "Florida Limits Ag Inspections as Industry Talks Are Set With Mexico," INSIDE U.S. TRADE, February 16, 1996.

FOOD PROCESSING JOBS MOVE SOUTH

Watsonville, California, long a center for food processing, has seen yet another food plant close, as the shutdown of the Norcal-Crosetti Frozen food plant leaves 700 mostly Mexican-American women unemployed this month. Watsonville City Councilman Oscar Rios sees the purchase of Norcal-Crosetti by Wisconsin-based Dean Foods, and the plant's subsequent closure, as part of a trend: "Workers are seeing their frozen food plants either merging or downsizing. Workers at one time felt some security coming out of field jobs. Now they don't."

Norcal-Crosetti was the site of an 18-month strike in 1985-86, as workers defied the all-white city government and police administration that sided with their employer. Workers were protesting food companies' 1985 move to slash wages and benefits by as much as 40 percent. Now one local factory after another has relocated to Mexico, drawn by lower wages and costs there.

Reese Erlich, "Latina Workers Lose Out as Big Companies Move In," INTERPRESS SERVICE, February 8, 1996.

CHILEAN FRUIT INDUSTRY EXPANDS

The Chilean fruit industry is booming, with markets in Latin America, Asia, and the United States contributing to its grown. In December, Chile became the first Latin American country officially declared free of the medfly, opening new Asian markets. Table grapes and kiwi fruit lead Chilean exports to Asia, which grew from 5.5 million cases in 1993-1994 to 8.9 million cases in 1994-95.

Total Chilean fresh fruit exports for the 1995-96 season are projected at 160 million boxes, up from 154 million boxes last year. Exports to North America were 58.8 million boxes in 1994-95, with Chilean fruit making up nearly five percent of North American fruit consumption from January-April. Chilean fresh fruit exports to Latin America have grown rapidly, particularly in Brazil, which more than doubled its consumption over 1995-96. Cuba, Venezuela, and Colombia also increased consumption of Chilean fruit.

Steve Anderson, "Country is Declared Free of Medfly," THE PACKER, December 18, 1995; Dave Swenson, "Record Year on the Way," THE PACKER, December 4, 1995; Steve Anderson, "More Product Latin America-bound," THE PACKER, January 29, 1996.

CARIBBEAN SUGAR EXPORTS INCREASE; U.S. SUGAR SUBSIDY UNCERTAIN

Caribbean sugar producers, recently granted preferred access to European Union markets, have also been buoyed by the announcement of a second increase in three months in the quota of raw cane sugar that they can sell in the United States. The U.S. market pays about 22 cents per pound, less than the protected European market, but significantly above the 12-14 cents paid on the world market. Officials of the Sugar Association of the Caribbean say that demand for cane sugar has increased greatly, while the demand for beet sugar and artificial sweeteners has leveled off. Sugar growers are trying to increase production and rehabilitate mills to take advantage of the growing market.

The U.S. sugar price support program guarantees U.S.-based sugar mills a return of 18 cents per pound, which generally brings raw sugar prices to 22 or 23 cents per pound. Budget-cutters have targeted the sugar subsidy, saying that it costs U.S. consumers more than a billion dollars yearly in higher prices. Defenders of the program say that sugar is not subsidized, because interest payments on crop loans actually return money to the U.S. government. The Florida sugar cane industry, which employs about 33,000 people, is dominated by two producers, U.S. Sugar and the Flo-Sun Land Corp. While the sugar industry survived attacks on the sugar program in the Senate, bi-partisan opposition to the program remains in the House of Representatives.

Bert Wilkinson, "A Whole Lot of Sweetness in Sugar Industry," INTERPRESS SERVICE, January 26, 1996; Canute James, "Caribbean Sugar Growers Hope for Brighter Future," FINANCIAL TIMES, December 29, 1995; James McNair, "Bitter Fight Rages Over Sugar Subsidy, Affecting Florida Growers," MIAMI HERALD, January 22, 1996; Juan Miguel Pedraza, "Bi-Partisan Group of Lawmakers Targets U.S. Sugar Program," AGWEEK, February 12, 1996.

CULTURE WARS CONTINUE

U.S. Trade Representative Mickey Kantor, already involved in disputes over a Canadian tax on a local edition of "Sports Illustrated" and a ruling that kept Nashville-based Country Music Television off Canadian cable, will have new battles to fight in the ongoing cultural war. Canada's foreign investment watchdog, Investments Canada, refused to allow Borders Group Inc. to form a local joint venture because the operation's buying would be controlled from Borders' Ann Arbor, Michigan headquarters. Barnes & Noble, another U.S. book retailer, and Britain's Virgin Retail Group are also trying to enter the Canadian retail book market.

Canadian officials base their positions on a NAFTA exemption that requires federal approval for investors seeking to acquire or invest in cultural sectors. The Canadian Broadcasting Company has also banned U.S. programming from its prime-time lineup, beginning in September, and Canadian film distributors are fighting Hollywood efforts to sell pay-per-view movies directly to providers in Canada.

"U.S. Booksellers' Rejection Threatens Trade Clash," REUTERS, February 11, 1996; "Kantor Charges Canadian Split Run Tax Violates NAFTA and WTO," INSIDE U.S. TRADE, February 2, 1996; Aviva Freudmann, "Canada Wins New Battle in Culture War With U.S.," JOURNAL OF COMMERCE, February 13, 1996

RESOURCES/EVENTS

Small Grants for Graduate Student Field Research on the Transformation of Rural Mexico offered by the Center for U.S.-Mexican Studies at the University of California, San Diego in association with the Guadalajara unit of the Centro de Investigaciones y Estudios Superiores en Antropologma Social de Occidente (CIESAS-Occidente) to determine how rural producers in Mexico are adapting to 1992 constitutional amendment affecting ejidos and internationalization of agricultural commodity markets. Five to eight grants ranging from $1,000-$1,500 will be made for fieldwork between May 1, 1996 and October 31, 1996. Contact David Myhre, Center for U.S.-Mexican Studies, University of California-San Diego, La Jolla,CA 92093-0510, fax 619/534-6447; email: ejido@weber.ucsd.edu. Applications due February 29, 1996.

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From dwiehoff@iatp.org Fri Sep 13 14:40:01 1996 From: Dale Wiehoff <dwiehoff@iatp.org>
Subject: NAFTA & Inter-Am Trade Monitor 3-8-96

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

March 8, 1996 Volume 3, Number 5

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- BANANA WAR UPDATE
- NAFTA ENVIRONMENTAL PANEL ACTS - SLOWLY
- CARICOM MEETS, TALKS NAFTA
- U.S. COTTON AND TEXTILE INDUSTRIES WEAKENED
- GRAIN TRADE ISSUES

U.S. POLITICS AND INTERAMERICAN TRADE

As the U.S. presidential election race heats up, international trade figures prominently in campaign rhetoric and Latin Americans worry that the U.S. commitment to free trade in the region is wavering or gone. Pat Buchanan's attacks on NAFTA and the World Trade Organization increase the visibility of trade issues, and leading Republican contender Senator Bob Dole has pledged increased use of anti-dumping and Section 301 trade provisions, criticizing the Clinton administration for a "less than aggerssive trade policy." Even though only six percent of voters in an exit poll in New Hampshire cited trade as their primary reason for voting for Buchanan,and despite renewed Clinton administration promises to continue to push for the Free Trade Area of the Americas, anti-free-trade rhetoric is likely to remain part of the campaign. Canadian trade spokesperson Charles Larabie said it would be "a very serious blow for the Nafta pact were (Mr. Buchanan's) rhetoric to become reality."

Electoral concerns also affect sectoral trade issues. The U.S. Department of Agriculture (USDA), for example, strongly denies reports that it has made a decision to end a ban on Mexican avocados - a ban fiercely defended by avocado growers in the key electoral state of California. The USDA has also bent over backwards to pacify tomato growers in Florida, another important electoral state, agreeing to increased federal pest inspections of fruits and vegetables at Florida airports and ports. The stepped-up inspections are a response to concerns about increased tomato imports, as is the February 16 imposition by Mexican growers of a stricter quality standard on exported tomatoes, effectively cutting shipments from 160-170,000 boxes daily to about 150,000 boxes daily.

In California, the Border Trade Alliance, representing trade and transport interests along the U.S.-Mexican border, asked to meet with Senator Dianne Feinstein (D- CA) to counter her assertions that transporters have become a conduit for the drug trade. BTA officials said Sen. Feinstein did not understand that the line-release program, which she specifically criticized, streamlines paperwork but does not reduce the number of inspections of commercial cargo from Mexico. Feinstein, apparently jockeying for position as a potential gubernatorial candidate, has sounded anti-immigrant and anti-drug themes and called for the removal of Customs Commissioner George Weise.

Stephen Fiedler, "Latin America Worries About U.S. Reversal on Trade," FINANCIAL TIMES, February 28, 1996; John Maggs, "Trade May Not Be Key to Buchanan Victory," JOURNAL OF COMMERCE, February 22, 1996; Peter M. Tirschwell, "USDA: No Ruling Made to Lift Avocado Ban," JOURNAL OF COMMERCE, February 27, 1996; Larry Waterfield, "Florida, USDA Enter Agreement," THE PACKER, February 26, 1996; Peter M. Tirschwell, "Mexican Growers Impose Stricter Tomato Standard," JOURNAL OF COM-

MERCE, February 28, 1996; Kevin G. Hall, "Border Groups Seeks to Discuss Drugs, Customs Issues With Sen. Feinstein," JOURNAL OF COMMERCE, February 22, 1996; Bill Mongelluzzo, "Critics Say Senator Playing Border Games," JOURNAL OF COMMERCE, February 8, 1996.

BANANA WAR UPDATE

With Chiquita Brand's current attempt to enter the Windward Islands banana market, the already-complicated banana wars involving the European Union (EU), the United States, Caribbean producers and Latin American producers became even more complex. The United States, acting at the behest of Chiquita and other U.S. companies, and with the support of Mexico, Guatemala, Honduras, Panama and Ecuador, the world's largest banana producer, has filed a World Trade Organization challenge to the EU banana regime, which grants preferred import status to bananas from African, Caribbean and Pacific (ACP) producers. ACP producers met in February to urge the EU to "remain resolute in its defense of the rights of its own and of ACP producers."

Chiquita has now moved to buy bananas directly from producers in the Windward Islands. This move undercuts the new Windward Islands Banana Development Company (Wibdeco), a joint venture formed by the governments of St. Lucia, Dominica, St. Vincent and the Grenadines and Grenada with the Irish fruit company Fyffes to take control of the shipping and marketing of their bananas from the British and European Geest companies.Governments and marketing boards in the four countries have told farmers not to sell to Chiquita. Some farmers, including a newly organized St. Lucian producers' union, the Banana Salvation Committee, insist that they will defy legislation that gives Wibdeco sole authority over the sale of exportable quality bananas and take Chiquita's higher prices, farm-to-port transportation and other favorable conditions. St. Lucia is the biggest banana producer among the Windward Islands.

Wibdeco spokesperson Arnhim Eustace warns that Chiquita just wants to get control of the island industry, destroying Wibdeco. "If we start splitting this up again into sales to different countries it means that our shipping, if we can get it at all, would become more expensive and the other services which we have combined will also become more expensive. We are already high- cost producers."

Recent over-supply in bananas with increased EU tariff quotas for Central American bananas has brought EU banana prices to an all-time low. Flooding and heavy rains in Costa Rica in mid-February may increase prices, however.

"Ecuador to Join U.S., Latins in Fight Against EU Banana Regime," INSIDE U.S. TRADE, February 2, 1996; Canute James, "Windward Islands Officials Oppose Chiquita's Banana Purchase Overtures," JOURNAL OF COMMERCE, January 23, 1996; Maricel Sequiera, "Bananas - Bitter Fruit of Globalization," INTERPRESS SERVICE, January 25, 1996; Patrick Smikle, "The Pros and Cons of Owning Your Own Banana Industry," INTERPRESS SERVICE, January 25, 1996; Canute James, "U.S. Offer Threatens Windwards Banana Split," FINANCIAL TIMES, February 23, 1996; Shada Islam, "ACP Banana Producers Urge EU to Defy U.S.," INTERPRESS SERVICE, February 23, 1996; Tom Karst, "Floods Slash Supplies," THE PACKER, February 19, 1996.

NAFTA ENVIRONMENTAL PANELS ACT - SLOWLY

The Border Environment Cooperation Commission (BECC), created by NAFTA to address border pollution and health problems, in January certified three projects for financing by the NAFTA-created North American Development Bank (NADBank). BECC approved a $39 million water supply and distribution project for Nogales, Sonora, across the border from Nogales, Arizona; a $42 million upgrade of water and wastewater systems in the Arizona border city of Douglas; and a $1 million wastewater treatment plant for the Finsa Industrial Park in Matamoros, Tamaulipas, across the border from Brownsville, Texas. This brings to six the total number of projects certified by BECC, but NADBank has not yet approved financing or loan guarantees for any projects.

Non-governmental organizations objected to lack of public scrutiny and input on decisions, and to looseness of requirements for equitable fee structures for Nogales water users, including balance between industrial and residential users. The Finsa project also drew criticism, due to Finsa's perceived lack of commitment to community participation and to the lack of planning for sanitary sewers for surrounding colonias.

The NAFTA Commission for Environmental Cooperation (NACEC) investigated Mexican approval of a new pier near a fragile coral reef on the resort island of Cozumel, after complaints by three Mexican environmental groups, and in mid-February ordered the Mexican government to respond to the commission within 60 days. NACEC does not have any power to block the pier, but could find that Mexico has violated its own law, thus opening the door for the United States or Canada to file a trade complaint that might someday result in sanctions against Mexico. Construction on the pier, which will provide a dock for large cruise ships, has already begun.

"BECC Certifies Two Controversial Projects," BORDERLINES, February, 1996; "Nafta Border Panel Certifies Three Projects," JOURNAL OF COMMERCE, January 23, 1996; Harry Browne, "Activists Pressure for BECC/NADBANK Openness," OUR AMERICAS, February, 1996; "NAFTA Commission to Review Mexican Pier," ENVIRONMENTAL NEWS NETWORK, February 28, 1996; "Nafta Panel on Environment Raises Questions on Mexican Pier," JOURNAL OF COMMERCE, February 16, 1996.

CARICOM, CANADA, CUBA

Both Canada and the 14-member Caribbean Community (Caricom) expressed concern over the apparently imminent signing of the Cuban Liberty and Democratic Solidarity Act, better known as the Helms-Burton bill, by President Clinton in retaliation for Cuba's shooting down of two planes flown by Cuban-American protesters. The legislation targets trade with Cuba and would punish both Canada and the Caribbean nations. Canada's annual trade with Cuba totals about $515 million, while the Caricom nations trade with Cuba is about $30 million. The United States is Caricom's main trading partner.

Canada has previously stated that the Helms-Burton legislation would violate NAFTA provisions. The legislation would allow Cuban-Americans and others to file suit in U.S. courts against individuals or companies who buy or lease any property confiscated by the Cuban government since the revolution 36 years ago, and would bar entry to the United States by officials of firms expanding their investments in confiscated property in Cuba after the passage of the legislation, and would bar their family members as well. "I think this is a dangerous precedent for one country to say if you trade with someone else you can't trade with us," said Canadian Trade Minister Art Eggleston.

During its late February-early March summit meeting, Caricom approved a draft free trade agreement for negotiation with Latin American countries and welcomed U.S. Secretary of State Warren Christopher's assurance that the Clinton administration will soon renew efforts to gain equal access or parity with Mexican imports for Caribbean products. Caricom already has free trade agreements with Venezuela and Colombia, but wants new and broader regional accords to be more advantageous than the earlier agreements.

Caricom also asked Canadian Prime Minister Jean Chretien, in attendance at the summit, for improvements in the 10-year-old Carib-Can trade agreement to grant parity with Mexico to Caricom members. More than 95 percent of Caricom products already enter Canada duty- free under Carib-Can. Caricom also requested Canadian support in the continuing banana dispute between the European Union (EU) and the United States over favorable terms given to Caribbean banana producers by the EU

In a mid-February meeting in Costa Rica, Mexico and seven Central American nations discussed regional political and economic development and prospects for a regional free trade agreement. Mexico and Costa Rica already have a free trade agreement, and Mexico is negotiating with Nicaragua and with the Guatemala, Honduras and El Salvador jointly.

Michael Becker, "Caricom, Canada to Discuss Cuba Trade Sanctions," REUTER, March 3, 1996; Donna Smith, "Canada Says U.S. Overreacting on Cuba," REUTER, March 4, 1996; "Region Welcomes New Talk of NAFTA Parity," INTERPRESS SERVICE, February 28, 1996; Michael Becker, "Caribbean Nations Seek Free Trade With Latin America," REUTER, February 29, 1996; Aviva Freudmann, "U.S. Legislation Against Cuba Alarms Canadian Officials," JOURNAL OF COMMERCE, March 1, 1996; Kevin G. Hall, "Mexico, Central America Talks Set," JOURNAL OF COMMERCE, February 15, 1996.

U.S. COTTON AND TEXTILE INDUSTRIES WEAKENED

Despite a predicted decline in U.S. cotton plantings from 16.9 million acres in 1995 to 15.5 million acres in 1996, the National Cotton Council predicts a rise in production from 18 million bales in 1995 to 19.6 million bales in 1996, due to yield improvements. Predictions of decreased plantings were based on improved prices for competing crops, such as corn and soybeans, and increased risk to cotton from insects. California and New Mexico show the largest estimated increases.

In contrast to the increased production of raw cotton, textile mills show decreased production and closing plants, due largely to foreign competition. The National Cotton Council also reported increased cotton textile imports of 53 percent over the past five years to a total of half of retail cotton consumption. In early February, three South Carolina textile mils closed, affecting about 700 workers. South Carolina textile industries employed 162,000 workers a decade ago, but now offer only 116,000 jobs.

Nationally, apparel industry employment fell from 945,000 at the end of 1994 to 846,000 by the end of 1995. An additional 42,000 jobs were lost in the fabrics industry, where increased automation accounts for more of the job losses. Taken together, the fabrics and apparel industries accounting for 40 percent of all manufacturing jobs lost in the United States during 1995. Factories that moved from the more unionized Northeast to the Southeast and South are now picking up and moving to Latin America, where labor costs are still lower. While apparel manufacturing moves out of the United States, the far more heavily automated fabric production industry remains healthy, with increasing sales of U.S.-made fabric to Latin American and Caribbean apparel manufacturers.

"U.S. Cotton Textile Imports Up; Mexico Share Up," KNIGHT-RIDDER, February 11, 1996; "'96 U.S. Cotton Plantings Seen Down, Output Up," KNIGHT-RIDDER, February 11, 1996; "Three South Carolina Textile Mills Closing," THE STATE, February 11, 1996; John Holusha, "Squeezing the Textile Workers," NEW YORK TIMES, February 21, 1996.

GRAIN TRADE ISSUES

Canada and the U.S. have vied for the Mexican wheat market since 1986, with the U.S. garnering an estimated 64 percent of the Mexican wheat import market in 1995, up from 40 percent in 1991 as Canadian wheat filled Chinese demand. The U.S. ships one-third of all world wheat exports.

U.S. corn exports to Mexico were also strong in 1995, due in part to a drought in the Yucatan. Cargill's Mexican subsidiary, Cargill de Mexico, is also planning for increased U.S. soybean exports to Mexico, and has begun construction of a $30 million soybean processing plant in Tula, north of Mexico City. The plant will be next to Cargill's recently-completed Atitalaquia Corn Syrup Distribution Center, and will market soybean meal to the feed industry.

The Canadian Wheat Board (CWB) forecast an increase in world wheat trade to a yearly average of 108 million tons during 1999 to 2000 and to 125 million tons in 2004-05, both substantial increases over the current five-year average of 104 million metric tons. The CWB forecasts particularly large increases in the Chinese market, which currently excludes U.S. wheat on alleged phytosanitary grounds of contamination with spores of TCK smut. The CWB also predicted increased Latin American imports from the current five-year average of 12 million metric tons to 18 million in 1999-2000 and to 22 million in 2004-05.

The United Nations Food and Agriculture Organization (FAO) reports decreasing world cereal supply, saying that to meet the demand for the current year, global cereal stocks must be drawn down by almost 50 million tons, to well below the 17-18 percent of annual production that FAO considers necessary for world food security.

Heather Eurich, "The Grain Trade Games," FARM JOURNAL, December 1995; "CWB Predicts Increases in World Wheat Trade," AG WEEK, February 5, 1996; Gordon S. Carlson, "China Threatened Over Trade Barrier Against U.S. Wheat," FEEDSTUFFS, December 18, 1995; "Cargill Building Soybean Plant in Mexico," FEEDSTUFFS, February 5, 1996; "World Cereal Supply Tight, Stores Situation Dangerous - FAO," INTERPRESS SERVICE, February 21, 1996.

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Dale Wiehoff, Communications Director, Institute for Agriculture and Trade Policy (IATP) 1313 5th Street SE, Suite 303, Minneapolis, MN 55414-1546 USA Tel: (612) 379-5980 Fax: (612) 379-5982 Email: dwiehoff@iatp.org URL: http://www.iatp.org/iatp

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NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

Friday, March 22, 1996 Volume 3, Number 6

Headlines:

- TRADING WITH CUBA
- TOMATO PRICES RISING
- WHERE'S THE BEEF?
- SMART HIGHWAY
- HAITIAN AGRICULTURE: EXPORTS, IMPORTS AND FOOD
- IMPORTING FARM WORKERS

TRADING WITH CUBA

On March 12, U.S. President Bill Clinton signed into law the "Cuban Liberty and Solidarity Act," reversing his earlier opposition to the measure in retaliation for Cuba's downing of two imigri aircraft in late February. U.S. allies and trading partners on both sides of the Atlantic consistently oppose the new measure, which codifies the existing U.S. trade embargo as law and goes on to impose other trade-restrictive measures:

* Cuban-Americans and other U.S. citizens will be allowed to use U.S. courts to sue foreign users of property confiscated by the Cuban government since 1959;

* officers (and their families) of any companies that "traffic" in expropriated properties will be barred from entry to the United States;

* any country supporting completion of nuclear facilities in Cuba will lose U.S. aid in an amount equal to the support given to Cuba;

* former Soviet states supporting intelligence facilities in Cuba will lose U.S. aid in an amount equal to the support given to Cuba;

* U.S. representatives to international lenders such as the World Bank will be required to veto Cuban membership and approval of loans to Cuba. The law allows the president to suspend lawsuits against "traffickers" in expropriated property for six-month periods, but the embargo may now be modified or lifted only with congressional action.

Unless President Clinton delays implementation of the clause permitting lawsuits against purchasers or lessors of confiscated property, a number of high-profile lawsuits could be filed. Bacardi Rum could sue Pernod Ricard, the French liquor company that distributes Havana Club rum produced at Bacardi's old distillery in Santiago de Cuba. .

A clause in the original legislation barring sale in the United States of goods made with Cuban sugar was dropped, apparently in a move to avoid clear violation of international trade agreements. Nonetheless, Mexico and Canada immediately sought NAFTA consultations with the United States on the terms of the embargo, and Canada said it would raise concerns over the law at the Organization for Economic Cooperation and Development. The European Union also said it would challenge the embargo in the World Trade Organization.

Caribbean countries meeting at the Caricom-Canada summit in early March denounced the measure, worrying that it will interfere in their five-year attempt to re-integrate Cuba into the region. The Rio Group of 14 South American nations also denounced the legislation, as did the Russian parliament. While denouncing the U.S. moves, Cuban officials said that the new legislation is unlikely to slow investment in Cuba.

U.S. Trade Representative Mickey Kantor maintains that the new law will not violate the provisions of NAFTA or the WTO.

Robert Evans, "EU to Raise Cuba Embargo in WTO - Diplomats," REUTERS, March 18, 1996; "Canada Seeks NAFTA Talks on U.S. Cuba Sanctions," REUTER, March 13, 1996; "Mexico Joins in NAFTA Talks on New U.S. Cuba Law," REUTERS, March 13, 1996; Bert Wilkinson, "Highs and Lows as Summit Ends," INTERPRESS SERVICE, March 5, 1996; Pascal Fletcher and Stephen Fidler, "Move May Not Deter Many Foreign Investors," FINANCIAL TIMES, March 7, 1996; "Cuba Says New U.S. Law Will Not Hurt Investment," REUTERS, March 13, 1996; "Group of Rio Condemns U.S. Legislation Against Cuba," REUTERS, March 14, 1996.

TOMATO PRICES RISING, FLORIDA GROWERS SUE

Tomato prices hit a five-year high just a week after Mexican and Florida growers met in Dallas in mid-March to discuss this year's increase in Mexican winter tomato exports to the United States. On March 11, wholesale farm prices rose 40 cents to $1 per pound, and by March 15 they hit $1.24 per pound, six times the early January price for tomatoes. Florida growers' complaints to government officials, Mexican voluntary import restrictions, a late February freeze that killed 80 percent of the tomatoes in the Naples and Imokalee area, and more cold weather during the second week of March are credited with causing the price increase.

Florida Agriculture Commissioner Bob Crawford filed a Section 201 petition with the International Trade Commission in Washington on March 11, charging Mexico with dumping tomatoes and peppers. Florida's petition cites the drastic reduction in the number of Florida tomato and pepper farmers from 200 two years ago to 100 today, with decline in their revenues from $700 million a year to $400 million a year in the same time period.

Florida tomato growers accounted for 42 percent of U.S. tomato production in 1995, followed by California with 31 percent. Florida produced 39.9 percent of U.S. bell peppers, followed by California with 36 percent. While Florida hopes to find support from growers in other states for its petition, Florida tomato industry officials said that they expect California growers' connections with Mexican growers to generate some opposition to their cause. While not formally arguing that Florida growers constitute a separate industry, as they have in the past, they ask the Commission to "make a determination under the statute for both a seasonal industry (full season, October-May) and the 'annual' industry."

According to U.S. Department of Agriculture figures, Mexican sales of tomatoes in the United States reached 31,000 tons during the first week of March, up from 24,500 tons during the same week in 1995 but lower than the 35,000 tons shipped during the last week of February. The decrease was credited to a Mexican move to limit certain import categories, thus decreasing overall imports. Sales of Florida-grown tomatoes nationwide during the first week of March reached 7,200 tons.

"Florida Growers Take New Tack in Safeguard Case Against Mexico," INSIDE U.S. TRADE, March 15, 1996; Tom Karst, "Tomatoes Hit $25 as Result of Rain," THE PACKER, March 18, 1996; Charles Lunan, "Trade Dispute With Mexico Leads to Higher Tomato Prices," FORT LAUDERDALE SUN-SENTINEL, March 16, 1996; Jim Cason and David Brooks, "Florida Demandara a Mixico por dumping de productos agrmcolas," LA JORNADA, March 12, 1996; Jane Bussey, "Florida, Mexico Tomato Growers to Meet," MIAMI HERALD, March 7, 1996; William L. Roberts, "Dole Backs Florida Farmers in Trade Row," JOURNAL OF COMMERCE, March 11, 1996; Tom Karst, "Mexico Does Right by Restricting Color, Grade of Tomatoes," THE PACKER, March 11, 1996.

WHERE'S THE BEEF?

Despite continuing British opposition, European Union (EU) farm ministers agreed on March 18 on technical details of a continued ban on imports of U.S. hormone-treated beef. The measure will now be sent to the European Parliament for approval. Joined by Canada, Australia and New Zealand, the United States filed a complaint to the World Trade Organization (WTO) on January 26, arguing that there is no scientific basis for the EU ban. The WTO will begin talks on the complaint on March 27.

Both Mexican and Canadian beef production is expected to climb, according to government reports in each country. Mexico's meat production increased by 8.5 percent in 1995, compared to 1994, with beef accounting for 1.422 million tons, pork at 900,578 tons, lamb at 30,050 tons, goat at 37,732 tons, and poultry at 1.336 million tons. The Canadian Agriculture Ministry said that its cattle industry can supply more of its domestic beef market, making increased imports from Australia and New Zealand unnecessary. Canadian processors have previously complained that they need imports to fill specific needs, an argument that will now be more difficult to make.

Canada ships about 40 percent of its grain-fed beef to the United States. More than 2,100 Canadian and U.S. beef producers, joining forces as the Northern Plains Premium Beef Cooperative, are preparing plans for a producer-owned beef processing plant with one or more sites in the United States and Canada.

"EU Keeps Ban on U.S. Hormone-Treated Beef," REUTERS, February 26, 1996; "Mexican Meat Output Up 8.5 Percent in 1995," REUTERS, February 4, 1996; Ian Elliott, "Canadian Study Looks at Future of Country's Beef Trade," FEEDSTUFFS, February 26, 1996; Carter Wood, "Northern Plains Beef Cooperative Plans Processing Plant," GRAND FORKS HERALD, March 9, 1996.

SMART HIGHWAY

As truck back-ups at Texas-Mexico border crossings continue, the I-35 Coalition continues to push for development of a "smart highway" that would eliminate the need for most truck inspections at the border. The I-35 highway, running from Laredo, Texas almost to the Canadian border at Duluth, Minnesota, together with the I-29 highway, which branches off at Kansas City, Missouri to the northwest to Canada are the most traveled direct trade routes among the three NAFTA nations.

"Smart highway" planners, including Interdex, the U.S. Treasury Department's new International Trade Data Exchange, are exploring ways to use existing technology to speed traffic between Mexico City, Dallas, and Toronto. Railroads already use electronically readable tags attached to rail cars and read by trackside readers that send the information along telephone or fiber-optic lines. Similar technology could be applied to trucks. Inspections, including weighing and sealing of the contents, could take place at "inland ports of compliance," such as Kansas City or Toronto. A fiber-optic network of sensors laid down the middle of the highway right-of-way would assess tolls and fees along the way.

Trucks crossing the Texas-Mexico border now encounter 8-48 hour back-ups. The American Trucking Association estimates costs as high as $1.20 per minute or $1700 for a 24-hour delay. If a "smart highway" were implemented, trucks inspected and sealed at inland ports of compliance would bypass the border wait, stopping only if randomly or selectively chosen for manual inspection.

Ted Landphair, "**Smart NAFTA Superhighway**," VOICE OF AMERICA, March 12, 1996.

HAITIAN AGRICULTURE: EXPORTS, IMPORTS AND FOOD

Haiti will import an estimated 401,00 metric tons of cereal grains in 1995, more than half of which will come in as food aid, further increasing the competition with locally-grown crops and lowering prices that Haitian farmers can command. In 1987, Haitian rice farmers, 63 percent of whom work plots of a quarter hectare or less, produced three-quarters of the rice consumed in the country. By 1991, Haiti produced 195,000 metric tons and imported 100,000. In 1994, Haiti imported more than 140,000 tons.

Higher-producing strains of rice developed in the U.S. during the Green Revolution of the 1940s and 1950s require more fertilizers and pesticides, which Haitian farmers cannot afford. Haitian rice farmers are also handicapped by lack of mechanization, poor condition of irrigation canals and lack of storage facilities, which forces them to sell rice immediately after harvest. Local rice farmers are threatened by competition from cheap "Miami rice" imported by the Rice Corporation of Haiti, which is owned by U.S. agribusiness giant Erly Industries. The Rice Corporation now imports roughly half of the rice consumed in Haiti.

Reni Prival, Haiti's new president, signaled his commitment to strengthening the country's agricultural sector by appointing agronomist Rosny Smarth as his prime minister and beginning his term with a visit to the agricultural Artibonite Valley. While nearly 70 percent of Haiti's population is rural, agricultural production for subsistence and for export has declined steadily since 1970, driven down by both overwhelming environmental degradation and liberal policies that emphasize a change from food production for domestic consumption toward export crop production and manufacturing. With 86 percent of the rural population unable to obtain even 75 percent of their daily caloric needs, people continue leaving the countryside by the tens of thousands, seeking even subminimum wage employment in urban areas. Thousands of peasants in the northeast, unable to produce rice because of lack of irrigation, cross the border to work in Dominican rice paddies, running the risk of robbery and killing by Dominican farmers and soldiers.

Haitian peasants demand state support for irrigation systems, tariffs to protect local production against cheap imports, land distribution programs and collective farms, but the World Bank's Structural Adjustment Program calls for lower tariffs, privatization and cuts in public spending. Private financing for peasant farmers, while rarely available, carries interest rates up to 85 percent. The National Institute of Agrarian Reform, provided for in the 1987 constitution and finally established last June, has only two employees.

Charles Arthur, "Between the Peasants and the Donors," INTERPRESS SERVICE, March 7, 1996; Peter Constantini, "Rice Farmers Challenged by U.S. Rice, Strong Dollar," INTERPRESS SERVICE, December 27, 1995; Ives Marie Chanel, "Prival Banks on Agriculture," INTERPRESS SERVICE, February 21, 1996; "Haiti's Agricultural Production," HAITI INFO, February 10, 1996; Ives Marie Chanel, "Rice Growers With Dry Fields," INTERPRESS SERVICE, March 11, 1996.

IMPORTING FARM WORKERS

Agri-business interests in California, Texas and Florida succeeded in convincing the U.S. House of Representatives Agriculture Committee to approve a farm worker amendment to the House immigration bill that would allow as many as 250,000 temporary work visas for foreign farm workers. Pressure for the farm worker provisions came from 48 organizations, including the National Cotton Council, the United Fresh Fruit and Vegetable Association, and the American Farm Bureau Federation, and from many of the representatives who have pushed for tighter restrictions on illegal immigration.

Estimates of the number of undocumented workers among the 1.6 million seasonal farm workers range from 25-50 percent. Monte Lake, a lobbyist for the National Council of Agricultural Employers warned that intensified border patrols have already put pressure on the labor market. Agri-business interests fear that new identification and verification provisions, criticized by civil libertarians as creating a national identification card, would work too well, screening out farm workers who lack immigration documents.

Farm worker organizations and the Clinton administration oppose the legislation, saying that agri-business interests just want a surplus of cheap labor. According to Labor Department estimates, approximately 190,000 domestic farm workers, or 12 percent of the total, are unemployed at any given time.

Eric Schmitt, "Panel Votes for Workers' Visas for 250,000," NEW YORK TIMES, March 6. 1996; Peter M. Tirschwell, "Labor Shortages Loom for Farmers in California," JOURNAL OF COMMERCE, March 6, 1996; William Scally, "U.S. Legislature Debating Controversial Immigration Bill," REUTERS, March 18, 1996.

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The U.S. in Haiti: How to Get Rich on 11" an Hour, National Labor Committee Education Fund in Support of Worker and Human Rights in Central America, 1996. 72 pages. $5.00. Order from National Labor Committee, 15 Union Square, New York, NY 10003; telephone 212/242-0700. Informational and organizing tool, with specific coverage of violation of Haitian minimum wage laws, use of "Made in USA" labels, named U.S. companies (including Disney, J.C. Penney, Walmart), suggested letters to companies.

Our Americas, quarterly 11-page newsletter, published by the Hemispheric Network for Just and Sustainable Trade and Development, replaces AftaThoughts. The Hemispheric Network is a grouping of environmental, labor, family farm, women's, consumers', development and public policy organizations from around the Americas, including Action Canada Network, the Mexican Action Network on Free Trade (RMALC), the Chilean Action Network for a Peoples' Initiative (RECHIP), and the Alliance for Responsible Trade (ART). Contact Our Americas, c/o The Development GAP, 927 15th Street, NW - 4th floor, Washington, DC 20005; available electronically at trade.strategyi@igc.apc.org.

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NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

April 5, 1996 Volume 3, Number 7

Headlines:

- CARTAGENA: LOOKING TOWARD THE FREE TRADE AREA OF THE AMERICAS
- DEVELOPING LATIN AMERICAN INTEGRATION
- FARMERS, FOOD AND FREE TRADE
- CALIFORNIA GROWERS KEEP METHYL BROMIDE
- BRITISH BEEF BROUHAHA AFFECTS THE AMERICAS

CARTAGENA: LOOKING TOWARD THE FREE TRADE AREA OF THE AMERICAS

As business executives and trade ministers of 34 American nations met in Cartagena, Colombia on March 21, diplomatic maneuvering escalated to include a shouting match over intellectual property rights that ended only with the intervention of armed security guards. Hot button issues ranged from intellectual property rights to labor and environmental concerns, and included basic disagreements on how and how fast to move toward the agreed goal of establishing the Free Trade Area of the Americas by or before 2005.

The most explosive verbal fireworks came at the Americas Business Forum, a parallel meeting of 1,500 private business representatives from various countries of the hemisphere, held immediately before the official ministerial meeting. When an argument over intellectual property rights escalated to a shouting match with Argentine charges of U.S. imperialism, security guards were called to quell the disturbance.

The Business Forum reached agreement on calls for movement toward FTAA, decreased protectionism, and benchmarking and quality standards for government performance. The Business Forum also recommended that the United States adopt the metric system and repeal the Helms-Burton restrictions on trade with Cuba, saying that the latter "could render the free trade agreements and the expansion of their liberalisation ineffective." The United States is the only country in the hemisphere that does not use the metric system, complicating movement toward common standards.

Heated discussions at the official trade ministerial meeting included an argument between U.S. Trade Representative Mickey Kantor and Mexican Commerce Secretary Herminio Blanco over U.S. insistence that a new working group on government procurement include an analysis of the impact of corruption on international trade. Ministers went into closed door sessions to hammer out the language of the final declaration.

In the end, the trade ministers agreed to establish four new working groups on government procurement, intellectual property rights, services, and free competition. Terms of reference (the description of the tasks assigned) for the working groups on government procurement and intellectual property rights ended up substantially weaker than the language proposed by the United States. The original seven working groups, established at the first trade ministers meeting in Denver in 1995, focus on market access, rules of origin and customs procedures, investment, technical regulations and barriers to trade, sanitary and phytosanitary rules, subsidies and anti-dumping, and small economies. A twelfth working group on dispute resolution will be formed in 1997. The ministers rejected proposals to establish study groups on labor and environmental concerns.

In a move of particular significance to agriculture, Chile and Colombia won language expanding the focus of the anti-dumping work group to examine how subsidies may have indirect anti-competitive effects on international commodities trade. The United States agreed to allow the working group to identify and make recommendations on domestic agricultural supports, in addition to farm export subsidies.

The trade ministers' final declaration also welcomed the contribution of the Americas Business Forum, specifically recognizing "the importance of the role of the private sector and its participation in the FTAA process."

Hemispheric labor ministers, led by Argentina's Caro Figueroa, asked that the FTAA "incorporate a social dimension that guarantees, at a minimum, respect for fundamental labor standards, including collective organization and bargaining, prohibition of child labor and forced labor, and non-discrimination in the workplace," advocated establishing a dialogue between government, business and labor to facilitate this goal. United States proposals for labor and environmental working groups or, at the very least, study groups, were not accepted.

The final declaration expressed appreciation for the declaration received from the Tenth Inter-American Conference of Ministers of Labor, but conceded only that the ministers "recognize the importance of the further observance and promotion of worker rights and the need to consider appropriate processes in this area, through our respective governments." In a compromise reached after intensive negotiations, the FTAA vice ministers will consider establishing a study group on environmental issues only after they receive a report from the World Trade Organization's Committee on Trade and Environment in December 1996.

The United States and Brazil represented opposing viewpoints on the pace and path of movement toward FTAA, as they have since the beginning of the process. As the largest country of the South and a partner in the Mercosur trade alliance, Brazil has advocated movement toward FTAA through alliances between regional trading blocs, gathering strength in the South to confront the NAFTA alliance and the United States. The United States, on the other hand, seems to favor a strategy of gradual accretion of nations and blocs to NAFTA. The Organization of American States official with special responsibility for FTAA matters, Miguel Rodriguez Mendoza, a Venezuelan, advocated a third path that would involve a hemisphere-wide round of negotiations similar to the Uruguay Round talks that culminated in the creation of the World Trade Organization.

Brazil generally advocates a slow approach to the FTAA, while the United States representatives pushed for more rapid progress toward hemispheric trade integration, despite internal U.S. political opposition to free trade and the Clinton administration's inability to obtain the fast-track negotiating authority necessary to allow it to negotiate accession of Chile to NAFTA. The final declaration of the ministerial meeting directed vice ministers to "make an assessment of when and how to launch the FTAA negotiations and to make recommendations to us on these issues before the 1997 Trade Ministerial Meeting." Adoption of this language represented a rejection of U.S. proposals that would have committed the trade ministers to "decide at the next trade ministerial meeting when and how to launch comprehensive FTAA negotiations," and would have directed vice ministers to make specific recommendations on "the most appropriate 'paths' [to] facilitate construction of the FTAA."

Smaller countries complained that Brazil and the United States have effectively hijacked the FTAA process. Compromises on some U.S.-Brazilian differences were worked out during a bi-lateral meeting in Brazil just prior to the conference, and the subsequent five and one-half hour flight to the trade ministerial meeting. With the support of the United States, Belo Horizonte, Brazil was selected as the site for the 1997 trade ministerial meeting.

"Final Cartagena Declaration on FTAA," INSIDE U.S. TRADE, March 22, 1996; "U.S.-Proposed Revision of Cartagena Ministerial Declaration," INSIDE U.S. TRADE, February 23, 1996; "Hemispheric Trade Ministers Reach Agreement on FTAA Declaration," INSIDE U.S. TRADE, March 22, 1996; Jay Mazur, "Free Traders Still Aren't Listening," JOURNAL OF COMMERCE, March 20, 1996; Kevin G. Hall, "OAS Official Says Poverty Must Be Addressed in Hemispheric Trade Talks," JOURNAL OF COMMERCE, March 27, 1996; Estrella Gutierrez, "The Third Route to the FTAA," INTERPRESS SERVICE, March 15, 1996; Yadira Ferrer and Humberto Marquez, "Business Forceful in Backing Integration," INTERPRESS SERVICE, March 20, 1996; Humberto Marquez, "Four New Working Groups to Design the FTAA," INTERPRESS SERVICE, March 21, 1996; Tom Brown, "Latins and U.S. Renew Commitment to Hemispheric Free Trade," REUTER, March 22, 1996; Kevin G. Hall, "Mexico May Lead Way for Hemispheric Trade Bloc," JOURNAL OF COMMERCE, March 26, 1996; Kevin G. Hall, "Hemisphere's businesses Press for Basic Reforms," JOURNAL OF COMMERCE, March 21, 1996; Kevin G. Hall, "Trade Leaders Take Off Their Gloves in Cartagena," JOURNAL OF COMMERCE, March 22, 1996.

DEVELOPING LATIN AMERICAN INTEGRATION

Chile will sign an agreement to become an associate member of Mercosur, the South American customs union of Argentina, Brazil, Paraguay and Uruguay, on June 25. After two years of tough negotiations, foreign ministers of the two countries reached an agreement at meetings in Cartagena, Colombia in late March.

Chile is also continuing negotiations with Canada on a bilateral free trade agreement, since negotiations on NAFTA accession for Chile have stalled over the U.S. failure to obtain Congressional approval of fast-track negotiating authority. Chile and Canada agreed in February to negotiate side agreements on the environment and labor similar to the agreements created with NAFTA. The Chile-Mercosur agreement will take effect on July 1, and a Chilean-Canadian agreement is predicted by year's end.

Caribbean Community (Caricom) members, 14 English-speaking nations and Suriname, are creating a single market and customs union, and have also concluded treaties with Colombia and Venezuela to allow preferential entry to those markets. According to Ralph Maraj, foreign minister of Trinidad and Tobago, Caricom is seeking bilateral free-trade agreements with several Latin American states, planning the agreements as "building blocks" for the Free Trade Area of the Americas. He said that the agreements will be flexible in making allowances for smaller and weaker economies of Caricom.

The bankrupt and nearly moribund 26-year-old Andean Pact gave way to a new Andean Community made up of Bolivia, Colombia, Ecuador, Peru and Venezuela in March. The presidents of the five countries said the Andean Community will resemble the European Union, and will begin negotiations with other trade blocs in Europe and Asia. Plans call for a new secretariat, based in Lima, and for a parliament directly elected by the Andean Community's 100 million-plus inhabitants within five years. Although trade between the countries accounts for only about 10 percent of their overall international trade, it has grown steadily over the past three years, increasing from $1.8 billion in 1991 to $4.6 billion in 1995.

David Pilling and Stephen Fidler, "Chile Makes Progress Toward Free Trade Pacts," FINANCIAL TIMES, March 25, 1996; Raul Ronzoni, "Accord With Chile Expands the Horizons of Mercosur," INTERPRESS SERVICE, March 26, 1996; "Chile to Sign Trade Deal With Mercosur on June 25," REUTER, March 22, 1996; Canute James, "Caricom Seeks to Expand Treaties to Latin America," JOURNAL OF COMMERCE, March 22, 1996; "Latin American Leaders OK Andean Community," JOURNAL OF COMMERCE, March 12, 1996; Sally Bowen, "New 'Andean Community' to be Modelled on EU," FINANCIAL TIMES, March 12, 1996; Abraham Lama, "Andean Pact Limps to Meeting Tired and Out of Pocket," INTERPRESS SERVICE, March 7, 1996.

FARMERS OPPOSE FREE TRADE

Despite regional movement toward free trade agreements, farmers' resistance continues. In Paraguay, thousands of peasant farmers descended on the capital, Asuncisn, on March 15 demanding withdrawal of Paraguay from the Mercosur trade pact, as well as better prices, land, and other benefits. Government and opposition political figures agreed that the farmers' demands were not likely to be met.

Angry Chilean farmers blocked highways with trucks and tractors on March 28, protesting Chile's agreement to associate with Mercosur. The farmers charge that cheap Argentine and Brazilian crops will kill Chilean agriculture. At one barricade, protesters carried a black coffin filled with cabbages, carrots and other vegetables. Opposition to the agreement is strongest among grain and livestock farmers, with some export-oriented sectors like wine and fresh fruit supporting the plan because they anticipate access to the large Argentine and Brazilian markets.

Chilean farmers are now protected by an 11 percent tariff on all goods entering the country, which would be phased out over 18 years under the Chile-Mercosur agreement. Chilean government officials say the decision to associate with Mercosur is irreversible.

"Campesinos Protest in Paraguay," WEEKLY NEWS UPDATE ON THE AMERICAS, March 24, 1996; "Paraguayan Peasants Mass to Demand Land Reform," REUTER, March 15, 1996; Jose Agurto, "Chilean Farmers Block Roads to Protest Trade Deal," REUTER, March28, 1996.

CALIFORNIA GROWERS KEEP METHYL BROMIDE

Responding to growers' insistence that a ban on methyl bromide would handicap their ability to compete in the export market, California Governor Pete Wilson signed legislation that repeals a previously-imposed two-year suspension of sales of the fumigant. A federal methyl bromide phaseout, scheduled to begin January 1, 2001, is the next target of growers. A worldwide ban, possibly by 2010, targets methyl bromide because of its ozone-depleting effects.

California's agricultural exports were more than $11.8 billion in 1994, up 10 percent from 1993. Methyl bromide is used to fumigate the soil for more than 60 crops, including strawberries, cherries, and grapes, as well as to fumigate shipping warehouses. The chemical is highly toxic, but growers say it is not dangerous if used properly and that no economically viable alternative exists. Use of methyl bromide in California increased 67 percent from 1984 to 1993, compared to the previous decade. Ralph Lightstone of the California Legal Assistance Foundation criticized the state's action as "a symptom of this administration being unwilling to inconvenience agriculture in favor of public health." "California Growers Win Use Through 1997," THE PACKER, March 4, 1996.

BRITISH BEEF BROUHAHA AFFECTS THE AMERICAS

As the European Union (EU) banned export of British beef, due to the potential human health hazards from mad cow disease (bovine spongiform encephalopathy or BSE), the U.S. and Argentine beef industries hoped to pick up market share. Although no evidence of the disease has been found in the United States, U.S. beef exports to the EU have been restricted because of U.S. use of growth hormones. The Argentine industry promotes its beef as grass-fed and healthy, emphasizing that use of hormones and fertilizers is far less prevalent in Argentina than in Europe or the United States.

Meat exporters in both countries fear that consumers may simply turn to chicken rather than beef, and that there may even be a move away from beef in domestic markets because of domestic consumers' fear. Germany and the United Kingdom are the two largest importers of Argentine beef, which has an EU quota of 28,000 tons of chilled quality beef a year. Argentina may also export 20,000 tons of fresh beef to the United States.

"U.S. Cattle Raisers Hope for More Access to EU Markets," JOURNAL OF COMMERCE, March 27, 1996; "Argentina Sends Team to Promote Its Beef," FINANCIAL TIMES, March 28, 1996.

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The Reality of Aid 1995, copyright 1995 by ActionAid, published by Earthscan Publications Limited, 120 Pentonville Road, London N19JN. 120 pp. Order from Island Press, Box 7, Covelo, CA 95428; telephone 707/983-6432 or Earthscan, 120 Pentonville Road, London N19JN, UK; telephone +44=171/278 1142; fax +44-171/278 1142. Cost: 12.95 pounds. As international foreign aid falls, the third edition of The Reality of Aid examines official aid from 22 major donors. This report, published by Earthscan in conjunction with ActionAid, the International Coalition of Voluntary Agencies, and EUROSTEP, includes articles on "The Reality of Aid in 1995," "Multilaterals and Accountability," and "A People Centred Alternative;" profiles of donor countries; and facts and figures on distribution of aid with particular attention to health, education, women in development, and public support for aid.

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NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

April 19, 1996 Volume 3, Number 8

- **NAFTA PARTNERS AGREE TO EXEMPT SUB-FEDERAL RULES**
- **FOCUS OF U.S.-CANADA DISPUTE: DAIRY, POULTRY, EGGS**
- **HUNGER AND THIRST**
- **IPR: SEEDS, TEQUILA, BABY FOOD**
- **COFFEE PRICES, PRODUCTION UNCERTAIN**

NAFTA PARTNERS EXEMPT SUB-FEDERAL RULES

State and provincial laws and regulations that discriminate against foreign countries in the areas of non-financial services and investment will be protected from NAFTA challenge, so long as they were in place on January 1, 1994, according to letters of agreement exchanged by the United States, Canada, and Mexico on April 1. The decision came partly as a response to Canadian concerns about losing the ability to protect its social safety net through restrictions on foreign competition in provision of health care and other social services, including day care and education. [See "Canadian Health Industry Nervous Over NAFTA," NAFTA & INTER-AMERICAN TRADE MONITOR, January 12, 1996.]

Despite assurances by the Canadian federal government, the Canadian health care community feared NAFTA challenges by for-profit U.S. health care providers. In a letter to Canadian Prime Minister Jean Chretien urging him to obtain full exemption from NAFTA for the Canadian health care industry, British Columbia Premier Glen Clark argued: "There is a fundamental difference in the way health care is delivered in Canada from the way it is delivered in the United States. Here health care is a public service. In the U.S., it is a for-profit industry. American companies that treat health care as a business instead of a public service cannot be allowed to slip through loopholes in NAFTA and gain a foothold in Canadian medicare."

The three countries faced a March 31 deadline for the exchange of lists of state and provincial laws that might contravene NAFTA chapters 11 and 12, which call for national treatment or most-favored nation treatment of other NAFTA nations. The NAFTA disciplines also prohibit requirements of local presence and national and residency requirements on composition of senior management and board of directors. The governments agreed to furnish the lists of existing laws, called Annex I, for purposes of transparency, though all three have had difficulty in identifying the non-conforming measures and compiling accurate lists.

While states and provinces welcomed the agreement to cover all existing measures under Annex I, U.S. officials agreed only reluctantly. The general reservation will limit the tools available to promote liberalization at a state and provincial level.

In addition to Annex I, which lists existing sub-federal laws and regulations, Annex II reserves the right to future non-conforming measures. New or amended sub-federal rules that would increase discrimination against investors or non-financial services providers from other NAFTA countries could still be challenged as in violation of NAFTA, unless reserved in Annex II. The United States wants these reservations to be narrowly and specifically defined. Canada wants a general reservation of services performed for a "public purpose," which would encompass all health care and other social services. This dispute remains unresolved.

""NAFTA Partners to Protect Sub-Federal Measures From NAFTA Challenges," INSIDE U.S. TRADE, April 5, 1996; Doug Ward, "Exemptions for Medicare Urged Under NAFTA Deal," VANCOUVER SUN, March 23, 1996; Rosemary Speirs, "Ottawa Wins Deal to Shield Medicare," TORONTO STAR, March 29, 1996; Barrie McKenna, "Provinces Take Steps to Shield Health Care," GLOBE & MAIL, March 26, 1996; Trish Webb, "Clark Tells Ottawa: Close NAFTA Loopholes That Threaten Medicare," NEWS RELEASE - PROVINCE OF BRITISH COLUMBIA, March 14, 1996.

U.S.-CANADA DISPUTE: DAIRY, POULTRY, EGGS

A NAFTA dispute settlement panel, convened in January after nearly a year of unsuccessful discussions between the United States and Canada, is expected to make a decision this summer on the U.S. challenge to Canadian tariffs on dairy, poultry, egg, malted barley, and margarine products. Canada defends its tariffs as part of the tariffication process required by the World Trade Organization (WTO)/GATT agreements. The United States maintains that the increased tariffs violate NAFTA, which generally forbids increased tariffs among its member countries. [See "Elections, Avocados, Tomatoes and Wine," NAFTA & INTER-AMERICAN TRADE MONITOR, January 26, 1996.]

U.S. dairy, egg and poultry industries seek access to the Canadian market. Their Canadian counterparts, operating under a supply-managed farm commodities system, fear that U.S. competition would destroy Canadian agriculture. According to a study conducted by Informetrica for the Dairy Farmers of Canada and the Canadian Chicken, Egg, Broiler Hatching Egg and Turkey Marketing Agencies, Canada would lose 27,000 agricultural and food processing jobs and $3 billion in agricultural production during the first year of market opening to U.S. products. By the year 2000, the losses would increase to 28,000 jobs and $16 billion in agricultural output.

The U.S. argument against Canadian tariffs is based on Article 302 of NAFTA, which requires elimination of customs duties and prohibits increasing duties, except where specifically allowed. According to the U.S. submission to the panel, "Although Canada committed not to increase the rates of duties on goods at issue above the rates in effect on Dec. 31, 1993, and progressively to eliminate the duties on these goods, Canada has in fact done the opposite and has significantly increased the duties on these goods for imports above certain quantities."

Canada says the exception applies, for several reasons: no parties to NAFTA contemplated increased market access on the commodities in question; these commodities have been protected throughout the Canada-U.S. Free Trade Agreement (CUFTA) and NAFTA; both the U.S. and Canada continued its preexisting quotas and fees after NAFTA agreement was reached; and the U.S. argument is "inconsistent with the U.S.' own application of the WTO tariffication regime." Canada also argues that if the tariffication is not allowed, it will have to revert to the old quota system, which would still not allow any greater market access to U.S. producers, and compliance with the tariffication requirements of WTO/GATT will become impossible among the United States, Mexico and Canada.

According to the Canadian government, "The fundamental question to be decided in this case is whether the U.S. can secure through NAFTA dispute settlement something for which it and Canada did not bargain through eight years of bilateral, trilateral and multilateral trade negotiations, and three trade agreements."

John Core, head of Ontario dairy farmers, said that U.S. dairy subsidies cheap water, export enhancement programs, land set-asides, and food stamps will be challenged in the next round of WTO agricultural talks, scheduled to start in three years. Core maintains that Canadian farmers can compete with U.S. farmers if these subsidies are eliminated.

Ian Elliott, "U.S., Canada Trade Dispute Centers on Tariffication," FEEDSTUFFS, April 1, 1996; Bill Dimmick and Karen Mantel, "Canada Counters U.S. Claims," ONTARIO MILK PRODUCER, March, 1996; Bill Dimmick, "NAFTA Panel Win Predicted," ONTARIO MILK PRODUCER, March, 1996; Randall Palmer, "Canada Expects August Dairy, Poultry Panel Verdict," REUTERS, March 26, 1996; Ian Elliott, "U.S. Dairy Subsidies a Target in Next Round of WTO Talks," FEEDSTUFFS, April 15, 1995.

HUNGER AND THIRST

"You can't live like this. First they stop us eating meat and now it's only the rich who can drink milk," said a Mexican hotel bellboy on April 1, as his minimum daily wage increased by 12 percent to 22.60 pesos -- $2.99. An estimated 12.5 percent of the population works for the minimum wage. On the same day, subsidized milk prices increased by 50 percent and tortilla prices by 27 percent in Mexico City. With more than a million workers losing their jobs during 1995, the minimum wage buying less than 40 percent of what it did in 1982, and inflation running at 30 percent this year, the Mexican Labor Congress banned union members from taking part in the traditional May Day march in Mexico City.

To the north, in the state of Chihuahua, rancher Rodolfo Torres pointed to scavengers perched on a telegraph pole: "The vultures are fattening up like Christmas turkeys," he explained, describing the effects of a four-year drought in northern Mexico that killed 300,000 cattle last year as ranchers rushed to export another 1.6 million head to the United States. The Mexican cattle herd decreased from 6.3 million head in 1994 to 3.2 million in 1995. Water scarcity has also limited irrigation, killing apple trees and decreasing vegetable and fruit production. Water shortages for 12 million human inhabitants of the five northern states are expected this year, if the drought continues.

While 43 percent of the population in Latin America and the Caribbean have problems feeding themselves, they do not go hungry primarily because of drought or even shortage of food, but because they lack money to buy it. According to the Inter-American Institute of Cooperation for Agriculture, falling wages and rising unemployment and underemployment lead to higher profits for businesses but decreased access to food for workers.

Globalization of trade relies on a model in which each nation produces primarily what it can produce efficiently for an export market. Latin America and the Caribbean actually show a surplus of food production in the 1980s and 1990s. Export production has increased while production of basic foods for domestic markets has decreased.

In Central America, there is a shortage of corn. At the same time, international corn prices hit a record high of more than four dollars a bushel. The U.N. Food and Agriculture Organization (FAO) predicts continuing price increases for agricultural produce, especially for produce from temperate regions, and increasing Latin American expenditures on food imports until the end of the century. Latin American and Caribbean agricultural ministers will meet in Asuncisn, Paraguay on July 2-6 to prepare for November's World Food Summit in Rome.

Henry Tricks, "Mexico Raises Minimum Wage, But Workers Unhappy," REUTERS, April 1, 1996; Chris Aspin, "Mexican Drought Hits Northern Cattle Farms," REUTERS, March 22, 1996; Gustavo Gonzalez, "Food: The Distribution Quandary," INTERPRESS SERVICE, March 15, 1996; Maricel Sequeira, "Food Plentiful But Shortage of Cash," INTERPRESS SERVICE, April 10, 1996; "Corn Prices Hit All-Time High," REUTERS, March 14, 1996.

INTELLECTUAL PROPERTY RIGHTS: SEEDS, TEQUILA, BABY FOOD

Intellectual property rights (IPR) have become a leading North-South battleground, key to disputes over products ranging from genetic materials to videos and pharmaceuticals. Copyrights protect products such as computer software, music, movies and books. Trademarks enhance the value of brand-name products, such as Levi's jeans. Patents restrict competing manufacture of products including pharmaceuticals and seeds. U.S. business interests estimate that intellectual piracy and counterfeit products in Latin America cost U.S. companies more than $2.2 billion in 1994.

GATT includes extensive IPR protections, but does not protect "pipeline" products under development. GATT also allows developing countries at least a 10-year transition period to gradually strengthen existing laws until they reach the required protection levels. The United States considers the GATT protections weak, and is pressing for adoption of more stringent laws with earlier effective dates.

Latin American IPR concerns focus on the skewed exchange of resources that sees U.S. companies patenting seeds and plants that originated in Latin American countries. For example, colored cotton from Peru is being produced, and is about to be patented, in the United States, with no payment to Peruvian farmers who maintained the plant species for generations. According to Pilar Valencia of the Semillas ("Seeds") non-governmental organization in Colombia, developed countries "seek to achieve improved yields, while ignoring the contribution of indigenous and peasant communities" in developing and preserving plant varieties. Latin America is home to 60 percent of the world's plant species, and has pushed for adoption of treaties recognizing national sovereignty over biological resources.

U.S. companies have also used trademark laws to circumvent health regulations in other countries. Gerber Products used the threat of GATT sanctions against Guatemala to circumvent its application of the International Code of Marketing of Breast Milk Substitutes. Guatemalan law forbids the use of pictures of babies on baby food labels for children under two years of age, in order to minimize marketing that induces mothers to substitute other foods for breast milk. Gerber's "baby face" is a trademark, and the courts ruled that Gerber need not comply with Guatemalan laws requiring deletion of the picture, addition of the words "breast milk is the best for baby," and indicating the age for introduction of solid food into the baby's diet.

Mexican tequila makers and importers were less successful in their attempt to force two U.S. corporations Joseph E. Seagram & Sons and E & J Gallo Winery to stop describing non-tequila wine coolers as margaritas. The Mexican producers maintain that confusion could hurt the $750 million a year U.S. tequila market. Tequila is produced only in Mexico, and the producers claimed intellectual property right protection for margaritas, saying that tequila is an essential ingredient for the drinks. Gallo and Seagram settled the case with an agreement to more prominently state on bottle labels that the products are made with wine or malt rather than tequila.

Joachim Bamrud, "Fighting the Pirates," U.S./LATIN TRADE, May, 1995; "Gerber Uses Threat of GATT Sanctions to Gain Exemption from Guatemalan Infant Health Law," CORPORATE CRIME REPORTER, April 8, 1996; "The Gerber Baby Trademark or Con Artist?" INFACT Newsletter, Winter, 1996; Peter M. Tirschwell, "US, Mexico Reach Truce in the 'Margarita Wars,'" JOURNAL OF COMMERCE, April 10, 1996; Humberto Marquez, "No More Free Seeds for the North," INTERPRESS SERVICE, March 14, 1996; Yadira Ferrer, "Colombia: North-South Dispute in Microcosm," INTERPRESS SERVICE, March 18, 1996.

COFFEE PRICES, PRODUCTION UNCERTAIN

After rising to a high of $2.76 per pound last year and then falling to 98 cents, coffee prices rebounded to $1.19 in early March, as Association of Coffee Producing Countries (ACPC) began reviewing the market situation to decide on the group's strategies for the year beginning in June. The ACPC, which includes most major coffee-producing countries and represents 80 percent of the world's coffee production, is committed to continuing supply management in order to support prices.

Brazilian output is expected to rise from 13-16 million 60-kilogram bags in 1995-96 to 23-25 million bags in 1996-97, as the country recovers from 1993's frost and drought. Last year, ACPC members held approximately 20 percent of their crops off the market to bolster prices. Coffee retention places a large financial burden on coffee exporters and governments. The ACPC council will meet in May to decide policy for1996-97. Brazil and Colombia, the world's two largest producers, may push for export quotas instead of continuing coffee retention after June.

Mexico, which has not joined the ACPC, captured a larger share of the United States market last season, due to decreased Brazilian production, to the advantages Mexico enjoys under NAFTA, and to the peso devaluation. The Mexican government claims that its multi-million dollar coffee support program, instituted last year for farmers cultivating five hectares or less, has increased 1995-96 coffee production by 14 percent. The government relies on a Mexican Coffee Council forecast of 4.77 million bags, made in November at the beginning of the harvest and not revised since that time. Coffee growers say that production actually fell last year. In Chiapas, which accounts for about 45 percent of national coffee output, production is down by nearly one-third from the state's two million bag output in 1994-95.

Howard Simon, "Less Product Means More Profit," JOURNAL OF COMMERCE, March 4, 1996; Deborah Hargreaves, "Coffee Prices Set for Sharp Rise as Production Deficit Cuts Stocks," FINANCIAL TIMES, March 5, 1996; Chris Aspin, "Mexico Output Stats Brew Political Battle," REUTERS, March 12, 1996; Julia Meehan, "Coffee Producers to Debate Further Supply Curbs," INTERPRESS SERVICE, March 22, 1996; Charles W. Thurston, "Latin Producers Miss Price Peak," JOURNAL OF COMMERCE, March 4, 1996

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Subject: NAFTA & Inter-Am Trade Monitor 5-3-9

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

May 3, 1996 Volume 3, Number 9

Headlines:

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U.S. VEGETABLE FARMERS FIGHT IMPORTS

Joining tomato growers in Florida and the California avocado industry, California sugar pea growers are complaining that imports are hurting their industry. Guatemalan growers have lower labor costs and a climate that allows year-round sugar pea production. Two California growers, Johna Dykstra-Ruz and her husband, Danyel Ruz, partners in Go West Distributing, estimate that Guatemala produces 70 percent of the world's snow peas and snap peas and seek quotas to limit the quantity of sugar peas and snap peas that can be imported during the California growing season. Ken Gilliland, manager of international trade for the Western Growers Association, said that U.S. growers would have to prove that the peas are coming in below cost before anti-dumping action would be taken.

The California Avocado Commission recently turned over to the U.S. Department of Agriculture new evidence showing that pest infestation in Mexican avocado groves is higher than previously known. The commission's new evidence is based on Mexican government documents from 1995-96, which it obtained through a source kept secret because of personal safety issues. Data previously furnished to the USDA by the Mexican government dated back to 1993-94. The 1995-96 samplings showed weevils present in 46 percent of the registered groves in Uruapan, Mexico, and substantially higher numbers of fruit flies than previously reported.

While Florida agreed to lift its $70 per truck inspection fee, imposed on January 22 in a 90-day emergency rule, Florida tomato growers continue to push for restrictions on Mexican competition. Senate Majority Leader Bob Dole (R-KS) backs legislation that would allow seasonality to be included in the definition of "domestic industry" and "like product" by the International Trade Commission, allowing easier application of Section 201 of the Trade Act of 1974 to winter tomato productio n. The Clinton administration also supports the measure.

Florida is also pursuing an anti-dumping lawsuit and a Section 201 filing on behalf of tomato growers. And growers are pressing Congress to require Mexican tomatoes to be packed in the same kind of boxes that U.S. growers use. Florida tomatoes, picked green and ripened by exposure to gas, are shipped in plain cartons. Softer, vine-ripened Mexican tomatoes are hand-packed in cushiony cartons resembling egg cartons, and would be bruised in Florida-style boxes. While one U.S. official says that Mexican tomatoes taste better, Florida tomato magnate Paul J. DiMare scoffs that taste "doesn't really matter," because tomatoes are usually eaten as condiments, not alone.

Despite claims by DiMare that Mexican competition is killing his industry, Florida production has grown. In 1980-81, growers produced nearly 1.2 billion pounds on 46,300 acres, according to a University of Florida study. In 1994-95, they produced 1.6 billion pounds on 50,600 acres. The industry is dominated by big producers -- 88 growers in 1996, down from 98 last year. Among the largest producers are those owned by the DiMare, Gargiulo, Heller and Esformes families. Humberto Monteverde, president of the Fresh Produce Association of the Americas in Nogales, Arizona, thinks taxpayers are being taken for a ride, paying for baseless challenges to Mexican imports. "Eight to 10 growers are costing taxpayers millions of dollars," says Monteverde.

Tom Burfield, "Growers Seek Import Relief," THE PACKER, April 15, 1996; Anne Gonzales, "Pest Issue Causes Alarm," THE PACKER, April 8, 1996; "Exigen a Clinton Mantener la Restriccio'n al Aguacate Mexicano," LA JORNADA, March 12, 1996; "Dole Reveals Backing for Bill on Perishable Agricultural Products," INSIDE U.S. TRADE, April 26, 1996; Helene Cooper and Bruce Ingersoll, "With Little Evidence, Florida Growers Blame Tomato Woes on Nafta," WALL STREET JOURNAL, April 3, 1996; Tracy Rosselle, "Florida Set to Ax Its $70 Fee," THE PACKER, April 1, 1996; Larry Waterfield, "Country of Origin Bill Introduced in Congress," THE PACKER, April 1, 1996.

WHEAT FUNGUS SPARKS DISPUTE

After the U.S. placed a hold on exports to 21 nations because of detection of the Karnal bunt grain fungus in Texas, Arizona, California and New Mexico in early March, Canada blocked shipments of U.S. durum wheat through its ports. The fungus had been detected in several varieties of durum, but not in the Northern Plains states that produce most of the U.S. durum crop, where cold climates prevent the fungal spores from surviving. Mexico also closed its border to wheat grown in Arizona, California, New Mexico and Texas, despite the presence of Karnal bunt in Mexico.

North Dakota Senators Kent Conrad and Byron Dorgan accused the Canadians of using the fungus as an excuse to gain a trade advantage over U.S. producers. "It's as unreasonable to ban durum from North Dakota because of Karnal bunt in Arizona as it is to ban Canadian beef because of mad cow disease in Britain," declared Conrad. Although Arizona seed was planted in North Dakota, North Dakotans believe that the cold will kill any Karnal bunt spores.

Under U.S. pressure, Canadian officials relaxed the new rules to allow U.S. durum wheat to stop in Canadian ports so long as it is not off-loaded into Canadian elevators. Canada will still require special U.S. certificates for other non-durum wheat and barley. The U.S. Department of Agriculture is not equipped to test and certify each shipment, and testing takes two weeks, which is a lengthy delay for grain trade. U.S. grain traders say the new Canadian requirements effectively close the St. Lawrence River/Great Lakes system to 5 million tons a year of U.S. wheat and barley exports.

The USDA ordered farmers in Texas, New Mexico and Oklahoma with Karnal bunt infection to plow under about 4,000 acres of crop land to prevent fungus spreading. Arizona wheat was beyond the stage at which plowing would help to stop the spread, and USDA officials ere looking for mills that would accept the wheat since it poses no health risk to humans or animals.

Maggie McNeill, "Hold on U.S. Wheat Exports Begins to Loosen," REUTERS, March 15, 1996; John Maggs & Aviva Freudmann, "Canadian Curbs on Wheat Anger US Exporters, Ports," JOURNAL OF COMMERCE, April 1, 1996; Aviva Freudmann, "Canada Eases Wheat Import Rules A Little," JOURNAL OF COMMERCE, April 4, 1996; John MacDonald, "North Dakota Still Bunt Free;" Jeremiah Gardner, "Forging Ahead," AGWEEK, April 15, 1996; "U.S.D.A.'s Campaign Against Karnal Bunt Disease Expands to California," MILLING & BAKING NEWS, April 9, 1996; "Mexico Bans Wheat From Border States to Curb Crop Fungus," KNIGHT RIDDER, April 22, 1996.

NAFTA DISPUTE PANELS HEAR CASES

Muehlstein International, a U.S. chemical company charged with unfair trade in Mexico, took its case to a NAFTA Chapter 19 dispute resolution panel in April. Secofi, the Mexican commerce agency, imposed compensatory penalties ranging from 11 to 45 percent on U.S. exporters of crystal polystyrene. Muehlstein, socked with penalties of 44.32 percent, claims that Secofi wasn't legally empowered to impose the penalty in 1994. Muehlstein cannot challenge the Mexican law in the NAFTA proceedings, but instead claims that Secofi did not follow its own rules.

In another NAFTA dispute, Mexican drug maker Signa SA de CV challenged the Canadian government's system for approving generic drugs, saying that it unfairly excludes new manufacturers. Signa claims that Canada's regulations for introduction of generic drugs go beyond international standards. The specific provision at issue allows the patent holder to challenge introduction of a generic equivalent, and begins a 30-month review process at the request of the patent holder, thus delaying introduction of the generic drug. Signa is seeking $37 million for expected lost revenue on an antibiotic, using a NAFTA provision that allows an investor to sue a member government. Signa's challenge is now in a three-month consultation process.

"U.S. Chemical Firm Takes Its Complain in Front of the Nafta Dispute Panel," JOURNAL OF COMMERCE, April 18, 1996; Kevin G. Hall, "Nafta Resolution Panel Weighs Fate of U.S. Company," JOURNAL OF COMMERCE, April 22, 1996; Aviva Freudmann, "Mexican Firm Sues Canada in First Use of NAFTA Rule," JOURNAL OF COMMERCE, March 18, 1996.

TRUCK ISSUES STILL ON TABLE

Mexican and U.S. government officials continue to negotiate on opening U.S. border states to Mexican trucking, as agreed to under NAFTA. Since the U.S. acted unilaterally to block the scheduled opening on December 18, 1995, Mexico has sought consultation and has looked for a way to block U.S. truckers in reciprocal fashion. Mexico wants the United States to acknowledge that it violated NAFTA. The United States is concerned about verifying Mexican truck safety and about November's U.S. presidential and congressional elections. Industry sources say they have been told that the new safety review process will be in place by December 18, one year after the scheduled opening and more than a month after U.S. elections.

Inside the United States, the Teamsters Union is working to win non-union truckers to their side in an attempt to permanently stop the expansion of NAFTA into the U.S. trucking industry. Warning that Mexican truckers are paid as little as $7 per day, Teamsters insist: "We're not against the Mexican driver -- we're against companies making conditions worse for all of us."

NAFTA's first border opening allows Mexican truckers in only the four border states, but then opens all U.S. highways to Mexican trucks by the year 2000. Truck drivers' associations from all three NAFTA countries met in Chicago in March in an international "Truckers Summit."

Kevin G. Hall, "U.S., Mexico Move Closer to Agreement on Trucking," JOURNAL OF COMMERCE, April 10, 1996; "Teamster Members Reach Out to Nonunion Truckers on NAFTA," THE TEAMSTER, April/May 1996.

CHILEAN FARMERS OPPOSE NAFTA

A Chilean farmers' organization "El Surco" warns that Chilean farmers "can't compete with products from abroad as it is, and half of our members already live below the poverty line!" El Surco represents rural workers and small farmers, who are part of the country's increasingly polarized rural economy. Small farmers and workers remain poor and lack access to technology and capital. Modernized, large-scale, often foreign farmers are concentrating more land and capital and often produce fruit and forestry products for export. El Surco fears that membership in NAFTA will cost the traditional, small-farm sector 4,000 jobs and $70 million per year.

Lucien Peppelenboz, "Chile in NAFTA? No Thanks!" LANDMARK, January/February 1996.

BANANA DISPUTE TO WTO

The United States, joined by Guatemala, Honduras, Mexico and Ecuador, requested that the World Trade Organization's Dispute Settlement Body (DSB) establish a dispute settlement panel for challenges to the European Union banana regime. The April 24 request was blocked by the European Union, exercising its right to claim that consultations on the issue are continuing. The request will be renewed at the May 8 DSB meeting, and the EU will not be able to block a second request.

An informal meeting of Caribbean and Latin American producers and the United States, held in Miami on April 9, ended acrimoniously with charges from Caribbean nations that the United States reneged on promises to seek a negotiated settlement before going to the WTO. The U.S. Trade Representative agreed to pursue changes in the EU banana regime after complaints by Hawaiian producers and U.S.-based Chiquita Brands International, which produces bananas in Latin America.

"European Union Blocks U.S.-Latin Request for WTO Panel on Bananas," INSIDE U.S. TRADE, April 26, 1996; "U.S., Latins to Seek WTO Panel on EU Banana Regime This Month," INSIDE U.S. Trade, April 12, 1996; Canute James, "Caribbean Banana Growers Upset," JOURNAL OF COMMERCE, April 26, 1996.

MEXICO RESTRICTS SOME FOREIGN INVESTMENT

Backed by Mexican labor unions, the Mexican congress barred foreign companies, except those from the United States, Canada, and Chile, from managing new, private pension funds that will be set up as part of the privatization of large sectors of the Mexican social security system. Foreign firms, except those from the United States, Canada, and Chile, may own no more than 49 percent of any pension fund and no single corporation may control more than 17 percent of the pension fund market during the first five years.

In March, the Mexican government had restricted the sale of 60 of the 61 government-owned petrochemical plants to Mexican companies or to joint ventures in which Mexicans have a majority interest. The Mexican government had originally said petrochemical plants would be open to 100 percent foreign investment, but intense domestic pressure forced a change in policy. The country's petrochemical assets are considered part of the national heritage and the constitution reserves oil to the state, but the government has said the constitution does not protect secondary petrochemical assets, such as the plants. NAFTA allows the government to restrict sale of state assets to majority-Mexican firms, and to limit resale to majority-Mexican firms only for three years after privatization.

In another major investment sector, Mexican regulators set fees that will be paid by U.S. investors to Telmex for interconnection of calls on Telmex lines. The rate announcement gave only an average cost per minute of 5.32 cents, leaving Telmex competitors such as AT&T, GTE, MCI, and Bell Atlantic concerned that local call costs would be set very low and long-distance charges would be as much as 25 cents per minute. U.S.-Mexico phone traffic is the second highest volume between any two countries.

Chris Aspin, "Mexico Moves Closer to Overhaul of Pension System," REUTERS, April 20, 1996; Anthony DePalma, "Mexico Tries to Restrict Some Foreign Investments," NEW YORK TIMES, April 5, 1996; Martin Langfield, "Mexico to Favor Domestic Firms in Petrochem Sale," REUTERS, March 14, 1996; "Mexican Commission OKs Petrochemical Sell-off by Pemex," JOURNAL OF COMMERCE, March 6, 1996; Anthony DePalma, "Two Decisions in Mexico May Aid U.S. Companies," NEW YORK TIMES, April 27, 1996; Kevin G. Hall, "Telecom Officials Upbeat on Mexican Linkage Rates," JOURNAL OF COMMERCE, April 24, 1996; Kevin G. Hall, "Telmex Competitors Get a Wrong Number," JOURNAL OF COMMERCE, April 29, 1996.

ZEDILLO ANNOUNCES NEW FARM CREDIT PROGRAM

Mexican President Ernesto Zedillo announced new technical and credit assistance programs for production of basic grains, including eight billion pesos (approximately one billion U.S. dollars) to support credit to 590,000 producers and the addition of 4.6 million hectares in basic grain production. Ten thousand agricultural engineers will be employed to provide technical assistance in production of basic grains.

Ricardo Aleman, "Anuncia Zedillo $8 Mil Millones en Cre'ditos Para Granos Ba'sicos," LA JORNADA, April 24, 1996.

RESOURCES/EVENTS

NAFTA and Agriculture: Is the Experiment Working? Tri-National Research Symposium on November 1-2, 1996 in San Antonio, Texas. Two-page proposals describing the research objectives, procedures, and likely contribution of the research proposed, focusing on any facet of NAFTA and griculture or agribusiness for presentation should be submitted by June 1, 1996. American and Canadian researchers contact Dr. Gary Williams, Texas Agricultural Market Research Center, Room 321 Blocker Building, Texas A&M University, College Station, Texas 77843-2124. Mexican researchers contact Dr. Manuel A. Gomez Cruz, Director, CIESTAAM, Autonomous University of Chapingo, Km. 38.5 Carretera Mexico Texcoco, C.P. 56230 Chapingo, Mexico, MEXICO.

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NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

May 17, 1996 Volume 3, Number 10

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- ADM MOVES TO BUY MEXICAN FLOUR FIRM

INTELLECTUAL PROPERTY: POTATOES TO PATENTS

In late April, delegates from more than 100 countries met in Rome at the Second Extraordinary Session of the Food and Agriculture Organization (FAO) Commission on Plant Genetic Resources. The Session considered a Global Plan of Action (GPA) for the Conservation and Sustainable Utilization of Plant Genetic Resources for Food and Agriculture, planned to be adopted at the Fourth International Technical Conference on Plant Genetic Resources, meeting in Leipzig, Germany in June.

Much of the text of the GPA remains bracketed, marked as still in controversy rather than recommended for adoption. Major points of controversy in the Global Plan of Action include requirements for new funding for implementation and recognition of traditional conservation methods practiced by the world's farmers, coupled with recommended support for on-farm development of plant genetic resources. Developing countries pushed for assurances of commitment of financial resources to implement the GPA, while industrialized countries wanted to delay discussion of financing and implementation.

Colombia spoke for the Latin American and Caribbean group to insist on recognition of the sovereignty of states over their genetic resources, the importance of farmers' rights, and developing countries' need to share equitably in the benefits from industrialized countries' use of their biological resources. The United States emphasized the importance of unrestricted access to Plant Genetic Resources and said that farmers' rights should not include intellectual property rights.

Differences on the GPA will be negotiated at the Leipzig meeting in June. The FAO Commission will hold a Third Extraordinary Session in December to continue work on the text of a non-binding International Undertaking on Plant Genetic Resources. A meeting on the Convention on Biological Diversity in Argentina in November will also address issues of protection of Plant Genetic Resources.

An example of developing countries' contribution to genetic resources is Peru's International Center of the Potato, which maintains a genetic bank of 3,800 potato varieties from the Andes and 1,500 samples from about 100 wild species. The Center has provided farmers with more than 100 improved potato varieties. Potatoes, now one of the four most-consumed foods in the world, have undergone genetic engineering in Europe and the United States to produce a "super-potato" with thin skin and uniform size. These potatoes may, however, be more vulnerable to disease.

While developing countries push for a share in the benefits derived from genetic resources, industrialized countries claim rights to protection of intellectual property through patents and copyrights. U.S. pharmaceutical companies claim that they are losing $540 million yearly in unpaid fees from foreign drug producers. More than half of the $3 billion a year Argentine pharmaceutical industry is made up of national factories that copy and sell foreign formulas. While U.S. Trade Representative Charlene Barshefsky has pushed for sanctions against Argentina because of its copyright and patent piracy, Latin American specialists in the State Department and other Clinton administration officials have successfully urged that no trade sanctions be applied to Argentina.

Argentina, under strong pressure from the U.S. government, in March approved a patent law that will require pharmaceutical companies to begin paying royalties for foreign patents in five years. Brazil is considering an even stronger bill, which would protect drugs, chemical products, and microorganisms and will also provide protection for products in the development pipeline. Despite the Minister of Economy's urging that the law take effect immediately, the Argentine Congress insisted on a five year waiting period to protect domestic industries. The World Trade Organization allows developing countries until 2005 to implement complete protection of intellectual property.

Pamela Chasek, Ian Fry and Desire'e McGraw, "Report of the Second Extraordinary Session of the FAO Commission on Genetic Resources for Food and Agriculture 22-27 April 1996," EARTH NEGOTIATIONS BULLETIN, April 29, 1996; John Maggs, "Argentina Seen Escaping Copyright Sanctions," JOURNAL OF COMMERCE, April 25, 1996; Angeline Oyog, "North-South Divide Over Plant Diversity Looms Again," INTERPRESS SERVICE, April 23, 1996; Abraham Lama, "Potato's Future Questioned," INTERPRESS SERVICE, May 7, 1996; George Meek, "Argentina Patents," VOICE OF AMERICA, March 21, 1996; Marcela Valente, "Pharmaceutical Patenting Mars Idyll," INTERPRESS SERVICE, February 29, 1996.

MEXICO TO IMPORT 33 PERCENT OF FOOD

In 1996, Mexico will import one-third of its food needs, according to a report from the National Union of Autonomous Regional Campesino Organizations (UNORCA). Per capita consumption of corn, wheat, fruits and vegetables has dropped by 29 percent over the past six years, and annual per capita protein consumption is less than 20 kilograms, one-third of the amount recommended by the National Nutrition Commission (Comisio'n Nacional de Alimentacio'n.)

UNORCA blames NAFTA for endangering 80 percent of agricultural producers -- more than 3 million ejidatarios and 2.5 million small landholders -- and claims that NAFTA has meant the end of national food self-sufficiency in Mexico. Mexican government policies, such as the reduction of subsidies and access to credit, privatization of development banks, and foreclosure on land and property of producers, have also worsened the agricultural situation.

In April, Agrarian Way, an international organization that includes producer and landless farmers' groups from 45 countries, met at its second world conference in Mexico. Representatives called for creation of "a rural economy based on respect for ourselves and for the land by means of food sovereignty and a just system of world trade." Director Rafael Alegri'a defined food sovereignty as "the right of the peasantry in dependent countries to produce food," and criticized "the large food industry transnationals" that are taking over land and food production.

In the 1995 spring-summer production cycle, Mexican production of rice, beans, corn and wheat fell 13 percent below the same period in 1994. World wide cereal crop production will recover somewhat in 1996, according to the U.N. Food and Agriculture Organization (FAO), with approximately a five percent increase in output. Because increased output will still leave stocks well below safe levels, satisfying world food needs for 1996-97 will depend on a good harvest in 1996.

Matilde Pirez, "Importara' el Pai's 33% de Alimentos Este An~o," LA JORNADA, May 6, 1996; Eduardo Molina y Vedia, "New Proposals for Food Summit Agenda," INTERPRESS SERVICE, April 26, 1996; "World Cereal Production Up But Stock Levels Still Unsafe," INTERPRESS SERVICE, May 2, 1996.

EXPORTING PRODUCE TO MEXICO

With tree fruit production up in California this year, U.S. fruit and vegetable exporters, hope for a better export season in 1996. In 1991, California exported 1.2 million boxes of tree fruit to Mexico, but the total fell to 130,000 boxes in 1995.

Much of the decline is attributed to Mexico's economic crisis. Delays in Mexican approval of phytosanitary rules also hampered U.S. fruit exporters last year, causing uncertainty and delay in bringing produce to Mexican markets. This year phytosanitary rules are in place already, although California growers are negotiating with Mexican officials for an alternative to methyl bromide fumigation, now required by Mexico for peaches and nectarines.

Responding to Texas Senator Phil Gramm's warning that Mexico might limit agricultural imports from the United States, the U.S. Senate Finance Committee defeated an amendment to restrict Mexican tomato imports sought by both President Clinton and leading Republican presidential candidate Senator Bob Dole in early May.

While legal exports of U.S. fruit to Mexico comply with extensive inspection and certification rules and pay duties at the border, a large "gray market" offers fruit shipped across the border without inspection. Some of the illegally shipped produce is cheaper, lower-quality product, but other product is simply smuggled in before the allowed shipping date or without paying export costs, other than a bribe to customs officials.

In other export-related federal action, U.S. Agriculture Secretary Dan Glickman cut export promotion funding under the Market Access Program (MAP) by 18 percent, compared to 1995. Most MAP funds go to cotton, meat, and forest products groups, but fruit and vegetable commodity groups also receive MAP funding to promote their products overseas.

Tom Karst, "Funding Continues to Fade," THE PACKER, May 13, 1996; Peter M. Tirschwell, "Illicit Shipments of US Fruit Entering Mexico," JOURNAL OF COMMERCE, March 26, 1996; Tom Karst, "Exports to Mexico Expected to Rebound," THE PACKER, May 13, 1996; Anne Gonzalez, "Shippers Wait to Hear Mexican Restrictions," THE PACKER, May 6, 1996; John Maggs, "Senate Panel OKs Trade Bills, Kills Tomato Import Measure," JOURNAL OF COMMERCE, May 9, 1996.

CARIBBEAN SUGAR PRODUCERS FEAR NAFTA IMPACT

Caribbean sugar producers face threats from several directions: increased competition from Mexico under NAFTA, greater use of artificial sweeteners, and pressure to end the guaranteed market they enjoy under the Lome Convention agreement with the European Union. The sugar industry employs nearly one of five agricultural workers in Guyana and Jamaica, and half a million workers throughout the African, Caribbean and Pacific (ACP) nations.

At the meeting of ACP government ministers in Jamaica in early May, Rashid Melville of the Caribbean Community (Caricom) secretariat warned: "If Mexico is allowed to export freely into the U.S. under NAFTA, it could conceivably supply any amount of sugar demanded by the U.S. and totally eliminate other quota suppliers." NAFTA's sugar trade provisions allow for Mexican exports of 250,000 tons to the U.S., beginning in the year 2000. The six major Caribbean sugar-exporting countries produce a combined total of 800,000 tons annually.

Dr. Peter Baron, executive director of the International Sugar Organization, says that world production of sugar has slowed from a growth rate of 3-4 percent a year during the 1980s to a mere 1.2 percent per year for the past five years. Sugar imports to the United States from ACP states fell by 40 percent between 1980 and 1990, as use of artificial sweeteners increased. Diet drinks now account for 13 percent of the carbonated drink market and artificial sweeteners are used in 63 percent of chewing gum produced.

While the Lome Convention guarantees a market and preferential prices with the European Union, World Trade Organization rules require that quotas be replaced by tariffs by the year 2000. The Lome Convention, renewed every five years since 1975, will expire in 2000.

Misha Lobban, "More Obstacles on the Horizon for ACP Sugar," INTERPRESS SERVICE, May 3, 1996; "Misha Lobban, "Move Over Sugar, Make Way for Artificial Sweeteners," INTERPRESS SERVICE, May 2, 1996; Misha Lobban, "What's Ahead for Region's Sugar?" INTERPRESS SERVICE, May 7, 1996.

LATIN AMERICAN PESTICIDE MARKET GROWS

Latin America (including Mexico and South and Central America) accounts for 9 percent of world agrochemical sales or approximately $2.6 billion, according to "Crop Protection in Latin America," a January 1996 report by Agrow Reports. The report also predicts swift increases in sales, particularly for pesticides used on maize, soybeans, fruit and vegetables.

Brazil now buys 55 percent of pesticides ($1.4 billion in 1994) sold in Latin America, with herbicides leading the market because of switches to low-tillage practices to counter soil erosion and deteriorating soil structure. Argentina ($521.5 million in 1994), Mexico ($320.9 million), Colombia ($316.2 million), Ecuador ($93.3 million), Peru ($84.3 million) and Costa Rica ($81 million) are other major Latin American markets.

The Ciba corporation leads in Latin American sales, particularly with triazole fungicides for the banana pesticide market. Widespread fungicide resistance has made necessary as many as 40 triazole applications per year. Latin America produces 40 percent of the world's bananas, 60 percent of the world's coffee, 25 percent of the world's beans, and 20 percent of the world's cocoa.

In Peru, environmentalist groups used World Earth Day as the occasion to demand enforcement of bans on pesticides including toxaphene, chlordane and heptachlor. Banned pesticides continue to be freely sold, according to the Peruvian non-governmental Action Network for Alternatives to the Use of Agrochemicals. A study by the Institute for the Defense of the Environment focused on women along the Peruvian coast and southern Andes who apply pesticides. The study found 130 cases of pesticide intoxication in 1995, including one death of respiratory paralysis, and some level of intoxication among 72 percent of the women, with 2.7 percent reporting children with deformities or sensory disabilities. Women are generally in charge of handling pesticides in this area.

"Latin American Pesticide Market Growth," PESTICIDE ACTION NETWORK NORTH AMERICA UPDATES SERVICE, April 16, 1996; Abraham Lama, "Banned Pesticides Cause Deformities," INTERPRESS SERVICE, April 22, 1996.

ADM MOVES TO BUY MEXICAN FLOUR FIRM

Decatur, Illinois-based Archer Daniels Midland (ADM) is waiting for U.S. government approval to acquire a 20 percent stake in Gruma (Grupo Industrial Maseca), Mexico's largest corn flour and tortilla maker. ADM has focused on international expansion. Gruma has posted 20 percent average annual sales growth in the United States since it began operating there in 1982. Gruma owns corn flour mills in Texas and California, as well as almost a dozen tortilla plants in the southwest and a fourth of the booming U.S. tortilla market.

Gruma's major competitor, Grupo Industrial Bimbo, is also focusing on the United States in a battle for control of the $5 billion world tortilla market. While Mexicans eat 10 times as many tortillas per capita as people in the United States, the Mexican market is dominated by small "tortillerias." The packaged tortilla market accounts for only 5 percent of the Mexican tortilla market. Inside Mexico, Gruma's main product is corn flour and Bimbo's is bread. Both companies expect that the end of tortilla subsidies in Mexico will transform the Mexican market, giving an advantage to U.S.-style marketing of plastic-bagged tortillas in supermarkets.

"ADM Seeks Stake in Mexican Flour Firm," CHICAGO TRIBUNE, April 27, 1996; Joel Millman, "Mexican Tortilla Firms Stage U.S. Bake-Off," WALL STREET JOURNAL, May 10, 1996.

RESOURCES/EVENTS

The Environment and NAFTA: Understanding and Implementing the New Continental Law by Pierre Marc Johnson and Andre Beaulieu. Island Press, Washington: 1996. 432 pp. Order from Island Press, 1718 Connecticut Avenue N.W., Suite 300, Washington, DC 20009; telephone 202/232-7933; fax 202-234-1328. $50 cloth/$30 paper. Reviews role of environmental concerns and nongovernmental organizations in negotiation of NAFTA, origins and legal structures of the North American Agreement on Environmental Cooperation, implementation and enforcement since ratification of NAFTA and NAAEC, and place of NAFTA environmental agreement as part of the "social agenda" of trade.

NAFTA & Inter-American Trade Monitor is produced by the Institute for Agriculture and Trade Policy, Mark Ritchie, President. Edited by Mary C. Turck. Electronic mail versions are available free of charge for subscribers. For information about fax subscriptions contact: IATP, 1313 Fifth Street SE, Suite 303, Minneapolis, MN 55414. For information on subscribing to this and other IATP news bulletins, send e-mail to: iatp-info@iatp.org. IATP provides contract research services to a wide range of corporate and not-for-profit organizations. For more information, contact Dale Wiehoff at 612-379-5980, or send email to: dwiehoff@iatp.org.

From iatp@igc.apc.org Fri May 31 17:54:12 1996 Date: Thu, 30 May 1996 12:28:30 -0700 (PDT) From: IATP <iatp@igc.apc.org> To: Recipients of conference <trade-news@igc.apc.org> Subject: NAFTA & Inter-Am Trade Monitor 5-31

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

May 31, 1996 Volume 3, Number 11

The next issue of the NAFTA & INTER-AMERICAN TRADE MONITOR will be published on June 28.

U.S. DAIRY FARMERS: NAFTA FAILS

Citing a drop in U.S. exports to Mexico of dairy products, red meats and livestock since NAFTA's January 1, 1994 effective date, the Farmers' Union Milk Marketing Cooperative concluded that NAFTA has not lived up to its promises for U.S. dairy farmers. According to the U.S. Department of Agriculture's Foreign Agriculture Service, U.S. dairy exports to Mexico dropped 49.2 percent since NAFTA took effect, with dairy exports falling 27.6 percent in 1994 and a further 29.8 percent in 1995. The United States has also increased its imports in the dairy and meat-related categories, with Mexican dairy exports to the United States jumping from $164,000 in 1993 to $10,807,000 in 1995.

Specific problems related to NAFTA include reports of U.S. milk being pulled from Mexican supermarket shelves and US. ice cream trucks being hijacked and torched, as well as unnecessarily restrictive Mexican rules for fluid milk shelf life and unequal tariff reductions. An example of the latter is a 40 percent Mexican tariff reduction on U.S. cheddar cheese, which Mexicans do not eat, but only a 20 percent reduction on soft, white cheeses favored by Mexican consumers.

"NAFTA Is Big Failure on Dairy Export Promises," FUMMC MILK MATTERS, April 30, 1996.

FARMER-RAILROAD CONFLICT IN CANADA

Canadian grain farmers propose to buy a fleet of 13,000 round rail wagons that carry 80-90 tons of grain each. The railroads say they can more efficiently manage the cars, and that the shipper is usually the grain company and not the farmer.

The cars are being sold by the Canadian Transport Ministry, as part of the gradual deregulation of transportation. The government stopped paying half the cost of transporting export grain shipments last year. The Transport Ministry says that regardless of who owns the cars they must be used "primarily for Western Canadian grain." The Transport Ministry also limited any potential new owners to charging no more than 75 cents a ton to recoup their purchase cost. This will mean a lower likely sale price for the cars, since sale at market value of C$400 million would mean the new owners would have to charge C$2 or 3/ton to recoup their purchase price.

Agriculture Minister Ralph Goodale maintains that Canadian railroads have always enjoyed a privileged position, and must be watched carefully to ensure that they "can and will act in the public interest and they can and will deliver the farmers' grain on time in the most efficient and cost effective manner."

Aviva Freudmann, "A Bumper Crop of Subsidies," JOURNAL OF COMMERCE, May 16, 1996; "Railways Will Have to Justify Their Privilege, Says Minister," THE WESTERN PACKER, May 16, 1996.

INITIAL ITC RULING FAVORS FLORIDA

The U.S. International Trade Commission, which together with the Department of Commerce determines the merits of anti-dumping petitions, ruled on May 16 that there is a "reasonable indication" that Mexican tomato imports have harmed U.S. growers. The preliminary ruling allows the anti-dumping petition filed March 29 by the Florida Department of Agriculture and tomato growers in other states to proceed. The Department of Commerce will hold a hearing on September 9 to determine whether unfair trade practices by Mexico contributed to economic harm to U.S. growers. The Department of Commerce ruling will be made in November and the final ITC determination in January. Florida is also pursuing a Section 201 petition, which the ITC will consider in June.

Tracy Rosselle, "Initial ITC Ruling Favors U.S. Growers," THE PACKER, May 20, 1996.

MERCOSUR, CHILE, EU AGREEMENTS NEARER

Chile's request for associate membership in the Mercosur trading bloc (Argentina, Brazil, Paraguay & Uruguay) may result in an agreement as early as June 25. Mercosur representatives will meet with European Union (EU) representatives on June 11 and 12 to begin moving toward liberalizing bilateral trade in 2000, with the first accord set for signature in December. Mercosur is also negotiating with Bolivia, Ecuador, Peru and Venezuela. Brazil looks toward a "day not too far off, when Mercosur will be all of South America," according to Brazilian Foreign Minister Luiz Lampreia.

Chile has requested only associate membership in Mercosur because its external tariff is lower than that of Mercosur and Chile does not want to raise its tariffs, particularly as it negotiates other agreements with Mexico and Canada and continues to look toward future membership in NAFTA. Agricultural issues between Chile and Mercosur seem to have been resolved by an agreement to give Chile 17 years to open up its wheat market. Some issues of rules of origin and comparative preferences for countries outside Mercosur remain to be resolved. Plans for signing a Chile-Mercosur accord at the end of June could also be stymied by a dispute between Brazil and Uruguay over clothing imports. Brazil has demanded that virtually all clothing imports, including those from Mercosur nations, be begun and completed within a 30-day period, making commerce in clothing more difficult.

The EU is Mercosur's biggest foreign investor, and has moved to strengthen ties with Mexico as well. Foreign ministers of the Latin American Rio Group and the EU met in Bolivia in April. Mutual responsibility of consumer and producer countries for the illegal drug trade, and a strong emphasis on trade and investment were among the provisions of the 40-point Cochabamba Declaration issued at the end of their meeting.

Mexico and the EU are also in the process of negotiating a trade agreement. Mexico-EU trade has doubled since 1989, reaching $11 billion in 1995. The Mexican National Foreign Trade Bank predicted that a free trade zone with the EU would increase Mexico's exports by 20 percent.

Kevin G. Hall, "Key Issues May Delay Chile Mercosur Accord," JOURNAL OF COMMERCE, May 22, 1996; Raul Ronzoni, "Integration Halted by Friction Over Clothes Imports," INTERPRESS SERVICE, May 15, 1996; Marcela Valente, "Mercosur: the Genesis of a Future South American Bloc," INTERPRESS SERVICE, April 10, 1996; Juan Carlos Rocha, "Latin America Closer to Europe than to the U.S.A.," INTERPRESS SERVICE, April 16, 1996; Timna Tanners, "EU Agrees to Freer Trade," THE NEWS, May 14, 1996; "Gurria Pressing for EU Accord,' MEXICO UPDATE, May 22, 1996.

U.S., ALLIES CONTINUE DISPUTE OVER CUBA

U.S. Secretary of State Warren Christopher defended more stringent U.S. laws banning trade with Cuba during a May 7 visit to Mexico, and tried to reassure Mexican businesses that new sanctions would be prospective only and would not be applied to businesses and business owners who had invested in Cuba prior to the enactment of the Helms-Burton legislation this year. The European Union has asked for World Trade Organization consultations on the Helms Burton bill, which has also been denounced by other U.S. allies.

One provision of the Helms-Burton legislation allows U.S. nationals to bring federal suits against anyone who "traffics" in property confiscated from US citizens after Cuba's 1959 revolution and another provision says the secretary of state "shall exclude" from the United States anyone subject to such a claim, including corporate officers, shareholders with controlling interests, and their immediate families. Among 200 companies already identified by the U.S. government as "trafficking" in confiscated properties through joint ventures with Cuba are Mexico's giant Cemex cement company and Canada's Sheritt mining company.

Cuban officials say the pace of foreign investment has slowed since last year. Some observers blame Cuba for slowness in opening to foreign capital.

Canada's ambassador to Cuba, Mark Entwhistle, believes Helms-Burton plays a significant role. "No foreign investor interested in Cuba can afford to ignore the famous or infamous Helms-Burton law and in the case of Canada, it has clearly already had a significant chilling effect on investment decisions," Entwhistle told a foreign investment workshop in Havana.

Guy de Jonquie'res, "U.S. Accuses Allies Over Cuba," FINANCIAL TIMES, May 21, 1996; Pascal Fletcher, "Cuba Still Shy of Investment," FINANCIAL TIMES, May 22, 1996; "Helms-Burton Act: No Disneyland for Queen Elizabeth?" WEEKLY NEWS UPDATE ON THE AMERICAS, May 26, 1996; Bruce Clark and Nancy Dunne, "Cuba Sanctions Threaten to Sour US-EU Relations," FINANCIAL TIMES, May 24, 1996.

U.S. BANS BRAZILIAN, HONDURAN LOBSTERS

The U.S. State Department ruled that Brazilian and Honduran lobster production methods violate laws protecting sea turtles, and acted in May to ban export of their sea lobsters to the United States. New guidelines require that drag nets for lobsters be required to have turtle "excluders." The ban applies only to lobsters fished from the sea, not to those raised on fish farms. Honduran lobster exports were $73 million in 1995 and Brazilian exports to the United States are estimated at $30 million annually.

In another move for environmental protection, Central American Greenpeace charged that the Gulf of Fonseca is being damaged by shrimp fishing. Greenpeace said inappropriate technologies including vaccines, chemicals and fertilizers destroy the area's coastal species and damage the mangrove swamps that serve as a filter between land and sea. A study by the United Nations Peace University found that the area occupied by shrimp farms in Central America rose from 1,000 hectares to 11,500 hectares over the past ten years, while mangrove swamp area continues to decline. Shrimp are Honduras' third-largest export, generating $80 million in annual income.

Ricardo Miranda, "U.S. Bans Brazilian and Honduran Lobsters," INTERPRESS SERVICE, May 3, 1996; Thelma Meji'a, "Greenpeace Blasts Central American Shrimp Industry,' TICO TIMES, April 19, 1996.

NAFTA ENVIRONMENTAL UPDATE

The Border Environment Cooperation Commission (BECC), created under NAFTA, approved its seventh project in an April 30 public meeting, but alienated many non-governmental organizations by denying public comment on a wide range of questions when Mexican "public" representative and BECC chair Jorge Bustamante adjourned the meeting an hour ahead of schedule. Bustamante has also been criticized by Mexican environmental and non-governmental organizations, which charge that he has shown no interest in public participation and has not met with NGOs. Many of the speakers who had signed up to make statements at the BECC meeting wanted to advocate BECC restrictions on certification of privately sponsored projects.

While BECC has approved seven projects, all of which focus on water supply and treatment, the North American Development Bank (NADBank) has so far failed to fund any of the projects.

In April, U.S. and Mexican officials dedicated a publicly funded waste water treatment plant in Nuevo Laredo, Mexico. predicting that it will greatly improve water quality in the Rio Grande. In May, officials of the two countries signed the Border XXI Environmental Program, a comprehensive plan for environmental infrastructure and other projects along the border through the year 2000. The 250-page plan, with provisions for water, air, toxic waste, law enforcement, preventive actions, emergency response capacity, natural resources, and public information, will be published at the end of May.

Mexican and U.S. environmentalists were joined by some Mexican government officials in May in criticizing U.S. plans for construction of toxic and radioactive waste dumps in the southern United States. The dumps are planned for Sierra Blanca, Ruidoso and Carlsbad, with the three points forming a triangle covering 250 sq. km. and located only 27 km. from Mexico. Both nations signed a 1983 commitment not to locate such centers within a 200 km strip along the border. The Mexican Senate Ecology and Environment Committee said it is totally opposed to the projects, and Greenpeace claims the plans are dangerous because the area planned to hold toxins is over subterranean water reserves that run into the already-contaminated Rio Bravo/Rio Grande river, which supplies water for 3.5 million people.

"Border XXI Environmental Program Signed; Air Quality Project for Border Cities Initiated," BNA INTERNATIONAL ENVIRONMENTAL REPORTER, May 15, 1996; Diego Cevallos, "Toxic Dumps Cause New Conflict," INTERPRESS SERVICE, May 15, 1996; "BECC Snatches Controversy From the Jaws of Acclaim," BORDERLINKS, May, 1996; "New Waste Water Treatment Plant on Border to Help Clean Rio Grande," BNA INTERNATIONAL ENVIRONMENTAL REPORTER, May 1, 1996.

CORRUPTION THREATENS TRADE

U.S. and Canadian executives involved in trade disputes in Mexico report at least four recent cases of bribed police, arrest warrants or criminal suits used by Mexican executives to harass and intimidate them. Crime exploded in Mexico with last year's economic crisis, rising nearly 35 percent in Mexico City. Police corruption, long familiar to Mexicans and foreign residents, has also been aggravated by the economic crisis.

In the Mexican legal system, the burden is on the accused to prove innocence. Judges are often reluctant to free foreigners on bond before trial, fearing that they will flee the country. In one case, a dispute between a fired employee and Eastman Kodak's president in Mexico was apparently connected to presence of large numbers of police in front of the Kodak president's office and home. The executive fled to Miami until the situation was resolved.

U.S. corporations have been named in several high-profile Latin American corruption scandals, including Archers Daniel Midland executives dismissed in September and October 1995 for alleged embezzlement of $9 million in Mexico. Top executives in IBM's Argentine subsidiary, along with the entire board of directors of Argentine state-owned Banco Nacisn, were charged in April with defrauding the government.

At the conclusion of an OAS conference attended by 34 countries in March, 21 Latin American and Caribbean countries signed the Inter-American Convention against Corruption. Under the terms of the convention, signatory countries will establish norms for preventing, combatting and penalising corruption among public officials and also agree not to invoke bank secrecy laws when another government requests information regarding corruption cases.

Kevin G. Hall, "US Battles Strong-Arm Tactics in Mexico," JOURNAL OF COMMERCE, May 7, 1996; "$50 Billion Missing in Latin American Financial Scandals," WEEKLY NEWS UPDATE ON THE AMERICAS SUPPLEMENT, May 12, 1996; Humberto Marquez, "21 Countries Sign Anti-Corruption Convention," INTERPRESS SERVICE, March 29, 1996.

MEXICAN FARMERS KILLED

Two farmers associated with the opposition Democratic Revolutionary Party (PRD) were shot and killed as they walked to their cornfields near the community of Usipa in the municipality of Tila, Chiapas on Friday morning, May 24. Friends and relatives of Sebastian Lopez Lopez and Sebastian Sanchez Lopez said they were killed by paramilitary squads linked to the ruling Institutional Revolutionary Party (PRI).

Witnesses said two of the attackers were members of a paramilitary group called "Peace and Justice," which opposes the PRD.

Elio Henri'quez, "Acusan al Grupo Paz y Justicia de Haber Matado a Dos Campesinos," LA JORNADA, May 25, 1996.

RESOURCES/EVENTS

An Expert Panel on Trade and Sustainable Development, funded by the WWF, will be charged with development of policies that can harness trade to the objective of sustainable development. Nominations for panelists, including trade, environmental and development specialists, should be submitted by June 14 to Charles Arden-Clarke, WWF International, 1196 Gland, Switzerland. Telephone: 00 41 22 3649513; fax 00 41 22 3645829; or e-mail cac@lan.wwf.ch, and ddd@lan.wwf.ch

NAFTA & Inter-American Trade Monitor is produced by the Institute for Agriculture and Trade Policy, Mark Ritchie, President. Edited by Mary C. Turck. Electronic mail versions are available free of charge for subscribers. For information about fax subscriptions contact: IATP, 1313 Fifth Street SE, Suite 303, Minneapolis, MN 55414. For information on subscribing to this and other IATP news bulletins, send e-mail to: iatp-info@iatp.org. IATP provides contract research services to a wide range of corporate and not-for-profit organizations. For more information, contact Dale Wiehoff at 612-379-5980, or send email to: dwiehoff@iatp.org.

From iatp@igc.apc.org Fri Jun 28 19:57:54 1996 Date: Fri, 28 Jun 1996 11:11:21 -0700 (PDT)
From: IATP <iatp@igc.apc.org> To: Recipients of conference <trade-news@igc.apc.org>
Subject: NAFTA & Inter-Am Trade Monitor 6-28-

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

Friday, June 28, 1996 Volume 3, Number 12

MEXICO BUYS U.S. GRAIN
DROUGHT DESTROYS CROPS
ALLIES ATTACK U.S. CUBA LAW
TRUCKING DISPUTE LINGERS
WAGES DROP IN NAFTA COUNTRIES
BANANA DISPUTE MOVES FORWARD

MEXICO BUYS U.S. GRAIN

As people and animals starve, Mexico is preparing to buy nearly $2 billion of U.S. grain, an estimated 10 million metric tons of corn, wheat, sorghum, soy, and pinto beans and other grains. Mexico is also applying for letters of credit to purchase 13 million pounds of milk powder through the USDA's Dairy Export Incentive Program and for a USDA loan guarantee of $160 million to purchase approximately 200,000 metric tons of dry beans from Michigan farmers. With U.S. grain reserves depleted, mixed grain prices have risen from a normal high of about $150 per ton to more than $200 in recent months.

Mexico is also investigating the possibility of buying white maize from South Africa. Mexican officials at Conasupo, the government agency in charge of food imports, denied charges that it has imported substandard yellow corn from the United States. Officials say that Mexico buys US-2 grade corn, and denied reports that low-grade US-4 corn has been imported from Africa. Ninety percent of Mexican corn production is white corn, traditionally used in making tortillas, while yellow corn is considered animal food and may be mixed with white corn to make tortillas. The Reforma daily newspaper charged that yellow corn is lower in protein and nutrients and produces a "stiff, dirty" tortilla.

According to the government of the northern state of Chihuahua, 77 people died of malnutrition, dehydration and other diseases caused by poverty in the Sierra Tarahumara between January and April. The U.N. Food and Agriculture Organization estimates that per capita consumption of corn, beans and wheat in Mexico dropped an average of more than 35 percent over the past decade. "I'm not sure that we are looking at famine in states like Chihuahua this year, but if the drought keeps up, by 1997 or 1998, we could see it," says Revolutionary Democratic Party Deputy Eric Villanueva.

On May 30, about 300 impoverished Mexicans held up a corn train in the northern state of Nuevo Leon, making off with up to 40 tons of maize. The maize belonged to tortilla-making giant, Maseca. On June 23, hundreds of residents of the colonias of Flores Magon and El Consuelo in Durango held up a Mexican National Railroad train loaded with wheat, carrying away tons of wheat in pickups, barrels, and sacks. Less than a week earlier, Durango residents had sacked a train carrying corn.

"Mexico to Buy Scarce U.S. Grain," AGRI-NEWS, June 13, 1996; "Barcia Urges USDA to Guarantee Mexican Purchase of Michigan Dry Beans, THUMB FARM NEWS, May 27, 1996; "Mexico Can't Afford U.S. Beans, Milk Powder," THE MILKWEED, May 1996; Diego Cevallos, "Dying of Thirst Next to the Fountain," INTERPRESS SERVICE, May 27, 1996; ""Mexico Denies Importing Substandard Corn," FWN/UPI, June 21, 1996; "Mexico Keen on S. African Maize, But No Deal Yet," REUTERS, June 20, 1996; Drought + Economic Crisis = Starvation in Chihuahua," MEXICO UPDATE, June 19, 1996; "Mexican Slum Dwellers Sack Corn Laden Train," REUTER, May 30, 1996; Uriel Martinez, "Saquean Habitantes de Dos Colonias un Tren Cargado de Trigo," LA JORNADA, June 24, 1996.

DROUGHT DESTROYS CROPS

Northern Mexico's continuing drought, the worst in 50 years, has cost farmers 10 million tons of grain and the death or forced sale at low prices of three million heads of cattle since 1992, according to the Confederation of Rural Landowners. Water reservoir levels have plunged to below 15 percent. Imports of grain and milk have increased, with agricultural imports currently totaling $5 billion yearly.

The northern 80 percent of Mexico receives only 20 percent of available water, while the central and south use 80 percent. An estimated 50 percent of water that goes to cities is lost through leaks and waste, with the population of Mexico City using an average of 360 liters per person daily, a rate twice as much as the world average. The National Water Commission estimates that 76 percent of the country's surface water is contaminated, 15 million of the country's 91 million residents lack potable water, and 30 million have no sewer services.

Diego Cevallos, "Dying of Thirst Next to the Fountain," INTERPRESS SERVICE, May 27, 1996; "Drought + Economic Crisis = Starvation in Chihuahua," MEXICO UPDATE, June 19, 1996.

ALLIES ATTACK U.S. CUBA LAW

By a vote of 23-1, with 9 abstentions, the Organization of American States (OAS) decided on June 4 to instruct the Inter-American Juridical Committee to determine whether the U.S. Helms-Burton law tightening sanctions against Cuba is valid under international law. U.S. State Department spokesperson Nicholas Burns said that the U.S. does not recognize the juridical body of the OAS as having jurisdiction over the issue.

Canada and Mexico continue to strongly oppose the Helms-Burton law, and Mexican companies have been pressuring their government for concrete action since CEMEX (Cementos Mexicanos) announced that it would withdraw from a cement-plant operation in Cuba due to the law. Canadian Sherritt, which operates joint ventures in Cuba in nickel mining, refining, and energy projects, refused to give in to U.S. pressure.

Cuban Foreign Minister Roberto Robaina announced on June 1 that his government will no longer disclose which foreign firms have investments in Cuba. Mexican officials are planning a "Helms-Burton antidote bill," which would prohibit Mexican companies from providing information to U.S. courts about their operations and impose sanctions on Mexican companies that comply with the Helms-Burton law. Canada passed a similar law in 1992 in response to an earlier U.S. law that prohibited foreign subsidiaries of U.S. firms from trading with Cuba. The Canadian law calls for penalties on Canadian-based companies that follow instructions from a foreign government on trade with Cuba. Canadian trade minister Arthur Eggleton said in mid-June that Canadian companies will also be allowed to countersue against damages awarded by a U.S. court and to target assets held in Canada by those bringing complaints in U.S. courts under Helms-Burton.

European and U.S. negotiators began consultations on the U.S. Cuba sanctions law in early June, under threat of an EU request for a World Trade Organization dispute settlement panel. The EU seeks a waiver from the sanctions imposed on companies that trade with Cuba, citing a U.S. waiver granted to AT&T that allows the U.S. company to increase its service between the U.S. and Cuba. President Clinton has until July 15 to waive the application of sanctions for a six month period, by reporting to Congress that the suspension is "necessary to the national interests of the United States and will expedite a transition to democracy in Cuba." On June 12, following a U.S.-EU summit, President Clinton and EU Commission President Jacques Santer publicly clashed over the U.S. legislation.

At the end of June, the U.S. State Department will issue notices ordering foreign companies investing in nationalized U.S. businesses in Cuba to either halt their Cuba activities or close their businesses inside the United States. At least one Spanish firm, the hotel group Sol Melia, said it would leave the United States if a choice between Cuba and the United States were forced on it. Spanish government sources say that WTO action and sanctions against the United States, both by the EU and by individual countries, are among possible responses to application of Helms-Burton.

Michael Ranneberger, Coordinator for Cuban Affairs at the U.S. State Department, said in late June that the U.S. would invoke the national security exemption to reply to WTO challenges to the Cuba sanctions law.

"Official Says U.S. Will Invoke WTO Security Exemption for Cuba Law," INSIDE U.S. TRADE, June 21, 1996; "EU Seeks More Talks on Cuba Sanctions Under Threat of WTO Panel," INSIDE U.S. TRADE, June 7, 1996; "Clinton, Santer Clash Over Helms-Burton at U.S.-EU Summit," "U.S. Defies OAS Decision to Review Cuba Sanctions Act," INSIDE U.S. TRADE, June 14, 1996; Stephen Dale, "Zedillo, Chretien Agree on Helms-Burton Bill," INTERPRESS SERVICE, June 11, 1996; "Cuba: U.S. Allies Strongly Oppose Helms-Burton Act," NOTISUR, June 7, 1996; "Helms-Burton: Cuba's Investors Talk the Talk & Walk Away," WEEKLY NEWS UPDATE ON THE AMERICAS, June 9, 1996; Arthur Gottschalk, "US Puts Embargo Ultimatum in the Mail," JOURNAL OF COMMERCE, June 13, 1996; Bernard Simon, "Canada to Retaliate Against US Over Cuba Trade Act," FINANCIAL TIMES, June 13, 1996.

TRUCKING DISPUTE LINGERS

Talks between U.S. Transportation Secretary Federico Pena and Mexican Secretary for Communications and Transportation Ruiz failed to resolve the dispute between the two nations over implementation of the trucking provisions of NAFTA. Last December, the United States refused to implement NAFTA provisions for allowing Mexican truckers to haul loads into U.S. border states, citing safety and security concerns. Mexico has not processed applications submitted by U.S. truckers for border state hauling, saying that it has received no complete applications.

The U.S. trucking industry wants the border opened, but the Teamsters Union, representing U.S. drivers, opposes border opening. Mexico now wants the United States to publicly acknowledge that it is violating NAFTA, but the United States refuses to do so.

While about six percent of U.S. truck drivers are pulled off the road annually in random inspections, Mexican truck drivers are pulled at a much higher rate. From December 19, 1995-May 3, 1996, 26.3 percent of Mexican truck drivers entering at McAllen, Texas, 18.4 percent of those entering at Laredo, 18.2 percent of those entering at Brownsville, and 16.3 percent of those entering at El Paso were pulled and denied entry. In contrast, at California's two border crossings, far fewer drivers were ordered off the road only 5.6 percent at Calexico and 2.8 percent at Otay Mesa. Violations range from false or outdated commercial drivers licenses to failure to meet age requirements and medical fitness requirements.

"U.S., Mexico Fail to Bridge Gap on Trucking at Binational Meetings," INSIDE U.S. TRADE, May 17, 1996; Kevin G. Hall, "US Puts Clamps on Mexican Truckers," JOURNAL OF COMMERCE, June 20, 1996;

WAGES DROP IN NAFTA COUNTRIES

According to an official report of the tri-national Commission for Labor Cooperation established by NAFTA, real wages for workers in the United States, Canada, and Mexico have all fallen, while the number of self-employed and temporary workers has risen in all three countries. U.S. workers saw a drop in real wages of 8.5 percent from 1984-1995, while Canadian wages fell 0.4 percent and Mexican wages have gone up and down and are now about five percent below 1984 levels.

In Mexico, 57.3 percent of total employment is full-time, compared to 84.1 percent in Canada and 91.2 percent in the United States. Agricultural employment accounts for almost a quarter of total employment in Mexico, compared to about four percent in the United States and Canada. In Canada and the United States, 98 percent of the increase in employment from 1984-1995 took place in service industries, primarily finance, real estate and personal services. In Mexico growth in service industries, primarily in retail, was 81 percent of the total increase during the same time period.

Tim Shorrock, "Drop Seen in Real Wages in All Three Nafta Countries," JOURNAL OF COMMERCE, May 29, 1996.

BANANA DISPUTE MOVES FORWARD

The WTO Director-General named a three-member panel to settle the U.S.-EU dispute over the EU banana regime after the United States, Ecuador, Mexico, Honduras, and Guatemala notified the World Trade Organization that the two sides were unable to agree on a panel. The move will speed up the banana dispute settlement proceedings, possible bringing a final decision in December.

Ecuador insists that the EU end the arrangement allocating Category B licenses to marketing companies that traditionally sell bananas from the former colonies of EU member states in Africa, the Caribbean and the Pacific, and that the EU allocate a 33 percent quota of its banana imports to Ecuador. Unlike the United States and the other Latin American producers, Ecuador currently sells a substantial amount of bananas to the EU about 40 percent of the total EU quota, according to Ecuadoran officials.

"U.S., Latins Move to Speed Up WTO Dispute Panel on EU Banana Regime," INSIDE U.S. TRADE, May 31, 1996.

RESOURCES/EVENTS

"El Planeta Platica" newsletter. Reviews ecotourism throughout the Americas. The May issue focuses on Central America, and upcoming issues will look at coastal issues and South America. $25/year. Online at http://www.planeta.com/. For information contact Ron Mader, 12345 SW 18th Street #417, Miami, FL 33175. Email: ron@txinfinet.com.

"A Cautionary Tale: Failed U.S. Development Policy in Central America" by Michael Conroy, Douglas Murray and Peter Rosset May, 1996, Food First Development Studies, Lynne Rienner Publishers. Cloth, $45.00 + $4 s&h. Order from Subterranean Co., Box 160, 265 South 5th Street, Monroe, OR 97456. Telephone 800/274-7826.

This book dissects the varied impacts of a decade of the central AID development policy based on nontraditional agricultural exports, considering impacts on the environment, on the livelihoods of thousands of small farmers, and on the sovereignty of elected governments.

"Free Trade: Neither Free Nor About Trade" by Christopher D. Merrett. Black Rose Books, Montreal and New York: 1996. 230 pp. Order from University of Toronto Press, 340 Nagel Drive, Cheektowaga, New York 14225; fax 716/683-4547. $19.99 paper; $48.99 cloth. Merrett argues that free trade agreements have meant that institutions based on the nation-state have less power and that workers are being forced to work harder for less pay. Looking specifically at Canada and the U.S.-Canada Free Trade Agreement, he focuses on the FTA impact on the Canadian economy, on labor, and on the welfare state.

"Decentralization and Rural Development in Mexico: Community Participation in Mexico's Municipal Funds Program" by Jonathan Fox & Josefina Aranda. Center for U.S.-Mexican Studies/UCSD, 1996. 74 pp. $11.95 + $3.50 s&h. Order from U.C. Regents to Order Dept., Center for U.S.-Mexican Studies/UCSD, 9500 Gilman Drive / Dept. 0510, La Jolla, CA 92093-0510. Credit card orders by phone 619/534-1160, fax 619/534-6447.

Beginning in 1990, the Mexican government created Municipal Solidarity Funds for small-scale, participatory rural public works, with $350 million in World Bank funding for the four poorest states, including Oaxaca, with its largely indigenous population. This volume documents the community decision-making processes and the development impact of this program in a representative sample of municipalities in Oaxaca.

"Mexico's Financial Crisis: Origins, Awareness, Assistance and Initial Efforts to Recover." General Accounting Office Report to the Chairman, Committee on Banking and Financial Services, House of Representatives: February, 1996. 167 pp. Report examines origins of Mexican financial crisis, U.S. and IMF advice and response to that crisis, use of Exchange Stabilization fund to fund U.S. assistance, and initial efforts of Mexico to recover from the crisis. *

"Commercial Trucking: Safety and Infrastructure Issues Under the North American Free Trade Agreement." General Accounting Office report to Congressional Recipients: February, 1996. 52 pp. Report on differences between U.S. and Mexican trucking regulations and operating practices that may affect highway safety and infrastructure and U.S. readiness to ensure that trucks from Mexico comply with U.S. trucking regulations, as well as NAFTA provisions for opening U.S.-Mexican border to increased commercial truck traffic within the border states of each nation.

* Order either GAO report from U.S. General Accounting Office, P.O. Box 6015, Gaithersburg, MD 20884-6015; telephone 202/512-6000; fax 301/258-4066. For internet access, send e-mail with "info" in the body to info@www.gao.gov. $2

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Subject: NAFTA & Inter-Am Trade Monitor 7-12-

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

July 12, 1996 Volume 3, Number 13

Headlines:

- **CHILE AND MERCOSUR SIGN PACT**
- **CANADA-U.S. AG TRADE TENSIONS**
- **FLORIDA GROWERS LOSE ROUND ONE**
- **BIO-TECHNOLOGY AND FOOD LABELING**
- **COMMITTEE SEEKS NAFTA AG MOVEMENT**
- **MEXICAN TRUCKERS CLOSE BORDER**

CHILE AND MERCOSUR SIGN PACT

On June 25, Chile signed an agreement to become an associate member of Mercosur, the Southern Cone Common Market. With Bolivia's membership, expected to be finalized within 90 days, the size of the trade bloc will increase to 210 million people in six nations: Argentina, Bolivia, Brazil, Chile, Paraguay and Uruguay. With Chile's accession to Mercosur, the trading bloc gains access to the Asian Pacific region, a growing market for Latin America.

Beginning October 1, Chile will lower tariffs on most Mercosur trade, beginning with a 40 percent tariff cut and eliminating all duties on intra-bloc trade within eight years, with some exceptions to protect Chile's agricultural sector. Environmentalists and some agriculture groups still oppose the accord, arguing that lack of labor and environmental provisions will lead to replacement of traditional crops by intensive lumbering and consequent displacement of rural workers.

As an associate member of Mercosur, Chile will maintain its own uniform 11 percent external tariff, rather than harmonizing with Mercosur's varied external tariffs, which average 13 percent. Chilean exports rose 11.4 percent in 1995, to $16 billion of the gross domestic product of $66.7 billion. Chilean efforts to join the North American Free Trade Agreement have been put on hold because of the U.S. delay in negotiating new trade agreements, but Chile is expected to sign a separate trade agreement with Canada this year.

Late last year, the European Union signed a framework agreement for a trade pact with Mercosur, scheduled to be finalized in 2005. With Mexico resisting the Clinton administration proposal for negotiations with Mercosur, Commerce Undersecretary for International Trade Stuart Eizenstat said Canada and the United States might begin talks on hemispheric integration with Mercosur "on a four-plus-two basis."

Calvin Sims, "Chile Will Enter a Big South American Free Market," NEW YORK TIMES, June 26, 1996; David Pilling, "Bolivia to Sign Free Trade Pact With Mercosur," FINANCIAL TIMES, June 26, 1996; David Pilling and Imogen Mark, "Jilted Chile Hitches Up to Mercosur," FINANCIAL TIMES, June 25, 1996; Paula

L. Green, "Tired of Waiting for US, Chile Seals Deal to Join Mercosur Bloc," JOURNAL OF COMMERCE, June 24, 1996; Richard Lawrence, "US Wants Nafta-Mercosur Talks," JOURNAL OF COMMERCE, June 24, 1996; Gustavo Gonzalez, "Agriculture's Cold Feet Will Not Hamper Approval," INTERPRESS SERVICE, June 26, 1996; Marcela Valente, "Looking Toward the Asia-Pacific Rim," INTERPRESS SERVICE, June 23, 1996; "U.S. Seeks NAFTA-Mercosur Talks Without Mexico, Eizenstat Says," INSIDE U.S. TRADE, June 28, 1996.

CANADA-U.S. AG TRADE TENSIONS

With bilateral trade of $262 billion in goods and $69 billion in services and investment income in 1995, the United States and Canada are the world's biggest trading partners. Despite the Canada-U.S. Free Trade Agreement (1989) and the North American Free Trade Agreement (1994) disputes in areas including wheat, dairy, poultry, cultural investments, softwood lumber, salmon, steel, potatoes, wool, and trade with Cuba persist.

Canadian dairy, poultry and egg producers fear that a NAFTA dispute resolution panel may not vindicate Canada's conversion of import quotas on their products into supply management tariffs. Canadian officials may get a first look at a confidential preliminary panel report by mid-July, though the report will not be made public until August. Canada maintains that it may convert quotas to tariffs, as provided by the General Agreement on Tariffs & Trade, while the United States argues that Canada gave up this right by signing on to NAFTA. According to a Canadian economic impact study, the Canadian economy would lose 138,000 jobs in agriculture and food processing if the U.S. forces open its market for dairy, chicken, turkey and eggs.

The panel can rule that the tariffs are legal or illegal, but is rumored to be considering a "third option:" finding that the tariffs are legal but not in the spirit of NAFTA, and recommending negotiation of a political settlement that would provide freer access to Canada for U.S. dairy, poultry and egg producers and to U.S. markets for Canadian peanut and sugar producers. Canadian farmers oppose the third option, since one of NAFTA's advantages was that trade disputes would be settled according to laws rather than according to the political power of the United States.

That political power is evident in the dispute over wool suit exports by Canada, raised in U.S.-Canadian trade talks in June. U.S. Congressional members from districts where wool suit and fabric plants are located want legislation directing re-negotiation of the wool-products tariff preference level (TPL) under NAFTA. Canadian officials object to any reconsideration, pointing out that Canada's TPL for wool products actually shrank under NAFTA, and that the bilateral trade balance in textiles is in the United States' favor. The U.S. Trade Representative's office acknowledges that Canada's wool exports are legitimate, but have raised the issue several times because the imports are creating "a real political problem" and potentially undermining support for NAFTA within the United States.

While the United States and Canada reached an agreement to limit Canadian softwood lumber exports, British Columbia lumber mills halted U.S. shipments altogether in June, fearing the imposition of penalties for exceeding the duty-free export quota. U.S. buyers have held off purchasing until the July 1 beginning of the next quarter, causing softwood lumber prices to plummet from $277 per thousand board feet on June 7 to $237 on June 20. Industry executives predict that the market turmoil will subside as Canada assigns company-by-company export quotas.

In another agricultural trade development, Canada will begin allowing U.S. hog producers from 24 pseudorabies-free states to export hogs to Canada without a prohibitively expensive 30-day quarantine. United States barriers to Canadian hogs, a countervailing tariff calculated to offset Canadian subsidies, have fallen 1.34 to .45 cents per pound.

Aviva Freudmann, "Free Trade May Take Time to Realize," JOURNAL OF COMMERCE, June 24, 1996; Aviva Freudmann, "Turmoil Hits Lumber Trade," JOURNAL OF COMMERCE, June 24, 1996; Barry Wilson, "Farmers Angered at Talk of NAFTA Compromise," THE WESTERN PACKER, June 20, 1996; "Canada Tells U.S. to Heed NAFTA Rules, Not Claims by U.S. Wool Group," INSIDE U.S. TRADE, June 21, 1996; Aviva Freudmann, "A Woolly Battle Along the Border," JOURNAL OF COMMERCE, July 3, 1996; Courtney Tower, "Canada to Lower U.S. Hog Barrier," WESTERN PRODUCER, June 6, 1996; Ian Elliott, "Canada's Resolve Toughened in Market Dispute With U.S.," FEEDSTUFFS, May 27, 1996.

FLORIDA GROWERS LOSE ROUND ONE

On July 2, the U.S. International Trade Commission (ITC) ruled in a 4-1 vote that a surge in Mexican tomato and bell pepper imports was not unduly harming Florida growers. Acting U.S. Trade Representative Charlene Barshefsky and Department of Commerce Secretary Mickey Kantor expressed disappointment with the July 2 ITC decision. Kantor has recently criticized the independence of the ITC, saying that its decisions "may not reflect the economic and social needs" of the United States.

While the ITC vote ends the possibility of relief on the Section 201 grounds of damage to U.S. industry, a separate action involving allegations of "dumping" Mexican tomatoes at unfairly low prices remains to be decided by the Department of Commerce by September 9. Mexico has asked the World Trade Organization to review the dumping allegations, charging that the Department of Commerce artificially chose a period of investigation designed to find dumping in violation of the General Agreement on Tariffs and Trade. The time period from March 1, 1995 to February 29, 1996 is, according to Mexico, "the last two months of last year's growing season, and the first two months of this year's season. Not coincidentally, those are exactly the periods during the last two growing seasons when prices were lowest."

Governors of 10 U.S. and Mexican border states opposed what they called the protectionism evidenced by Florida's petitions, as did the U.S.-based Fresh Produce Association of the Americas, which handles more than a billion dollars worth of Mexican produce imports yearly. Mexican growers argue that trade restrictions would harm the United States, pointing out that Mexico will import more than $2 billion in grain and oils alone from the United States this year, and that Florida exports $700 million in goods to Mexico annually. Some Mexican officials, point out that trade restrictions could have other consequences, as Mexican migrant workers lose jobs in northern and western Mexico: "Americans have got to realize," says Mexican opposition Congressman Victor Quintana, "Either they will import our tomatoes, or import our people."

Mexican officials have drawn up "hit lists" of Mexican exports that could benefit by lower U.S. tariffs and of U.S. products that could be targeted for tariff increases if antidumping penalties are imposed on Mexican tomatoes. Either lowered U.S. tariffs on specified Mexican imports or increased Mexican tariffs on specified U.S. exports would be allowed as compensation to Mexico if sanctions are imposed on its produce growers.

"Mexico Seeks WTO Consultations on U.S. Tomato Dumping Case," INSIDE U.S. TRADE, July 5, 1996; "House, Senate Trade Leaders Question Kantor's Criticism of ITC," INSIDE U.S. TRADE, July 5, 1996; Martin Crutzinger, "Panel: Mexico Imports Not Unduly Harmful," ASSOCIATED PRESS, July 3, 1996; John Maggs, "Mexico Drafts Hit List of Goods," JOURNAL OF COMMERCE, June 28, 1996; Larry Waterfield, "Governors Protest Protectionism," THE PACKER, July 1, 1996; Joel Millman, "Mexican Farmers are Wary of Sanctions," WALL STREET JOURNAL, July 2, 1996; John Maggs, "Mexicans Win Round in Tomato Trade Fight," JOURNAL OF COMMERCE, July 3, 1996.

BIO-TECHNOLOGY AND FOOD LABELING

Draft guidelines on labeling food to identify genetic engineering use will be considered by a United Nations standards-setting body, the Codex Alimentarius Commission in 1998, when delegates to the Commission meet in Ottawa. Some countries want genetically engineered foods labeled as such, while others, including the United States, oppose any labeling on biotechnology grounds and wants a ban on even voluntary labeling that would say a food has been produced without genetic engineering.

The World Trade Organization's Committee on Trade and Environment, which met in late June in Geneva, was unable to agree on any trade measures to implement the Multilateral Environmental Agreements. European Union Environment Commissioner Ritt Bjerregaard called for rules on ecolabeling, as did Canada. The U.S. Clinton Administration is considering adopting an industry proposal on ecolabeling from the Grocery Manufacturers of America. The proposal would require that ecolabels be transparent, non-discriminatory, and based on "sound science," which would open many ecolabels to challenge. For example, this requirement could be used to prevent dairies from labeling milk as "produced without BST" because there is no scientific basis for distinguishing between milk produced by cows treated with the hormone and those not so treated. Greenseal, a U.S. non-governmental organization that advocates ecolabeling, opposes the Grocery Manufacturers' proposal.

Canadian officials studying biotechnology labeling have recommended to Parliament flexible guidelines that can be changed to take account of changing circumstances and science. Under Canadian law, foods derived from genetic transfers between the same or different species are classified as "novel" foods and must receive health safety approval before marketing. Biotech boosters, including agricultural interests, favor guidelines rather than specific, enforceable regulations. Canadian farm leaders insist that food labeling should be required only for health or safety reasons, and that biotech labeling would just scare consumers.

Courtney Tower, "Genetic Food Label Rules Not Coming for Several Years," WESTERN PRODUCER, May 23, 1996; Barry Wilson, "Officials Favor Relaxed Labeling Guidelines," WESTERN PRODUCER, June 20, 1996; Barry Wilson,"Farm Leaders Want to Limit Labeling of Biotech Food," WESTERN PRODUCER, June 6, 1996; "U.S. Seen as Opposing Progress on Key Environment Issue for WTO," INSIDE U.S. TRADE, June 28, 1996.

COMMITTEE SEEKS NAFTA AG MOVEMENT

A confidential draft report from the President's Advisory Committee for Trade Policy and Negotiations (ACTPN) recommends that the Clinton Administration move to accelerate the elimination of Mexican and Canadian tariffs on farm products, and carefully monitor sanitary and phytosanitary measures adopted by other countries to ensure that all are based on scientific grounds and do not unduly restrict agricultural trade. The report also recommends a cautious approach to any unilateral actions that would reduce U.S. imports of agricultural products from a NAFTA member.

Part of the reason for the report is that some parts of the U.S. agribusiness sector feel that agricultural interests have taken a back seat to trade issues such as autos and intellectual property rights. The report notes that U.S. agriculture accounted for $54 billion in exports in 1995, and that 30 percent of U.S. farm income in 1995 was derived from trade. The ACTPN also urges that the United States work to eliminate special treatment for agriculture in the Asia-Pacific Economic Cooperation forum (APEC) and in the European Union. The ACTPN is made up of about 45 members, mostly manufacturing and service industry executives and officials from U.S. labor and environmental groups.

Janice Hughes, "ACTPN Draft Seeks Full Implementation of NAFTA Farm Provisions," INSIDE U.S. TRADE, June 12, 1996.

MEXICAN TRUCKERS CLOSE BORDER

Angered by U.S. Department of Transportation (DOT) actions, an estimated 1,500 Mexican truckers blocked all transport of fruits and vegetables at several international bridges during the last week of June, before agreeing to return to work for two weeks under a 10-point plan to address their grievances.

The DOT stepped up inspections of motor vehicles along the border last year and truckers charge that DOT inspectors are illegally sending Mexican drivers back into Mexico, taking trucks out of service for minor violations, and illegally seizing truck drivers' passports and border crossing identification cards. "If it is happening, it shouldn't be," said U.S. vice consul Douglas Koneff in Matamoros, across from the Texas border city of Brownsville. Koneff asked truckers to be patient and focus on honest efforts being made by U.S. officials to respond to their concerns.

Under U.S. law, immigration documents cannot be seized because of safety violations, and trucks stopped for safety violations must be issued citations that require fixing the problem within 10 days, but cannot be sent back to Mexico. The U.S. Federal Highway Administration denied that it was sending Mexican trucks back across the border.

Truckers also complain that they are taken out of service for minor violations, at a cost of $300 to get vehicles back in service and $200 in towing costs. Problems began last year with Texan imposition of costly registration requirements for Mexican truckers. These regulations were later withdrawn, but then the Clinton administration refused to honor the December 18 opening of border states required by NAFTA, a matter still under formal dispute resolution processes.

Kevin G. Hall, "Mexican Truckers Return to Work for Two Weeks," JOURNAL OF COMMERCE, July 3, 1996; KevinG. Hall, "Mexican Truckers Protest at Border," JOURNAL OF COMMERCE, June 26, 1996; Lance Jungmeyer, "Strike Could Disrupt U.S. Imports," THE PACKER, July 1, 1996.

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NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

Friday, July 26, 1996 Volume 3, Number 14

Headlines:

- NAFTA RULING FAVORS CANADA
- CANADIAN GRAIN PRODUCERS REBEL
- CORN SCANDAL IN MEXICO
- PEASANT REBELLION OR EXCUSE FOR REPRESSION?
- FARM WORKERS RIOT
- HEALTH SCARE OVER BERRIES
- CANADIAN FIRM TARGETED IN ANTI-CUBA MOVE
- TRUCK TALKS CONTINUE

NAFTA RULING FAVORS CANADA

The tentative ruling of a five-member arbitration panel convened under the provisions of the North American Free Trade Agreement ruled that Canada can continue imposing tariffs on some U.S. farm products. The unanimous ruling, disclosed in press reports in mid-July, will be formally released on August 15. U.S. Secretary of Agriculture Dan Glickman called the decision "very disappointing and in my judgment not justified."

U.S. dairy, poultry, egg and barley interests challenged Canadian tariffs ranging from 180 to 350 percent on their products, filing their original complaint in January, when new Canadian tariffs went into effect. The tariff rates apply to products shipped in excess of previously existing quotas. Canada had replaced quotas with tariffs, pursuant to the "tariffication" process set out by the General Agreement on Trades and Tariffs and the World Trade Organization (WTO). The NAFTA arbitration panel agreed with the argument that NAFTA does not prevent Canada from complying with WTO rules by using the tariffication process to eliminate previously existing quotas.

The Coalition for Fair Trade With Canada, a U.S. industry group, says the tariffs cost U.S. dairy producers $1 billion and cost U.S. chicken producers $300 million yearly in lost sales. According to Canadian studies, the Canadian economy would lose 138,000 jobs in agriculture and food processing if the tariffs were ended. [See NAFTA & INTER-AMERICAN TRADE MONITOR, July 12, 1996.]

Aaron Nathans, "NAFTA Decision Angers Farmers," ASSOCIATED PRESS, July 19, 1996; "U.S. Loses Nafta Tariff Dispute," FINANCIAL TIMES, July 17, 1996; "Canada Wins Dairy Trade Ruling," STAR TRIBUNE, July 17, 1996; Jerry Hagstrom, "Agriculture Secretary Seeks Elimination of Farm Subsidies," AGWEEK, July 22, 1996; "U.S. Sees Little Hope of Reversing NAFTA Dairy, Poultry Ruling," INSIDE U.S. TRADE, July 19, 1996.

CANADIAN GRAIN PRODUCERS REBEL

As Alberta grain farmers continued trucking their wheat across the border to the United States in deliberate violation of Canada's grain marketing laws, the government's Western Grain Marketing Panel unanimously recommended major changes in the Canadian Wheat Board (CWB). The nine-member panel, appointed last year by agriculture minister Ralph Goodale, recommended on July 9 that farmers be allowed to choose to remove at least 25 percent of their sales from CWB's pooling system, although sales would still be made through the CWB. Organic grain and feed barley export sales would be moved to an open market system, while malting barley would remain under the CWB. A board of directors, with a majority elected by farmers, would replace the current government-appointed CWB commission.

Goodale says that grain producers have until August 31 to submit comments on the panel's proposals. The status of the CWB has been particularly controversial since grain prices in the United States are now up, well above the pooled amount paid by the CWB. The CWB was established during the Depression to pool and market western Canadian grain at guaranteed prices. Farmers recently have held public demonstrations and defied federal laws by exporting wheat and barley privately, with some ending up in court and subject to heavy fines.

Bernard Simon, "Experts Urge Easing of Canada's Grain Monopolies," FINANCIAL TIMES, July 10, 1996; Aviva Freudmann, "Alberta Farmers Defy Grain Export Law," JOURNAL OF COMMERCE, July 11, 1996; Barry Wilson, "Farmers Get Last Word Before Minister's Time of Decision," WESTERN PRODUCER, July 11, 1996; Ian Elliott, "Panel Asks Canadian Government to Reduce CWB Powers," FEEDSTUFFS, July 15, 1996; Barry Wilson, "Marketing Panel Calls for Farmer-Run Wheat Board," WESTERN PRODUCER, July 11, 1996; Lisa Kassenaar, "Farmers Want Freedom," AGWEEK, June 3, 1996. .

CORN SCANDAL IN MEXICO

Mexico's ruling Institutional Revolutionary Party (PRI) shut down a congressional investigation that had linked President Ernesto Zedillo to questionable payments made to the Maseca corn-flour company during the administration of Zedillo's predecessor, President Carlos Salinas. The nine PRI members of the congressional commission investigating official malfeasance voted on July 17 to cancel the investigation, two weeks after the Zedillo link was made public by Adolfo Aguilar Zinser, an independent opposition deputy on the commission.

Maseca, the dominant corn-flour producer in Mexico, benefited from a July 1990 government decision to favor corn-flour producers over the traditional method of making tortillas from corn dough. The company is owned by a close political ally, billionaire Roberto Gonza'lez Barrera, who is known in Mexico as "the king of tortillas." Maseca had sought damages from the Mexican government after a delay in payment of government subsidies in 1987-88, and a final agreement for payment of $17 million was reached in October 1988. Later Maseca sought an additional $7 million payment. Despite repeated legal opinions against Maseca, the $7 million addition was eventually approved and paid.

According to the memorandum unearthed by the committee, then-Budget Minister Zedillo said he had no authority to make the decision to pay Maseca, but would find a way to make the payment if someone else authorized it. Then-Commerce Secretary Jaime Serra Puche supported the payment and it was approved by the board of the government food-distribution agency, Conasupo, then headed by Raul Salinas. Both Mr. Zedillo and Mr. Serra maintain that there was nothing illegal about the payment.

"Maseca Investigation Leads to Zedillo," MEXICO UPDATE, July 10, 1996; Anthony DePalma, "Corruption Commission in Mexico Ties Zedillo to Disputed Payment," NEW YORK TIMES, July 5, 1996; Anthony DePalma, "Zedillo's Role in Payment is Defended," NEW YORK TIMES, July 6, 1996; Julia Preston, "Mexico's Ruling Party Cuts Off Investigation Involving Zedillo," NEW YORK TIMES, July 19, 1996.

PEASANT REBELLION OR EXCUSE FOR REPRESSION?

After a surprise debut on June 28 at a memorial service for 17 campesinos killed in the Aguas Blancas massacre last year, the Revolutionary Popular Army (EPR) seems to have vanished from sight again. While Mexican politicians ranging from Interior Minister Emilio Chuayffet to Cuauhtemoc Ca'rdenas of the opposition Democratic Revolutionary Party expressed skepticism about the credentials of the new group, others noted that the crisp uniforms, good weapons, and military bearing of the masked guerrillas indicated a well-financed organization.

Mexican military and police officials responded to the EPR's appearance with major mobilizations in Guerrero and at least six other states, mostly in southern and central Mexico with large indigenous and campesino populations. Guerrero itself is a state with a long history of guerrilla organization and poverty. The army arrested several members of the militant Southern Sierra Campesino Organization (OCSS), charging them with membership in the EPR. Others arrested belong to the non-violent Organization of Villages and Communities of Guerrero (OPCG). Some prisoners were held incommunicado and tortured for days before the army acknowledged that they were in custody.

On July 14, riot police broke up a campesino protest in Chilpancingo, the capital of Guerrero. Forty-nine of the demonstrators, who were demanding freedom for OCSS members jailed for alleged EPR ties, were injured by club-swinging police. The OCSS denies having any connection with the EPR. OCSS spokesperson Rocio Mesino said on July 4 that they don't know the EPR and that "it's not clear what its goals are and the repression is against us. We think it may be a group set up by the government itself to justify the repression, or it may be a group to defend the people. We don't know what's going on . . ."

"Guerrillas With Clean Boots? Very Odd . . . ," REUTER, July 16, 1996; "Mexican Police Break Up Protest, 49 Hurt," REUTER, July 16, 1996; "Intensive Army Presence in South-Central Mexico," WEEKLY NEWS UPDATE ON THE AMERICAS, July 14, 1996; "Guerrero Armed Group Remains a Mystery," WEEKLY NEWS UPDATE ON THE AMERICAS, July 14, 1996; "Fear for Safety/Fear of Torture," AMNESTY INTERNATIONAL, July 18, 1996; "Guerrero Update," MEXICO UPDATE, July 17, 1996; "As New Guerrilla Emerges, Guerrero Goes to War," MEXICO BARBARO, July 7-14, 1996.

FARM WORKERS RIOT

On July 4, between 800 and 1,000 migrant farm workers in the San Quintin Valley of Baja California rioted, destroying four police cars and 25 local businesses in the town of La'zaro Ca'rdenas. The workers began a protest over the failure of the Santa Anita ranch to pay them for three weeks. After police suppressed the riot, arresting at least 65 workers and beating others, Mexican army troops were also sent to the area. Governor Hector Teran said the ranch had ha d problems with its bank, and suggested that radical group may have stirred up the workers.

Many of the farm workers are Mixtec Indians from the state of Oaxaca, and about 35 percent are under 14 years of age. Legal protections often are ignored by employers. The 3.6 million migrant farm workers in Mexico typically earn 22 pesos, less than three dollars, per day, compared to an average of $32 per day for migrant farm workers in the United States. About 40 percent of the farm workers are indigenous.

"Farm Laborers Protest Becomes Riot in San Quintin Valley, Baja California," MEXICAN LABOR NEWS AND ANALYSIS, July 16, 1996; Matilde Pe'rez, "Marginacio'n Juri'dica de Jornaleros por Intereses Creados, Dice Pronasol," LA JORNADA, July 22, 1996.

HEALTH SCARE OVER BERRIES

Outbreaks of intestinal illness that sickened about 1,000 people in 20 U.S. states, the District of Columbia, and Ontario, Canada during May and June were blamed first on California strawberries and then on Guatemalan raspberries. The illness was caused by a microscopic parasite, cyclospora, which is believed to enter the food supply through tainted water used for irrigation. Identifying the source of the parasite is difficult because it takes a week or more for a person to become sick and investigators must rely on patients' recollection of what they ate at least a week earlier.

In July, the U.S. Centers for Disease Control and Prevention said U.S. investigators traced 21 cases or clusters of cases of cyclospora back to Guatemalan raspberries. Guatemalan berry growers said they have tested berries and have not found any evidence of cyclospora. Since June 22, all Guatemalan raspberry shipments to the United States have been cleared by the U.S. Food and Drug Administration before entry. Guatemalan growers send 1.8 million pounds of fresh berries a year to the United States, Canada and Europe.

According to the California Strawberry Commission, California strawberry growers, who produce 80 percent of the strawberries consumed in the United States, lost more than $20 million when Texas health officials blamed California strawberries for the outbreak. The Texas Department of Health warning, issued on June 8 and lifted on June 23, is blamed for a nationwide 15 percent drop in strawberry sales during June. Canadian officials also warned against consumption of U.S. berries.

Fiona Ortiz, "Guatemala Growers Hope TV Will Allay Berry Fears," REUTER, July 12, 1996; "Guatemala Defends Its Berries," REUTER, July 19, 1996; "Strawberry Warning Costs Growers Millions," NEW YORK TIMES, July 21, 1996; Aviva Freudmann, "Canadian Health Officials Are Warning Consumers to Avoid U.S. Berry Imports," JOURNAL OF COMMERCE, July 2, 1996.

CANADIAN FIRM TARGETED IN ANTI-CUBA MOVE

On July 10, the U.S. State Department announced sanctions against Toronto-based Sherritt International Corporation under Title IV of the Helms-Burton law that further strengthens the U.S. trade embargo against Cuba. The top nine executives of Sherritt and their immediate families were barred from entering the United States, in retaliation for Sherritt's two-year-old nickel mining joint venture in Cuba, which involves a state-owned nickel mine expropriated from New Orleans-based Moa Bay after the 1959 Cuban Revolution. Sherritt characterized the law as "very offensive" and said it would continue to do business with Cuba.

The Clinton administration did concede some ground to its allies, agreeing to suspend application of the law's controversial Title III, which allows U.S. citizens to sue foreign investors in U.S. courts for using nationalized properties in Cuba. More than 5,911 U.S. claimants have been certified by the U.S. government, but only about the top 1,000, with claims in excess of $50,000, would be eligible to sue. The suspension of Title III will last until February 1, 1997, falling far short of the complete waiver of Title III sought by U.S. allies, U.S. business groups, and Clinton administration foreign policy and trade advisers. One senior Clinton administration official said that the president has chosen to use the Helms-Burton law as a "lever -- not a sledgehammer."

Cuban Foreign Ministry official Carlos de Cossio said that the suspension "will not change the economic effects of the legislation nor its future repercussions on the country," but also noted that the Helms-Burton law will not stop Cuba's current economic recovery. After a fall in all economic indicators from 1990-1993, the Gross National produce rose by 0.7 percent in 1994 and 2.5 percent in 1995, and increased by seven percent in the first quarter of 1996, compared to the same time period in 1995.

President Clinton told U.S. allies that the suspension will be lifted unless they work harder to punish Cuba. Dutch banking and insurance company ING Group said it will not renew a $30 million credit to the Cuban sugar industry, and U.S. officials said another bank and a sugar broker may stop lending to the Cuban sugar industry. The European Union, however, is considering four options to retaliate against the United States for its Cuban sanctions: challenging the sanctions before the World Trade Organization; restricting visas or work permits for U.S. executives; allowing countersuits against U.S. firms' European subsidiaries by European firms hit by U.S. sanctions; and establishing a watch list of U.S. firms filing actions against European firms in Cuba.

Jim Lobe, "Clinton Delays Lawsuit Provisions in Helms-Burton," INTERPRESS SERVICE, July 16, 1996; Richard Lawrence, "Clinton Waters Down Cuba Sanctions," JOURNAL OF COMMERCE, July 17, 1996; Dalia Acosta, "Clinton's Postponement Makes No Change, Says Government," INTERPRESS SERVICE, July 17, 1996; "U.S. Bars Canadian Firm Under Helms-Burton Act," WEEKLY NEWS UPDATE ON THE AMERICAS, July 14, 1996; Carla Anne Robbins and Josi de Cordoba, "Clinton Puts Cuba Lawsuits on Hold," WALL STREET JOURNAL, July 17, 1996; Bruce Barnard, "EU Maps Retaliation Against U.S. Over Cuba," JOURNAL OF COMMERCE, July 16, 1996; Arthur Gottschalk, "In Cuba, A Tricky Question of Ownership," JOURNAL OF COMMERCE, July 15, 1996.

TRUCK TALKS CONTINUE

As talks between U.S. law enforcement agencies and representatives of Mexican truckers continued, Mexican truckers agreed not to resume the strike begun on June 24, averting a threatened stoppage at the Pharr-Reynosa international bridge, a key agricultural transport point. U.S. federal, state and local law enforcement agencies agreed not to return cargo to Mexico because of a truck's safety violation, to set up a repair lot at the Pharr location, and to limit inspections so that trucks would not be subject to multiple inspections by different agencies on the same day.

Meanwhile, public and private sectors in Canada, Mexico and the United States are discussing ways to speed clearance of vehicles moving across NAFTA borders. The North American Trade Automation Prototype or NATAP is set for testing beginning on September 9, using electronic data interchange and other technologies to allow pre-clearance of transborder traffic, thereby reducing financial and environmental costs of trucks idling in line while waiting for border clearance.

While NATAP would benefit shippers of auto parts and inputs needed in manufacturing, it would not help agricultural produce warehousing and distribution centers in cities such as Nogales, Arizona and Hidalgo-McAllen, Texas. Mexican customs brokers on the U.S. side of the border actually would lose business, since trucks would not need their inspection and transshipping services.

Kevin G. Hall, "Traders See Hopeful Signals in Talks With Mexican Truckers," JOURNAL OF COMMERCE, July 15, 1996; "Mexican Truckers Halt Strike," THE PACKER, July 8, 1996; Kevin G. Hall, "Public, Private Sectors Brainstorm on Border Crossing Plan," JOURNAL OF COMMERCE, July 12, 1996; Kevin G. Hall, "Public, Private Sectors Brainstorm on Border Crossing Plan," JOURNAL OF

COMMERCE, July 12, 1996; Kevin G. Hall, "Nafta Traders Gear Up for Electronic Clearance," JOURNAL OF COMMERCE, June 27, 1996.

RESOURCES/EVENTS

Reforming Mexico's Agrarian Reform, edited by Laura Randall. Columbia University Seminars series. Spring 1996. 320 pages. Order from M.E. Sharpe, Inc., 80 Business Park Drive, Armonk, NY 10504. Telephone 800/541-6563 or fax 914-273-2106. Hardcover $69.95; paper $24.95. Twenty-five U.S. and Mexican scholars survey and analyze Mexico's agrarian reform, including history, economic consequences of land reform, agrarian organizations, politics, land use and environmental issues, and migration.

NAFTA & Inter-American Trade Monitor is produced by the Institute for Agriculture and Trade Policy, Mark Ritchie, President. Edited by Mary C. Turck. Electronic mail versions are available free of charge for subscribers. For information about fax subscriptions contact: IATP, 1313 Fifth Street SE, Suite 303, Minneapolis, MN 55414. For information on subscribing to this and other IATP news bulletins, send e-mail to: iatp-info@iatp.org. IATP provides contract research services to a wide range of corporate and not-for-profit organizations. For more information, contact Dale Wiehoff at 612-379-5980, or send email to: dwiehoff@iatp.org.

From iatp@igc.apc.org Mon Aug 26 08:30:41 1996 Date: Fri, 09 Aug 1996 10:24:46 -0700 (PDT) From: IATP <iatp@igc.apc.org> To: Recipients of conference <trade-news@igc.apc.org> Subject: NAFTA & Inter-Am Trade Monitor 8-9-9

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

August 9, 1996 Volume 3, Number 15

Headlines:

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- BIOTECH ISSUES DIVIDE FARMERS
- NEW BANANA WAR STRATEGIES
- NAFTA COUNTRIES IN LABEL DISPUTE
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PREPARING FOR WORLD FOOD SUMMIT

In early July, 33 Latin American nations met in Asuncisn, Paraguay to prepare for the World Food Summit to be held in November in Rome. With 14 percent of Latin America, more than 60 million people, suffering from chronic malnutrition, food security is a major concern of the region. According to the United Nations Food and Agriculture Organization (FAO), Latin American and Caribbean nations began the 1990s with an average per capita consumption rate of 2,740 calories, compared to 3,330 in industrialized countries. Haiti, Bolivia and Peru had the lowest per capita consumption rate, falling below 2,100 calories. In Guatemala, Panama, Nicaragua, and the Dominican Republic, consumption ranged from 2,100 to 2,300 calories, while Guyana and Honduras ranged between 2,300 and 2,500. Costa Rica, Brazil and Argentina consumed an average of 2,700 to 3,000 calories per capita, while only Cuba and Mexico ranked with developed nations, consuming more than 3,000 calories per capita daily.

According to the FAO, global food supplies have more than doubled in the last 40 years, but food distribution remains uneven, both among and inside countries. Rural areas generally suffer more from poverty and malnutrition than urban areas. FAO regional expert Alejandro Schetjman said that structural factors make nutrition less a problem of supply than a problem of demand. Hungry people lack the funds that would enable them to buy food: thus, there is less market demand for food, so agricultural production within developing nations is subordinated to more profitable economic activities. Regional FAO official Severino de Melo Araujo noted that both the region and the world produce enough food to feed their populations, but "there are political, infrastructure and distribution problems." For example, Paraguay consumes only five percent of the three million tons of soybeans they produce each year, exporting the rest.

FAO Director-General Jacques Diouf said in Asunci'on that trade agreements, such as the World Trade Organization and its predecessor, GATT, had little to offer the region, noting that regional exports rose 13 percent from 1988 to 1993, but that the value of these exports fell 15 percent. He noted the "polarization," with investment focused on a restricted selection of export products while subsistence and consumer products are neglected.

In June, at the Fourth International Technical Conference on Plant Genetic Resources in Leipzig, Germany, Diouf noted that the yield capacities of some major staple food crops have reached plateaus. Wheat, maize and rice provide 66 percent of the human population's dietary energy. While acknowledging the positive impact of the Green Revolution's use of high-yield varieties, Diouf pointed out other problems. "[I]n many countries, rich farmers had access to inputs and got richer and bought lands of poorer farmers, thereby increasing the number of landless farmers. There has also been an excessive use of pesticides."

Christian Torres, "Food Security - An Obtainable Goal?" INTERPRESS SERVICE, July 5, 1996; Dipankar De Sarkar, "Rich-Poor Clash Looms at FAO Conference," INTERPRESS SERVICE, June 17, 1996; Angeline Oyog, "Challenge to Global Food Security," INTERPRESS SERVICE, June 18, 1996; Gustavo Gonzalez, "Women and Food Security - Link is Vital," INTERPRESS SERVICE, July 2, 1996; Wesley Gibbings, "FAO Unhappy With Region's Huge Food Bill," INTERPRESS SERVICE, July 11, 1996; "Africa Must Produce 300 Percent More Food by 2050 - UN," REUTERS, July 21, 1996.

BIOTECH ISSUES DIVIDE FARMERS

A week-long conference in Leipzig, Germany in June brought compromise on defining "farmers' rights," with the United States and Canada finally acceding to the Group of 77 developing countries' insistence on recognition of the "needs and rights of farmers and farming communities to have access to the germplasm, information, technologies, financial resources and research and marketing systems necessary for them to continue to manage and improve plant genetic resources." Many representatives of developing countries at the conference, which was sponsored by the U.N. Food and Agriculture Organization (FAO), worried that moves to protect patent rights for plant genetic resources deprive traditional farmers of access to germplasms and an equitable share of profits from commercialization of the resources that they have developed and conserved for generations.

An on-going battle between grape-growers in California and Mexico shows the real-world implications of the disputes over biotechnology and genetic resources. Sun World of California, one of the state's largest fruit and vegetable growers, claims to own the rights to patented plant matter that was "diverted" to Mexico in the early 1970s. Unauthorized cuttings from the patented Sugraone grapes were taken from California to Mexico in the 1970s, possibly by a migrant farm worker. Sun World says that 4,000-6,000 acres of the white seedless grapes now grow around Hermosillo and Caborca in Mexico, and that growers there must sign licensing agreements giving quality control, marketing and distribution rights for the Sugraone grapes to Sun World. Mexican growers maintain that the cuttings were probably given away, not stolen, and that Sun World's patent on the Sugraone grape expired in 1989. Since Mexican table-grape exports to the United States have exploded and one-third of the exports are Sugraone, the dispute involves about $1.5 million yearly in royalties that would be paid by 30-40 Mexican growers if Sun World's claims were judged to be valid.

The U.S. National Association of Plant Patent Owners claims that flower growers in Colombia, Ecuador, Guatemala and Mexico also owe millions of dollars in fees to U.S. patent holders. The four countries export 125 million roses yearly to the United States, and the Plant Patent Owners claim that royalties of 75-85 cents per plant are owed on at least a third of the roses. California growers say that Latin American growers copy flower breeds developed here and then undercut their prices. More than 60 percent of the roses sold in the United States are imported, and 70 percent of all flowers in the U.S. market come from Colombia. Flowers from Bolivia, Colombia, Ecuador and Peru enter the United States duty-free, as part of the U.S. effort to encourage alternatives to cocaine production. California growers are pushing for a tariff on Colombian flowers, but Miami distributors oppose the proposal.

In Canada, new regulations protecting plant breeders' rights outlaw the common practice among grain farmers of selling a little of the certified seed crop from the year before to a neighbor. Garry Scott, a grower of pedigreed seeds, says farmers will probably take a generation to get used to the plant breeders' fees for seeds, because varieties have always been in the public domain.

Peter Tirschwell, "US Grower Renews Patent Battle," JOURNAL OF COMMERCE, May 22, 1996; David Lee, "A Thorny Dispute With Latin Growers," JOURNAL OF COMMERCE, July 12, 1996; Diane Rogers, "Seed Growers Live by Rules, Regulations and Restrictions," WESTERN PRODUCER, July 11, 1996; Dipankar De Sarkar, "U.S. Bows to Farmers' Rights on Biodiversity," INTERPRESS SERVICE, June 21, 1996; Dipankar De Sarkar, "Rich-Poor Clash Looms at FAO Conference," INTERPRESS SERVICE, June 17, 1996; David Lee, "War of the Roses: California, Florida in Bitter Clash Over Colombian Flowers," JOURNAL OF COMMERCE, July 8, 1996.

NEW BANANA WAR STRATEGIES

Caribbean banana producers have scheduled talks with Latin American producers in Belize in October, in a meeting to be convened by former Costa Rican president and Nobel Peace Prize winner Oscar Arias. Ecuador, Guatemala, Honduras and Mexico, all of which have joined in the United States complaint to the World Trade Organization (WTO), have been invited to the meeting.

The "Great Banana War," a battle for the European Union (EU) market, pits smaller African, Caribbean and Pacific banana growers, who together produce about three percent of the world's bananas, against the larger plantation systems of Latin America. Both smaller farms and higher wages push up the cost of production for Caribbean growers, but the EU's preferential system helps them to stay competitive by giving them a preferential duty-free annual quota of 857,000 tons per year. The Latin American quota, which was set at 2.1 million tons in 1993, has increased to 2.5 million tons.

Caribbean leaders wrote to President Clinton in late June, asking him to review U.S. objections to the EU banana regime, "especially since the U.S. is not an exporter of bananas and two of the three U.S. banana marketing companies have increased substantially their share of the EU market in recent years." The U.S. complaint about the EU banana regime is based on the negative effect of that regime on U.S. companies that dominate the Latin American banana industry. The U.S. argued in a July 9 submission to the WTO panel that U.S. companies provide a distinct service - marketing - and that the EU regime restricts the world supply of this service. "If you take the U.S. argument at face value, effectively every international transaction involving a good is also a transaction involving services," said one trade lawyer.

Wesley Gibbings, "The Fight for Preferential Treatment Continues," INTERPRESS SERVICE, July 9, 1996; Canute James, "Caribbean's Try New Banana War Strategy," JOURNAL OF COMMERCE, July 10, 1996; Canute James, "Clinton: US Will Consider Pulling Banana Complaint," JOURNAL OF COMMERCE, July 15, 1996; Bert Wilkinson, "Regional Leaders Move to Save Vital Sector," INTERPRESS SERVICE, June 28, 1996; Canute James, "Caribbean Community Calling for Truce in Banana Trade War," JOURNAL OF COMMERCE, July 2, 1996; "U.S. Submission to Banana Panel Offers Expansive Services Link," INSIDE U.S. TRADE, July 19, 1996.

NAFTA COUNTRIES IN LABEL DISPUTE

Secofi, the Mexican commerce agency, announced in July that implementation of controversial labeling requirements will be delayed indefinitely. The new rules require that textiles and apparel assembled in a country be labeled to show where imported components came from. Textile industry representatives claim that it is nearly impossible to know or list the origins of threads, fabrics, elastic, buttons, zippers and other components. With the regulations delayed, textiles and apparel need only be labeled to show where the product was assembled and what components are imported.

Meanwhile, Mexican food labeling requirements have been eased to allow Spanish-language labels to be affixed inside Mexico, rather than, as earlier had been proposed, at the point of manufacture or packaging. Both Canadian and Mexican nutrient labeling requirements, still being finalized, will be similar but not identical to U.S. requirements.

The United Labeling Coalition, a coalition of U.S. exporters and retailers, protested Secofi's issuance of labeling rules that will take effect on November 1, saying that implementation of new rules in November could create havoc during the Christmas season. The coalition asked that Secofi clarify costs of the new rules and exempt inventory already in Mexico from the new rule for 10 months after implementation, and phase in the labeling rules over a 10 month period.

Kevin G. Hall, "Mexican Officials Again Put Off Textile and Apparel Labeling Rules," JOURNAL OF COMMERCE, July 19, 1996; "Mexico, Canada Move Closer to U.S. in Food Labeling Approach," MILLING & BAKING NEWS, May 21, 1996; Kevin G. Hall, "US Group Rips Mexico's Proposed Label Norms," JOURNAL OF COMMERCE, July 26, 1996.

FRUIT TRADE NEWS

California stone fruit growers will ship more apricots, plums, nectarines and peaches to California this year, under a new program of the California Grape and Tree Fruit League that will help growers meet Mexican concerns about the Oriental Fruit Moth. U.S. sweet cherries, however, are still barred from Mexico, technically because of phytosanitary concerns but in fact as retaliation for continuing U.S. refusal to allow imports of fresh Haas avocados from Michoaca'n. The U.S. is reconsidering the avocado import ban, which was based on phytosanitary reasons. Mexico insists that the ban is actually based merely on protection of California avocado growers.

Greg Johnson, "Export Program Begins," THE PACKER, June 3, 1996; William DiBenedetto, "No Cherries Going South of the Border," JOURNAL OF COMMERCE, June 27, 1996.

MEXICO TO CUT MILK IMPORTS?

Mexican President Ernesto Zedillo called on domestic dairy producers to increase production so that the country can cut milk exports from 35 percent of national consumption in 1996 to 10 percent by the year 2000. The United States, Canada, New Zealand and Australia are major suppliers of powdered milk to Mexico, which expects to import 174,000 metric tons of powdered milk this year.

"Mexican Milk Imports," AGWEEK, July 8, 1996.

RESOURCES/EVENTS

"Biotechnology in Latin America: Politics, Impacts and Risks," edited by N. Patrick Peritore and Ana Karina Galve-Peritore. Scholarly Resources Inc., 1995. 229 pages. Order from Scholarly Resources Inc., 104 Greenhill Avenue, Wilmington, DE 19805-1897. $45 cloth/$16.95 paper. Includes essays from authorities in political science, biology, animal science, sociology and related fields on topics ranging from the significance of Latin America for the industry of genetic engineering to government and corporate involvement in biotechnology to case studies of applications of biotechnology in Mexico, Cuba and Colombia.

"Chile's Free-Market Miracle: A Second Look," by Joseph Collins and John Lear. Food First Books, 1995. 320 pp. Order from Food First Books at 800/888-3314. Paper, $15.95 + s&h. Critiques the neo-liberal model implemented in Chile since 1973, providing information on the social, economic and environmental impacts of General Augusto Pinochet's free-market program.

"Trading Punches: Trade Remedy Laws and Disputes Under NAFTA," edited by Beatriz Leycegui, William B.P. Robson and S. Dahlia Stein. Instituto Tecnolo'gico Auto'nomo de Me'xico, C.D. Howe Institute, North American Committee, 1995. Order from National Planning Association, 1424 16th Street N.W., Suite 700, Washington, D.C. 20036. Telephone 202/884-7623. $16.95 U.S./$21.95 Canada. Analysis of use of antidumping and countervailing duties as trade barriers or national remedies within NAFTA, and of the economic impact of use of trade remedy laws.

"Border Patrol: Staffing and Enforcement Activities." General Accounting Office Report to Congressional Committees: March, 1996. 71 pp. Order from U.S. General Accounting Office, P.O. Box 6015, Gaithersburg, MD 20884-6015; telephone 202/512-6000; fax 301/258-4066. For internet access, send e-mail with "info" in the body to info@www.gao.gov. $2. Analysis of Border Patrol enforcement activities along the Southwest Border during 1994, including factors that could affect decisions related to hiring or relocating agents in that area.

"Globalization and the Downsizing of the American Dream," published by Global Exchange. 1995. 8 pp. Order from Global Exchange, 2017 Mission St., Room 303, San Francisco, CA 94110. Telephone 415/255-7296; fax 415/255-7498. 10 copies/$4; 25/$8; 50/$14; 100/$25. Describes how the globalization of the economy undermines the quality of life in the United States, including concentration of productive resources in fewer and fewer large corporations and deterioration of wages and labor security.

"Spanish-English / English-Spanish Illustrated Agricultural Dictionary" by Dr. Robert P. Rice. Thomson Publications. Order from Thomson Publications, P.O. Box 9335, Fresno, CA 93791. Telephone 209/435-2163; fax 209/435-8319. $27.95. Consists entirely of agricultural, botanical and horticultural terms, including livestock, equipment, tools, weeds, diseases, insects, along with illustrations.

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From: IATP <iatp@igc.apc.org> To: Recipients of conference <trade-news@igc.apc.org>
Subject: NAFTA & Inter-Am Trade Monitor 8-23-

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

August 23, 1996 Volume 3, Number 16

Headlines:

- CANADIAN WHEAT BOARD ATTACKED, DEFENDED
- FARM, BUSINESS DEBT RELIEF IN MEXICO
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CANADIAN WHEAT BOARD ATTACKED, DEFENDED

A month after the Western Grain Marketing Panel recommended major changes in the Canadian Wheat Board (CWB), supporters and opponents of the CWB are loudly lobbying for their positions. By the end of the first week in August, a flood of letters inundated the office of Agriculture Minister Ralph Goodale. Opponents of the CWB charged that the Canadian National Farmers Union was orchestrating the pro-CWB lobbying effort, while NFU executive secretary Darrin Qualman replied that "the vast majority of farmers support the board and should say so." In addition to urging members to write to Goodale, the NFU scheduled a series of pro-CWB demonstrations on so-called wheat board Wednesdays.

The Wheat Growers Association expressed disappointment at the government's request for more farmer input and its failure to immediately implement the panel recommendations. While the province of Alberta challenged the CWB in court, arguing that, as a provincial government and not a private individual, it should be allowed to market grain for export, Saskatchewan prepared to intervene in the challenge on the side of the CWB.

CWB communications director Bob Roehle said panel recommendations would create a de facto dual market for wheat, with the pooled price consistently looking lower than the cash price. He noted that the proposal for removing unlicensed and organic wheat from the board's jurisdiction ignores the fact that unlicensed varieties of wheat and licensed varieties look the same, as do organic wheat and non-organic wheat. Nothing would prevent licensed grain from being passed off as unlicensed and exported outside the board. The CWB and the Canadian Grain Commission joined in warning that allowing private sale of unlicensed wheat and of feed barley could result in misrepresentations that would jeopardize Canada's grain quality control system.

A panel of agricultural economists from the University of Saskatchewan agreed that exemption of unlicensed wheats was a bad idea, but recommended that the government move quickly to create a new, farmer-controlled governance system for the CWB. The economists also criticized the panel for ignoring the actual operation of the market system and focusing instead on an idealistic notion of producer freedom.

Montana Farmers Union executive director George Paul warned that grain from Alberta could flood into Montana if Alberta wins its case against the CWB. Such a flood, said Paul, would "really rock the boat," leading to substantial protest by Montana farmers. Alan Bergman, president of the North Dakota Farmers Union, predicted that if panel recommendations for open marketing of Canadian feed barley are implemented, either feed or malting barley from Canada will be imported and used in the United States as malting barley, taking away U.S. markets. Mark Watne, a North Dakota Farmers Union member, said that he would like to see a wheat pooling system in the United States, and complained that Export Enhancement Program grain subsidies "served to depress world prices and put money in the grain companies' pockets, not ours."

Adrian Ewins, "CWB Says It is Doomed by Panel Report," WESTERN PRODUCER, July 18, 1996; Barry Wilson, "Proposals Could Stir U.S.-Canada Tensions," WESTERN PRODUCER, July 18, 1996; Michael Raine, "U.S. Farmer Speaks Kindly of Board," WESTERN PRODUCER, July 18, 1996; Karen Briere, "Saskatchewan May Take CWB Side in Court Battle," WESTERN PRODUCER, August 1, 1996; Mary MacArthur and Karen Briere, "U.S. Farm Group Warns of Border Tensions," WESTERN PRODUCER, August 1, 1996; Adrian Ewins, "Wheat Board Factions Vie for Goodale's Ear," WESTERN PRODUCER, August 8, 1996; Barry Wilson, "Marketing Panel Letters Turning to Flood," WESTERN PRODUCER, August 8, 1996; Adrian Ewins, "Let Elected CWB Decide on Future Rules: Study," WESTERN PRODUCER, August 8, 1996; Adrian Ewins, "Unlicensed Wheats Should Remain Under CWB: Grain Commission," WESTERN PRODUCER, Augsut 15, 1996.

FARM, BUSINESS DEBT RELIEF IN MEXICO

In late July, the Mexican government announced a debt relief program for farmers, which is similar to earlier programs for credit card and income tax debt forgiveness. The $3.8 billion plan will provide a 40-percent discount on monthly loan payments for debtors who owe up to $65,000 and lower discounts for the 11 percent of farmers with larger debts. Agriculture represents 17 percent of the banking sector's overdue loans, about $8.7 billion. Banks that participate in the plan must also pledge to lend more to farmers.

Another government plan will benefit some 369,000 companies by providing discount capital and interest rates and by extending repayment schedules over a 10-year period. A recent study by the Mexican Private Sector Studies Center showed that four out of five company executives feel the government debtor support plans were too little and too late.

El Barzo'n, a national debtors movement, called on the government to cancel debts instead of restructuring them. El Barzo'n held a convention in July at the headquarters of the Zapatista National Liberation Army in La Realidad, and the two groups announced an "alliance" and "sibling relationship" for mutual defense.

The International Monetary Fund approved a six-month extension of Mexico's line of credit to February 1997, at the request of the Mexican government. Mexico has used $12.78 billion of the $17.64 billion approved by the IMF as part of the IMF-U.S. Treasury bailout in February 1995. A total of $98.17 billion in Mexican public and private foreign debt will come due by the year 2000. The Bank of Mexico predicts an exchange rate of slightly more than 8 pesos to the dollar by the end of 1996, with the year with 25 percent inflation and gross domestic product (GDP) growth of three percent for the year. A recent Standard and Poors study showed the total cost of the Mexican bank bailout at $26 billion, the equivalent of 12 percent of Mexico's 1995 GDP.

Kevin G. Hall, "Mexican Farmers to Get Debt Forgiveness," JOURNAL OF COMMERCE, July 24, 1996; "Mexico Offers Relief for Its Indebted Farmers," FARM AND RANCH NEWS, August 2, 1996; Diego Cevallos, "New Debtor Support Plan Criticized," INTERPRESS SERVICE, August 15, 1996; "New Leaders and Alliances on the Mexican Left," WEEKLY NEWS UPDATE ON THE AMERICAS, August 4, 1996; "IMF Extends Credit Period," MEXICO UPDATE, August 9, 1996; "Costs of Banking Bailout Grow and Grow," MEXICO UPDATE, August 9, 1996.

NAFTA ADVISORY PANEL ON FARM GOODS PLANNED

A ten-member, tri-lateral advisory committee will focus on establishing systems to resolve private commercial disputes for agricultural goods, particularly perishable fruits and vegetables. The committee, to be established under Article 707 of NAFTA, may be operational by autumn. This committee will operate separately from the broad-ranging advisory committee on private commercial disputes, which is already preparing recommendations for the next NAFTA Commission meeting.

"NAFTA Advisory Panel on Private Disputes on Farm Goods to be Set Up," INSIDE U.S. TRADE, July 10, 1996.

PRIVATIZATION, FOREIGN INVESTMENT CONTINUE IN MEXICO

On August 11, Mexico opened long-distance and international telephone service to competition by long-distance providers on their own networks, with interconnection to the former Telmex network to follow early next year. The government also announced creation of a new Federal Telecommunications Commission in August to oversee the opening of long-distance and international service to the private sector. The Communications Ministry still maintains direct control over concessions and permits, as well as responsibility for setting telecommunications policy and regulating investment in satellite technologies.

Privatization of the national railroad and of ports began in May. A leading rail bidder is a partnership between Transportacisn Maritima Mexicana (TMM), Mexico's largest steamship line, and Kansas City Southern Industries. TMM is also a major player in the port privatization bidding.

Petrochemical privatization, opposed by many Mexicans as sale of the national heritage, is on hold. Pemex has symbolized Mexican sovereignty since 1938, when the government seized British and U.S.-owned oil wells and facilities and created a state petrochemical monopoly. But sovereignty is not the only issue. Miguel Machorro, spokesperson for the National Oil Movement, charges that privatization of Mexico's 61 petrochemical plants will result in the laying off of 30,000 workers. Pemex has already slashed its payroll from 210,000 in 1987 to about 106,000 today. The Mexican government estimates the value of the plants at $2 billion, while the opposition says they are worth $10 billion.

Mexico sold 24 public enterprises between 1985 and 1994, taking in $20.4 billion. The International Monetary Fund and the United States are demanding continuing privatization in exchange for the billions of dollars in credit extended to Mexico during the 1994-95 peso crisis.

Kevin G. Hall, "Mexico Forms Telecom Regulatory Panel," JOURNAL OF COMMERCE, August 12, 1996; Kevin G. Hall, "Mexico Turns a Page in Telecom History," JOURNAL OF COMMERCE, August 9, 1996; Kevin G. Hall, "Mexico Edges Toward Port Privatization," JOURNAL OF COMMERCE, May 31, 1996; Kevin G. Hall, "Rail Privatization Begins in Mexico," JOURNAL OF COMMERCE, June 11, 1996; Diego Cevallos, "Privatization Drive Stuck in Low Gear," INTERPRESS SERVICE, June 16, 1996; Nick Anderson, "Mexican Oil Privatization is Sensitive Issue," ASSOCIATED PRESS, June 19, 1996; "Pemex Overhaul Sparks Uproar in Company Towns in Mexico," LOS ANGELES TIMES, May 5, 1996.

SEAWAY PRIVATIZATION AHEAD

The Canadian Transport Ministry said in July that a non-profit corporation formed by Canadian users of the 2,400 mile St. Lawrence Seaway will take over the daily management of the system's 13 Canadian-owned locks. The government will retain ownership of the assets and responsibility for major repairs and upgrades for the present.

The U.S. government runs the Seaway's two U.S.-owned locks, and U.S. Saint Lawrence Seaway Development Corporation administrator David Sanders expressed apprehension about the Canadian changes. He said that U.S. ports, shippers and labor unions worry about the Canadian group "advantaging one type of trade or commodity movement or ship over another." The United States wants to establish a binational government agency to run the seaway. In August, the United States and Canada created a working group to "explore a more integrated and cooperative approach" to Seaway management.

Aviva Freudmann, "Canada Moves Closer to Privatizing Seaway," JOURNAL OF COMMERCE, July 26, 1996; Barry Wilson, "Canada, U.S. Explore Joint Seaway Management," WESTERN PRODUCER, July 4, 1996; Paul F. Conley, "Binational Study Set on Seaway Future," JOURNAL OF COMMERCE, August16, 1996.

MEXICO WELCOMES END OF TUNA BAN

A year after twelve nations, including the United States, agreed to reforms designed to keep dolphins from being killed in the circular, mile-long nets used to catch tuna, the U.S. House of Representatives approved lifting the six-year embargo on tuna fish imports. Some environmental groups still oppose the lifting of the embargo, but Greenpeace and the National Wildlife Federation agreed to the change, though 85 other environmental groups still opposed it. The United States had banned use of the circular nets by U.S. fishers and banned tuna imports from countries that used the nets. An estimated 130,000 dolphins were killed each year prior to the ban, but the number of deaths is now below 5,000, according to the U.S. Commerce Department. Under the new legislation, canneries can use the "dolphin safe" label as long as independent observers on fishing boats certify that no dolphins were killed in the catch.

The embargo cost 27,000 jobs in Mexico and reduced tuna catches by more than 45 percent. Mexico won a case against the U.S. ban brought under the General Agreement on Tariffs and Trade. Mexican Fishery subsecretary Carlos Camacho predicted an increase in tuna fishing revenue from $70-90 million and immediate reinstatement of 6,000 workers.

Nancy Dunne, "U.S. Close to Lifting Ban on Tuna Imports," FINANCIAL TIMES, August 2, 1996; Diego Cevallos, "Mexico Welcomes Imminent End of U.S. Tuna Ban," INTERPRESS SERVICE, August 1, 1996; "House Passes Bill to Lift Tuna Embargo, Change 'Dolphin Safe' Label," INSIDE NAFTA, August 7, 1996.

TRUCKING NEGOTIATIONS RESUME

U.S. Secretary of Commerce Mickey Kantor and Mexican Secretary of Commerce Herminio Blanco, meeting in San Antonio in early August, announced the resumption of negotiations on the problem of Mexican trucks crossing the northern border and predicted a prompt resolution.

The U.S. Teamsters Union resumed its campaign against Mexican trucks, accusing Mexican trucking firms of sending poorly-maintained vehicles and untrained drivers across the border, and calling for renegotiation of the sections of NAFTA that allow cross-border trucking.

Mexican truckers accuse Texas law enforcement of racism and rough treatment. U.S. safety inspectors have increased inspections of truckers at U.S. border cities, cracking down on drayage haulers, which are generally owned by customs brokers or independent owner-operators. The trucks that would gain access under the NAFTA provisions are largely big trucking companies involved in Mexico's long-haul market and headed for cities such as Dallas or Houston. Mexico argues that these trucks are substantially more modern than the drayage haulers.

Alva Sensek, "Still No Trucks," EL FINANCIERO, August 12-16, 1996; Kevin G. Hall, "Truck Policy Discord Disrupts Border," JOURNAL OF COMMERCE, July 30, 1996.

MEXICAN CORN IMPORTS UNCERTAIN

Mexican Agriculture Minister Francisco Labastida said in early August that corn imports will be cut so that domestically-grown grains can be more easily sold. While giving no details on cuts in the existing 8.2 million tons of 1996 allocated corn import quotas, Labastida said that the Conasupo, a government agency that buys grain, would not exercise 600,000 tons allocated to the second half of 1996. Northern Mexico producers have 550,000 tons of sorghum in warehouses and are having difficulty selling it because of the record volume of feed corn imports.

Gary Krug, President of the Corn Marketing Program of Michigan, told Michigan farmers in July that corn exports to Mexico have increased by 50 percent since the beginning of NAFTA and predicted continued growth in the market. Norval Francis, Jr., Minister-Counselor for Agricultural Affairs at the U.S. Embassy in Mexico, called Mexican agriculture "weak compared to the United States," and encouraged U.S. producers to plan on selling more to Mexico.

Chris Aspin, "Mexico's Labastida Says to Cut Corn Import Quotas," REUTER, August 5, 1996; "Mexico Wants Michigan Crops," THUMB FARM NEWS, July 29, 1996.

RESOURCES/EVENTS

"Better Neighbors: A Blueprint for Just U.S. Relations With Latin America and the Caribbean," edited by Lisa Haugaard. June, 1996, Latin America Working Group. 46 pp. Order from Latin America Working Group, 110 Maryland Avenue NE, Box 15, Washington, DC 20002. Phone 202/546-7010; fax 202/543-7647. E-mail: lawg@igc.apc.org. $6.00. Coalition of human rights, religious, grassroots, policy and development organizations offers model for partnership in peaceful, equitable development to replace the corporate approach focused almost exclusively on free trade.

"Doing Business With the Dictators: A Political History of United Fruit in Guatemala, 1899-1944," by Paul J. Dosal. Scholarly Resources Inc., 1993. 256 pp. Order from Scholarly Resources Inc., 104 Greenhill Avenue, Wilmington, DE 19805-1897. $45 cloth/$16.95 paper. Based on research among company documents acquired from the Justice Department under the Freedom of Information Act, this book looks at how United Fruit Company became Guatemala's largest private landowner and biggest employer by 1944.

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From iatp@igc.apc.org Wed Sep 4 18:29:31 1996 Date: Wed, 04 Sep 1996 11:34:14 -0700 (PDT)
From: IATP <iatp@igc.apc.org> To: Recipients of conference <trade-news@igc.apc.org>
Subject: NAFTA & Inter-Am Trade Monitor 9-6-9

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy
September 6, 1996 Volume 3, Number 17

DAIRY, TOMATO DECISIONS DELAYED

The panel set up to decide the NAFTA complaint by the U.S. government against Canadian poultry, dairy, egg and barley tariffs has delayed its final report from August 15 to September 15. The reason for the delay is not clear. In its initial report, released to the governments on July 15, the panel unanimously sided with the Canadian position, finding that the U.S. challenge contradicted U.S. agreements during NAFTA negotiations and the General Agreement on Tariffs and Trade. U.S. and Canadian officials submitted further arguments, but no change in the panel's ruling was expected. Since then, the United States and Canada have been rumored to be negotiating a resolution to their dispute, although officials in both governments deny the rumors.

The U.S. Department of Commerce delayed its preliminary decision on Florida's tomato-dumping case against Mexico until October 7. The department's International Trade Administration will decide whether Mexican tomatoes were sold in the United States at prices below the cost of production or prices lower than in Mexico. If dumping is found, the United States may impose dumping duties on future Mexican tomato exports. Florida lost a similar case under Section 201 of the Trade Act before the International Trade Commission on July 2, but the standard for showing injury from imports in an anti-dumping case is less stringent. U.S. embassy officials in Mexico warned against pending legislation that would ease the way for Florida tomato growers to get future Section 201 relief against Mexico, saying that it could open a "Pandora's box" or retaliation against U.S. farm exports, including soybeans, corn, wheat, rice, dairy, beef, pork and poultry.

Ian Elliott, "NAFTA Dairy and Poultry Panel Delays Final Report," FEEDSTUFFS, August 19, 1996; Barry Wilson, "Trade Ruling Firm in Rejecting U.S. NAFTA Challenge," WESTERN PRODUCER, August 15, 1996; "Officials Delay Ruling on Dumping Charges," THE PACKER, August 12, 1996; "U.S. Ambassador to Mexico Calls for Less Controversial Tomato Bill," INSIDE U.S. TRADE, August 23, 1996.

FOCUS ON PHYTOSANITARY REGULATIONS

Government and industry experts at the United Fresh Fruit and Vegetable Association's Washington Public Policy Conference on September 11-12 will focus on micro-biological hazards in fruits and vegetables and on a new NAFTA initiative to develop a trilateral commercial dispute resolution system for private disputes over agricultural goods. Concerns about food safety and about transmission of pests and/or diseases through agricultural exports remain at issue in disputes over sanitary/phytosanitary regulations affecting international trade. Among the ongoing disputes:

* U.S, cherry growers in the Pacific Northwest, banned from exporting to Mexico since 1991 because of concerns about pest infestation, say that their product is being kept out of Mexico in retaliation for a U.S., ban on Mexican avocados, also based on concerns about pest infestation. But in July Mexican Ambassador to the U.S. Jesus Silva Herzog said that access for U.S. cherries was "very near." Arizona and Florida citrus fruits, also barred from Mexico for phytosanitary reasons, are also the subject of reconsideration, with Sunkist Growers pushing the U.S. Trade Representative to pressure Mexico to lift the ban on Arizona oranges.

* The U.S. Department of Agriculture announced in August that it will continue the ban on Mexican avocados for at least another year in order to evaluate new evidence about risk from avocado-attacking insects entering the United States.

* Chile remains closed to U.S. wheat for the remainder of 1996, due to continuing concerns over a wheat fungus in the southwestern United States.

* The U.S., Mexico and Canada will review whether the NAFTA Sanitary/Phytosanitary Committee should be the venue for discussion of regulation of genetically-modified crops, including corn and cotton. Mexico is concerned about the spread of genetically altered corn and cotton grown in U.S. border states to Mexico. One U.S. official noted Mexico's sensitivity to anything that could alter its corn farming, saying that in Mexico, "Corn is like motherhood and apple pie."

"NAFTA, Food Safety Top Forum's Agenda," THE PACKER, August 19, 1996; "U.S. Cherry Growers are Optimistic After Meeting Mexican Envoy," INSIDE NAFTA, July 24, 1996; William DiBenedetto, "U.S. Cherries May Find Cordial Mexican Market, JOURNAL OF COMMERCE, August 16, 1996; "Chile to Remain Closed to Imports of U.S. Wheat," JOURNAL OF COMMERCE, August 15, 1996; "NAFTA S/PS Forum to Weigh Option of Covering Biotechnology Issues," INSIDE NAFTA, August 7, 1996; Peter Tirschwell, "USDA Move Spells Relief for California Avocado Sector," JOURNAL OF COMMERCE, 8/30/96.

HOG DUTIES CHALLENGED

Canadian hog producers want to eliminate the duty deposits they currently pay on live exports to the United States, saying that they receive no trade-distorting subsidies. The U.S. Commerce Department will not review the duty levels for 1996-97 until 1999, due to a backlog in its system. Canadian hog exporters could receive refunds then, based on reductions in Canadian government programs, but the Canadian hog exporters do not want to wait three years for their money. U.S. hog producers want the duty to stay on the books as insurance against restoration of Canadian subsidies.

Courtney Tower, "Canadian Swine Exporters Seek End to U.S. Border Fees," THE WESTERN PRODUCER, August 1, 1996.

BROOMS, PAPER, SHOES AT ISSUE

With Mexican exports of straw brooms to the United States tripled since NAFTA's enactment, the tiny U.S. straw broom industry has asked for reinstatement of the 32 percent tariff that formerly protected them. NAFTA provides for import of 1.2 million Mexican brooms without tariff, and imposition of a 22.5 percent tariff on any over that volume. Last year Mexico exported 4.6 million straw brooms, worth $7 million, to the United States.

Libman, O'Cedar-Vining and Kellogg, which represent a little more than half of U.S. straw broom vendors, have petitioned the International Trade Commission for protection and the ITC has recommended that President Clinton raise the broom tariff to between 40 and 46 percent, reducing it gradually to between 16 and 25.5 percent over the next four years. Mexico threatens that it will retaliate by raising tariffs on wine, beer, flat glass and brandy.

The chair of the U.S. Corn Broom Task Force, John Claassen, said that the U.S. corn broom industry provides "well-paid, highly skilled job opportunities for handicapped workers and former prison inmates," including more than 100 blind workers.

The Mexican government rescinded a newsprint tariff hike in August, after U.S. government officials and industry executives challenged the increased duty imposed in late June. Maureen Smith, vice president of the American Forest & Paper Association, said the group hopes to persuade Mexico to end wood and paper tariffs earlier than the 10 year phaseout scheduled under NAFTA.

U.S. shoe distributors had less luck in challenging the Mexican continuation of steep penalties against Chinese-made shoes. The compensatory 165-1,105 percent duties on Chinese footwear were imposed on December 30, 1993. U.S. footwear distributors and retailers make many of their shoes in China for export to the United States and re-export to other markets, including Mexico. Secofi, the commerce ministry, issued a preliminary ruling in late August, maintaining the current tariffs.

John Maggs, "U.S., Mexico Swept Up in Trade Rift," JOURNAL OF COMMERCE, August 21, 1996; John Claassen, Letter to the Editor, JOURNAL OF COMMERCE, August 28, 1996; Kevin G. Hall, "U.S. Shoe Distributors Knock Mexican Penalties on China," JOURNAL OF COMMERCE, August 29, 1996; "Paper Industry to Press Mexico on Tariff Cuts," JOURNAL OF COMMERCE, August 27, 1996.

MEXICAN FEED COMPANY SOLD

Indiana-based Countrymark Cooperative, Inc. and Illinois-based Growmark, Inc. jointly purchased Malta Clayton, a leading producer of livestock feed in Mexico, from Unilever U.S. The purchase may result in expanded markets for U.S. grain in Mexico. Malta Clayton produces about 600,000 tons of livestock feed, 12.5 percent of the Mexican commercial livestock feed market. Countrymark has also recently formed a 50/50 joint venture with Archer Daniels Midland.

Michael Howe,"Countrymark, Growmark Buy Mexican Firm," FEEDSTUFFS, August 26, 1996.

JAPAN COURTS MEXICO, LATIN AMERICA

Japanese Prime Minister Ryutaro Hashimoto visited Mexico, Chile, Brazil, Peru and Costa Rica in August, in a trip aimed at boosting trade and increasing business links. In 1995, Japan exported $19.7 billion worth of products to Latin America, showing a trade surplus of $7.8 billion. Japan has doubled investment in the region between 1990 and 1995 to $1.14 billion.

Japanese businesspersons see opportunities in Mexico, since they could manufacture products there and export them duty-free to the United States. Japanese exports to Mexico were $3.6 billion last year. Japan granted Mexico credits worth $960 million for environmental and trade projects during Hashimoto's visit. "Among the countries in the Group of 7, Japan is the one that exports more capital than it takes in," noted Mexican President Ernesto Zedillo. Japan is Mexico's third-largest trading partner.

Central American countries, encouraged by the first-ever visit by a Japanese prime minister, hope to increase technical cooperation, tourism, investment, and trade.

"Japan Courts Mexico, REUTERS, August 23, 1996; Kevin G. Hall, "Zedillo, Hashimoto to Meet in Mexico," August 21, 1996; Coco Kubota, "Japan Firms See Opportunities in Latin Tour," JOURNAL OF COMMERCE, August 8, 1996; Maricel Sequeira, "The Pacific Rim Knocks on the Door," INTERPRESS SERVICE, August 26, 1996.

NAFTA LABOR ISSUES RE-EMERGE

In June, three U.S. and Mexican groups filed petitions with the U.S. National Administrative Office (NAO), a NAFTA tribunal, charging that Mexico's Federal Conciliation and Arbitration Tribunal has blocked free association rights of the former Fishing Ministry's union, SUSTP. SUSTP, which formerly represented fishery ministry workers, was replaced by a union loyal to the ruling Institutional Revolutionary Party in March 1995. The alleged violations stem from the Mexican government's reorganization of several ministries and an alleged conflict of interest in Mexico's Federal Conciliation and Arbitration Tribunal, which adversely affects independent unions.

Mexico's Law of Federal Employees limits workers to creating one union in any single government entity. According to the petition by the U.S. based Human Rights Watch and International Labor Rights Fund and the Mexico-based National Association of Democratic Lawyers, the International Labor Organization has found this law in violation of international treaty obligations. If the petition is accepted by the NAO, it will go to the North American Agreement on Labor Cooperation council, which is made up of the labor ministers of the United States, Canada and Mexico.

The Mexican NAO is currently considering a petition from Mexico's largest telecommunications union against U.S.-based Sprint. The petition alleges that Sprint closed a San Francisco subsidiary, La Conexio'n Familiar, in July 1994 to avoid a unionizing effort by 235 Sprint employees.

Peter Zirnite, "Groups Using NAFTA to Challenge Mexican Labour Law," INTERPRESS SERVICE, June 15, 1996; "U.S. Officials Scrutinize New Charges Against Mexico's Labor Laws," INSIDE NAFTA, June 26, 1996.

CROSS-BORDER TRANSPORTATION PROMOTED, DELAYED

The former I-35 Corridor Coalition, now called North America's Superhighway Coalition, met in Monterrey, Mexico, in early August to promote designation of Interstate 35, which runs 1,500 miles from Duluth, Minnesota to Laredo, Texas, as the North American Free Trade Agreement's principal trade corridor. Texas, Kansas, Missouri, Oklahoma and Iowa back the designation, and a marketing drive to locate or relocate companies along the superhighway is expected. Craig Schoenfeld, a research analyst for Iowa House Republicans, called the coalition "a marketing tool for industry and business," which could bring lower-cost assembly business to Iowa.

U.S. Assistant Deputy Secretary of the Treasury John Simpson, speaking to the I-35 coalition in Monterrey, harshly criticized the Mexican system of licensed customs brokers, saying that they warehouse and delay shipments for several days. Simpson urged Mexico to make full use of the North American Trade Automation Prototype (NATAP), which will provide electronic pre-clearance for cargo, drivers, payment of duties and verification of transport requirements, beginning on a trial basis in September.

The Northern Plains I-29 Coalition is pushing for a network of fiber optic cables along this highway to track trucks and clear up congestion at U.S. borders with both Canada and Mexico. The I-29 corridor group says that I-29, which meets I-35 in Kansas City, MO, has seen 25 percent higher truck traffic since passage of NAFTA. I-29 is one of four interstate crossing points into Canada.

Mexican truckers protesting alleged U.S. Customs delays in inspecting their cargo blockaded the busy Laredo crossing in mid-August in their third protest of the summer. "I'm sick of the problems, but people here are just sick of being pushed around," said Mexican trucking executive Roberto Quintanilla. U.S. Customs wants to move some traffic to an underused bridge 18 miles west of the Laredo crossing, but Mexican truckers say the roads to that bridge are bad. Many customs brokers are licensed in Tamaulipas, where the downtown bridge connects Mexico and Laredo, but not in the state of Nuevo Lesn, where the other bridge is. Mexican truckers are also angry about Operation Hard Line, a U.S. drug interdiction program, saying its increased inspections slow traffic unreasonably.

Kevin G. Hall, "Superhighway Coalition Blazes Noticeable Trail," JOURNAL OF COMMERCE, August 7, 1996; "Interstate 29 Could Be International Trade Corridor," FARM & RANCH, August 2, 1996; Kevin G. Hall, "U.S. Slams Mexican Customs System," JOURNAL OF COMMERCE, August 7, 1996; Peter Fritsch and David D. Kirkpatrick, "Free Trade Hits Blockade on Texas Bridge," WALL STREET JOURNAL, August 23, 1996; Gregory S. Johnson, "Mexican Truckers Blockade Crossing," JOURNAL OF COMMERCE, August 16, 1996.

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Mexico: Labor Rights and NAFTA, Human Rights Watch/Americas. August, 1996. 30 pp. Order from Human Rights Watch, 485 Fifth Avenue, New York, NY 10017-6104. Telephone 212/972-8400; fax 212/972-0905. Email: hrwnyc@hrw.org. Includes overview of labor rights side agreement of NAFTA and complaint to the U.S. National Administrative Office on alleged Mexican government violations of the side agreement. Text of complaint submitted in Single Trade Union of Workers of the Fishing Ministry (SUSTP) case is appended to overview.

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From: IATP <iatp@igc.apc.org> To: Recipients of conference <trade-news@igc.apc.org>
Subject: NAFTA & Inter-Am Trade Monitor 9-20-

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

Friday, September 20, 1996 Vol 3, No. 18

Headlines:

- NEW DAIRY/POULTRY TRADE INITIATIVES
- USDA PROMOTES AG SALES TO MEXICO
- FTAA ISSUES BECOMING CLEARER
- NAFTA/ENVIRONMENTAL ISSUES RE-EMERGE
- CUBA SANCTIONS STILL AT ISSUE
- BANANAS, NAFTA, FTAA ON CARIBBEAN AGENDA

NEW DAIRY/POULTRY TRADE INITIATIVES

After the binational panel considering whether Canadian dairy and poultry tariffs comply with NAFTA had issued a preliminary ruling upholding the tariffs, the United States made comments to the panel that included new charges against Canada. The new U.S. allegations are that Canada placed some poultry and dairy items, including frozen whole chicken, fluid milk, ice cream, ice milk and yogurt on its list of supply-managed goods after the adoption of NAFTA. If the panel decides that the new U.S. arguments have merit, then the preliminary ruling might be altered to allow more negotiating room for the United States.

While the present U.S.-Canada dispute focuses on the replacement of dairy and poultry import quotas with tariffs, dairy subsidies may also be on the table soon. On September 11, the Washington-based International Policy Council on Agriculture, Food and Trade recommended that the World Trade Organization (WTO) act to bring the dairy and sugar industries under free trade rules. Pressure from the European Union (EU), Canada, Japan and Switzerland kept dairy subsidies off the table during the General Agreement on Tariffs and Trade talks that led to the establishment of the WTO. The WTO is preparing the agenda for its first ministerial meeting in Singapore in December.

"NAFTA Dairy-Poultry Panel Delayed by New U.S. Charges," INSIDE U.S. TRADE, September 6, 1996; Robert Evans, "World Trade Body Urged to Eye Dairy, Sugar Accords," REUTER, September 11, 1996.

USDA PROMOTES AG SALES TO MEXICO

The United States Department of Agriculture (USDA) began a new Supplier Credit Guarantee Program, authorized under the 1996 Farm Bill, to boost sales of U.S. agricultural products to Mexico. The program will begin by providing loan guarantees for purchases of $20 million in U.S. exports of fruits, vegetables, tree nuts, potatoes, wine, brandy, dairy products and ice cream. USDA Secretary Dan Glickman said the new program will eventually be used to extend credit to buyers of U.S. exports from other countries as well.

Heather C. Jones, "USDA Utilizes New Trade Mechanism," FEEDSTUFFS, September 9, 1996.

FTAA ISSUES CLARIFICATION STUDIED

Small countries will suffer from loss of tariff revenues under the Free Trade Area of the Americas (FTAA), according to a preliminary background study prepared by the Economic Commission for Latin America and the Caribbean (ECLAC) for the FTAA working group on smaller economies. Smaller economies have less room for reducing government expenses and will have difficulty increasing tax revenue to compensate for loss of tariff income, at least in part because a strong private sector lobby resists taxation. Tariffs make up more than half of tax revenues in all Organization of Eastern Caribbean States countries.

An Inter-American Development Bank (IDB) working paper called on Western Hemisphere nations to define quickly whether the FTAA will include agreements going beyond those of the World Trade Organization (WTO) or will simply remove intra-regional tariffs. The United States, Canada, Mexico, Chile, Colombia and Costa Rica have advocated stricter-than-WTO disciplines in such areas as investment, services and intellectual property. Brazil has led other nations in advocating that the FTAA not go beyond WTO disciplines but rather focus on free trade in goods in the hemisphere.

The IDB paper also outlined four basic paths to formation of the FTAA: a two-track approach that divides countries into two groups according to the level of their commitment to free trade or a variation that would provide various levels of commitment in a "concentric circle" approach; a convergence of existing bilateral and subregional agreements into a single FTAA; accession of all countries to either NAFTA or Mercosur; or negotiation of a single regional accord that would co-exist with the varied integration agreements within the region.

The FTAA working group on competition policy agreed at its mid-August meeting to begin identifying areas of commonality and difference in domestic competition laws of Western Hemisphere nations. The working group also requested that the Organization of American States Trade Unit compile an inventory of the application of countries' domestic competition laws by analyzing case law in each country.

"Scope of FTAA Should be Defined Rapidly, IDB Paper Says," INSIDE NAFTA, August 21, 1996; Scott Otteman, "FTAA Group to I.D. Areas of Divergence in Competition Policy," INSIDE NAFTA, August 21, 1996; "Small-Nation Reliance on Tariff Funds Is FTAA Problem, ECLAC Says," INSIDE NAFTA, August 21, 1996.

NAFTA/ENVIRONMENTAL ISSUES RE-EMERGE

>From coral reefs to nuclear waste dumps, environmental issues crowd the agenda of the NAFTA bodies charged with implementation of the side accord on the environment.

* At its third annual meeting in Toronto on August 1-2, the trinational Commission for Environmental Cooperation (CEC) agreed to draft regional action plans for PCBs, chlordane, DDT and mercury by October; to publish the first annual North American Pollutant Release Inventory in February 1997; to form a working group to develop enforcement strategies; to create a continental "rapid response system" to address disease outbreaks in migratory birds; and to work together to protect the habitat of the endangered Monarch butterfly. The CEC is headed by the chiefs of the U.S. Environmental Protection Agency, the Canadian Environmental Ministry and the Mexican Environmental Ministry and has a 30-person staff based in Montreal.

* The CEC agreed in August to investigate whether the Mexican government was observing its own laws in allowing construction of a tourist complex near an environmentally sensitive coral reef at Cozumel. The complex would include a Caribbean port and a giant pier to accommodate tourist ships. The Mexican Center for Environmental Law, the Group of 11 and the Natural Resources Protection Committee all claim that the Mexican government did not carry out an environmental impact study required by Mexican law. Although Mexican President Ernesto Zedillo responded to complaints by designating the area as a national marine park, this designation does not halt development. The CEC has received four formal complaints of violations of the NAFTA environmental side accord and has thrown out all but the Cozumel complaint on technical grounds.

* The Mexican Center for Environmental Law charges that developers, funded in part by the government tourism development agency, have killed baby alligators and smashed alligator eggs at the Marina Ixtapa resort on the Pacific Coast. The Guerrero state office of the Federal Prosecutor for Environmental Protection said it has no evidence of recent alligator kills, and did not have jurisdiction over such matters until December 1994. Although alligators are protected in Mexico, killing them is not an offense punishable by jail. Environmentalists claim that there were more than 2,000 alligators in the Ixtapa project area and that only 150 have been documented as relocated by developers.

* U.S. congressional investigators criticized the North American Development Bank (NADBank) for failure to lend to poor communities on both sides of the U.S.-Mexico border during its first 18 months of operation. NADBank's mission is to provide loans for environmental projects. According to the congressional General Accounting Office (GAO), lack of basic water and sanitation services affect the well-being of many of the 10 million Mexican and U.S. citizens living along the border. NADBank officials say they need to take time to determine whether projects are viable. The GAO suggests that problems include lack of resources and know-how to deal with government red tape on the part of small, unincorporated "colonias" or neighborhoods; a Mexican constitutional ban on communities borrowing directly from foreign lenders; and NADBank's requirement that loans must be made at or above market rates.

* The environmental group Greenpeace charged in early September that a nuclear waste dump planned for the Texas town of Sierra Blanca, just 16 miles from the Mexican border, poses a health hazard to residents on both sides of the border. The dump would be the largest facility for disposal of low-level radioactive waste from nuclear plants, hospitals and industries. According to Greenpeace, the site sits on an earthquake zone and may contaminate groundwater. Mexico's National Water Commission and Nuclear Safeguard Commission, relying on information furnished by U.S. officials, concluded that the dump poses no health hazard in Mexico. Two Mexican states, Coahuila and Chihuahua, oppose the dump.

"NAFTA Body Accuses Mexico Over Threat to Coral Reef," REUTER, June 7, 1996; "Nafta Agency Looks at Mexican Port Project," EL FINANCIERO, August 12-16, 1996; Michelle Mittelstadt, "NAFTA-Environment," ASSOCIATED PRESS, August 6, 1996; "NAFTA Group Plans to Beef Up Green Laws," UNITED PRESS INTERNATIONAL, August 2, 1996; Aviva Freudmann, "Nafta Green Panel to Meet," JOURNAL OF COMMERCE, August 1, 1996; Aviva Freudmann, "Nafta Agency Probes Cozumel," JOURNAL OF COMMERCE, August 5, 1996; "Greenpeace Says Texas Nuclear Dump Unsafe for Mexico," REUTERS, September 6, 1996; Kevin G. Hall, "Mexico Knee-Deep in Gator Controversy," JOURNAL OF COMMERCE, July 23, 1996.

CUBA SANCTIONS STILL AT ISSUE

Despite a surprise visit from U.S. Ambassador to the United Nations, Madeleine Albright, leaders of the 12 Latin American and Caribbean nations of the Rio Group meeting in Bolivia in early September condemned the U.S. Helms-Burton law, which reinforced the U.S. trade sanctions against Cuba. "It is symptomatic that the United States has sent an ambassador as important as Mrs. Madeleine Albright, without a clear agenda, to a forum with which it has nothing to do," said an official of a Latin American government.

An August 27 decision of the Inter-American Juridical Committee, a legal committee of the Organization of American States, determined that the U.S. Helms-Burton Act violates international standards on extra-territorial jurisdiction and on protection of property rights. The committee said that successful enforcement of a Helms-Burton claim "could itself constitute a measure tantamount to expropriation and result in responsibility of the claimant State." The committee said the United States "does not have the right to espouse claims by persons who were not its nationals at the time of injury," or to "attribute liability to nationals of third States" for claims against the Cuban government.

In July European Union (EU) foreign ministers told the European Commission (EC) to find ways to retaliate against the United States for its implementation of the Helms-Burton anti-Cuba trade provisions. Retaliation could take the form of forbidding EU nationals and companies from complying with U.S. court rulings, allowing companies or individuals to counter-sue, or penalizing U.S. companies or citizens that sue under Helms-Burton. In September, the EC retaliation was broadened to include the D'Amato bill, which seeks to prevent foreign companies from investing in oil and allied industries of Iran and Libya.

Juan Carlos Rocha, "'Summit for 'Democracy Without Poverty' Opens," INTERPRESS SERVICE, September 2, 1996; Juan Carlos Rocha, "U.S. Manoeuvres at the Cochabamba Summit," INTERPRESS SERVICE, September 2, 1996; "OAS Legal Panel Says Helms-Burton Violates International Norms," INSIDE U.S. TRADE, September 6, 1996; David Fox, "EU Widens Retaliation to U.S. Trade Measures," REUTER, September 15, 1996.

BANANAS, NAFTA, FTAA ON CARIBBEAN AGENDA

As the World Trade Organization (WTO) began consideration early this month of the United States complaint against the European Union (EU) banana regime benefiting Caribbean nations, Caribbean nations awaited both the WTO decision and the outcome of the U.S. elections.

The United States and four Latin American countries (Guatemala, Honduras, Ecuador and Mexico) have challenged EU preferential treatment of African, Caribbean and Pacific (ACP) producers, which the EU defends as part of its obligations under the Lomi Convention granting preferences to former European colonies. The EU moved to exclude the U.S. from the WTO settlement panel because the U.S. does not export any bananas to Europe. The U.S. says it has legal right to complain because a U.S.-headquartered corporation, Chiquita, is a major exporter of Latin American bananas.

The U.S. has blocked a request by ACP banana producers to give them full and direct participation in the proceedings. The U.S. argued successfully that only permanent government employees could attend the hearings, while lawyers for Caribbean states responded that their small island clients could not afford to retain full-time legal representation. Islands such as St. Lucia, St. Vincent and Dominica depend on banana exports to the European Union for between 50 and 60 percent of their total foreign earnings, according to Gordon Myers, European representative of the Caribbean Banana Exporters Association. The countries have a combined Gross Domestic Product of less than $1 billion, which is about one-fourth of Chiquita's annual gross revenues.

The present U.S. Congress and administration seem to Caribbean countries to be unsympathetic to the plight of small Caribbean economies. Congress has refused to extend Caribbean Basin Initiative benefits or to grant parity (equal import treatment) with Mexico for Caribbean exports, and has moved to abolish Section 936 loans and grants to Caribbean countries, which totaled more than $300 million in 1994.

Tiny Trinidad and Tobago has told the United States, Canada and Mexico that it wants to join NAFTA as soon as Chile is admitted. Jamaica has joined Trinidad and Tobago in signing intellectual property rights agreements and bilateral investment treaties with the United States to facilitate accession to NAFTA. Barbados, on the other hand, has decided to continue seeking parity with Mexico for Caribbean exports to the United States and Canada, but will not seek NAFTA membership. Instead, said Barbadian Prime Minister Owen Arthur, Barbados will wait until the Free Trade Area of the Americas is created in 2005.

Barbados, Jamaica and Trinidad and Tobago are the most influential members of the 14-nation Caribbean Community (Caricom). The United States would prefer to negotiate trade terms and agreements with Caricom as a whole, instead of with individual Caribbean nations.

Canute James, "Trinidad Knocks on Nafta's Door," FINANCIAL TIMES, August 28, 1996; Canute James, "Barbados Will Not Seek Membership in Nafta," JOURNAL OF COMMERCE, September 6, 1996. Yvette Collymore, "Caribbean Economies Approach Moment of Truth," INTERPRESS SERVICE, September 11, 1996; "WTO Banana Panel to Hold First Meeting Next Week," INSIDE U.S. TRADE, September 6, 1996; "European Union Presses to Exclude U.S. From WTO Banana Panel," INSIDE U.S. TRADE, August 16, 1996; Robert Evans, "Caribbean Legal Advisers Banned in WTO Banana Row," REUTER, September 10, 1996; Carolyn Henson, "Banana Trade War Feared," ASSOCIATED PRESS, September 9, 1996.

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"THE TIGER WITHOUT A JUNGLE: ENVIRONMENTAL CONSEQUENCES OF THE ECONOMIC TRANSFORMATION OF CHILE," Raye'n Quiroga Marti'nez and Saar Van Hauwermeiren. Institute of Political Ecology, Ecological Economics Program. 1996. 172 pp. Order from Institute of Political Ecology, Seminario 776, N~un~oa, Santiago, Chile. Fax 562-223-4522. Email iep@huelen,reuna.cl. Translation and update of 1994 study called "EL TIGRE SIN SELVA" examines mining, forestry, fruit production and fishing and the social and environmental challenges arising from an economy based largely on export of unprocessed or slightly processed resources. Includes analysis of impact of global trade, including NAFTA and Mercosur.

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Subject: NAFTA & Inter-Am Trade Monitor 10-4-

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

Friday, October 4, 1996 Vol 3, Number 19

Headlines:

- CANADIAN WHEAT BOARD DECISION NEARS
- AG TRADE UP
- AVOCADO, TOMATO DECISIONS STILL PENDING
- BEEF TRADE NEWS
- SECOND PRIVATE SUIT FILED UNDER NAFTA
- COFFEE PRODUCERS MEET
- RETALIATING FOR HELMS-BURTON
- COLOMBIAN FLOWER IMPORTS THREATENED

CANADIAN WHEAT BOARD DECISION NEARS

Digging out from under an avalanche of 10,000 letters and fending off accusations from warring factions, Canadian Agriculture Minister Ralph Goodale is preparing to decide on recommendations made by the Western Grain Marketing Panel in July. The panel recommended ending the Canadian Wheat Board's (CWB) export monopoly on feed barley, organic wheat and unlicensed wheat, and allowing farmers to sell at least 25 percent of their wheat outside the CWB's pool accounts. Goodale initially indicated that he would reject any weakening of the CWB's monopoly but might make changes in the CWB governance and pricing policies. Goodale will submit proposed legislation to Parliament, based on the report and the subsequent comments.

CWB chief commissioner Lorne Hehn predicted that the world wheat market will expand by 20 percent by the year 2005, and said that wheat exporters will need to plant more acres to meet increased demand. CWB studies show the United States and Canada making up 55 percent of the world wheat export market by 2005. The United States will continue to monitor Canadian wheat imports through September 1997, according to Acting U.S. Trade Representative Charlene Barshefsky and U.S. Secretary of Agriculture Dan Glickman. A 1.5 million metric ton quota on Canadian wheat imposed in 1994 was replaced by a one-year tariff rate quota in September 1995 after imports had slowed. World wheat harvests are expected to increase this fall, with an attendant decline in prices. The United States will also begin monitoring Canadian barley imports, but will not take action unless barley imports rise above the 1993-94 level. The U.S. National Barley Growers Association protested that 1993-94's record barley import season is not an adequate benchmark.

Canadian Agriculture Minister Ralph Goodale said that the United States cannot act unilaterally to cap Canadian grain exports, and suggested that the monitoring announcements are related more to upcoming U.S. elections than to Canadian exports to the United States, which are "down substantially compared to previous years."

"Battle Over C.W.B. Monopoly Expected to Reach Parliament," MILLING & BAKING NEWS, September 10, 1996; Adrian Ewins, "Goodale's Desk Stacked With Letters," WESTERN PRODUCER, September 19, 1996; "Reform MPs Push Goodale for Decision on Wheat Board," WESTERN PRODUCER, September 19, 1996; "CWB Chief: Wheat Trade Will Rise," AG WEEK, September 23, 1996; Roger Runningen, "Wheat Import Monitoring Extended," AG WEEK, September 23, 1996; "U.S. to Consult With Canada Over Wheat Trade," REUTERS, September 17, 1996; "U.S. Barley Growers Unhappy With Canada Monitoring," REUTERS, September 17, 1996; "Canada Says Nothing U.S. Can Do to Cap Grain Sales," REUTERS, September 17, 1996; "Joint

Statement of Ambassador Charlene Barshefsky and Secretary Daniel Glickman Regarding U.S.-Canada Grains Issues," September 17, 1996.

AG TRADE UP

In its "NAFTA Situation and Outlook Report," issued on September 18, the U.S. Department of Agriculture predicted rapid growth in agricultural trade and projected intra-NAFTA agricultural trade of $30 billion by the year 2005. Agricultural trade within NAFTA totaled about $19 billion in 1995. U.S. agricultural exports to Canada and Mexico increased by 13 percent in 1994, the first year of NAFTA.

In 1995, with the deep recession in Mexico affecting trade, U.S. trade with Canada and Mexico fell by eight percent. Mexican agricultural exports to the United States increased by 32 percent in 1995, mostly in key sectors of coffee, live cattle and tomatoes.

"USDA: NAFTA Spurs North American Trade," FWN, September 18, 1996; "Farm Trade Seen Growing in NAFTA in Next 10 Years," REUTERS, September 18, 1996; "NAFTA Nets Mixed Results for U.S. Ag," AGWEEK, September 23, 1996.

AVOCADO, TOMATO DECISIONS STILL PENDING

The U.S. Department of Agriculture is still studying whether or not to reopen the comment period on its proposed rule to allow Mexican avocados to be exported to 19 northeastern U.S. states. Because the USDA has not yet ruled, avocados will not enter the United States during this November-February season. The complex "systems approach" safeguards against pests, which would be required under the rule, would take at least six months to set up.

California avocado growers submitted allegedly new evidence of danger from pests after the end of the comment period on the rule. USDA officials say that the delay in decision-making is "unprecedented." California is a key electoral state, and the USDA ruling will probably not be issued until after the November elections. USDA officials say that California challenges to the "systems approach" to pest control could boomerang, since the same approach is used to gain access to other foreign markets for some U.S. produce.

U.S. Representative Mark Foley (R-FL) met in September with Republican presidential candidate Bob Dole to present grievances of Florida vegetable growers, who accused President Clinton of reneging on a guarantee to protect them against Mexican growers. Florida grower Glenn Whitworth charged that Mexican growers "aren't paying 25 cents an hour in wages. There's no child labor laws. They use any kind of pesticide they want." The U.S. International Trade Commission ruled against Florida growers in July.

"USDA Inaction to Leave Avocado Ban in Place for Another Year," INSIDE NAFTA, September 4, 1996; "Florida Growers Accuse Clinton of Reneging on Deal," AGRI-NEWS, September 12, 1996.

BEEF TRADE NEWS

Canadian slaughter cattle exports to the United States rose by 28 percent during the first half of 1996, compared to the first half of 1995, with feeder cattle exports also increasing. Total Canadian and Mexican exports of feeder cattle to the United States during the first half of 1996 were only about 37 percent of the 1995 feeder cattle imports during the same period.

U.S. beef exports to Mexico rose sharply during the first five months of 1996, compared to the same period in 1995. The volume of U.S. beef exports was 31 percent higher (at 24,418 metric tons) and the value was 42 percent higher ($64.2 million). U.S. beef exports had declined dramatically in 1995, compared to 1994 and earlier years.

Mexico is expected to import 1.5 million breeding cattle to replace cattle liquidated during the last two years Mexican cattle herds were sold off during the past two years, in response to both drought and recession.. Canada is expected to increase packing capacity in Western Canada from 700,000 carcasses to 1 million per year in 1997.

Chuck Lambert, "Canadian Trade Data;" Chuck Lambert, "Mexican Trade Data;" Michael Igoe, "U.S. Beef Exports to Mexico Recover With Economy," NATIONAL CATTLEMEN'S BEEF ASSOCIATION, July/August, 1996' Debora Montesinos, "Mexico Ranchers Sell Cattle to Pay Banks," REUTERS, September 12, 1996.

SECOND PRIVATE SUIT FILED UNDER NAFTA

Virginia-based Ethyl Corporation has filed a claim against the Canadian government under NAFTA's Chapter 11, which allows companies to seek damages against the governments of the United States, Canada and Mexico. Ethyl's claim is based on Canada's proposal to ban imports of MMT (methylcyclopentadienyl manganese tricarbonyl), an octane-enhancing fuel additive produced in North America exclusively by Ethyl. Canada says the ban is based on health grounds and on MMT's possible interference with monitoring of exhaust emissions. Ethyl says the import ban unfairly favors Canada-produced ethanol gasoline additives over the MMT additive.

The NAFTA dispute resolution process bypasses domestic courts in favor of a 90-day consultation period followed by binding arbitration. (A previous complaint by Mexican Signa drug manufacturer against Canadian protection of a brand-name antibiotic's patent is pending, having been delayed by an unrelated court case.) Ethyl's lawyer, Barry Appleton, said that the NAFTA provision might also provide a forum for Canadian and Mexican companies harmed by the U.S. Helms-Burton sanctions on foreign companies doing business in Cuba.

Bernard Simon, "Nafta Countries May Face Waves of Claims," FINANCIAL TIMES, September 13, 1996; "Ethyl Acts to Avert Losses If Canada Bans Fuel Additive," WALL STREET JOURNAL, September 11, 1996.

COFFEE PRODUCERS MEET

The 14-member Association of Coffee Producing Countries, meeting in London in September, said that the group's July 1995-June 1996 exports reached 44.83 million 60-kg bags, slightly below the target of 45.8 million bags. Export figures were prepared by a producer-consumer group, the International Coffee Organization (ICO), which also met in London in September.

ACPC members produce more than 80 percent of the world's coffee. Zaire has just joined the group, while the major coffee producing countries of Mexico, Guatemala and Vietnam remain outside the ACPC.

ACPC president Rubens Antonio Barbosa of Brazil characterized the shortfall as positive, showing the success of ACPC retention programs, and said the group will continue its existing export programs. The ACPC agreed in May to limit green coffee exports to 53.5 million bags in 1996-97. ACPC secretary-general Roberto Oliviera Silva of Brazil said that the export limits might be decreased if prices continue to fall. Coffee prices have fallen from a peak of $4,000 per ton in 1994, after Brazilian frosts, to $2,000 per ton in May and $1,500 per ton in September.

The ICO discussed consumer organization proposals to label coffee processed beyond a certain degree as originating in the processing country rather than the growing country. Producers generally opposed the proposals. The ICO also approved a project to assist five coffee-producers to implement gourmet quality development and marketing strategies.

Jalil Hamid, "ACPC 95/6 Coffee Exports Below Target; No New Moves," REUTERS, September 28, 1996; "Coffee Growers to Maintain Grip on Exports," REUTERS, September 28, 1996; Julie Meehan, "ICO Coffee Talks End, Rules of Origin Discussed," REUTERS, September 27, 1996; "Coffee Talks Focus on Projects, ICO's Role," JOURNAL OF COMMERCE, September 25, 1996.

RETALIATING FOR HELMS-BURTON

Canada's Parliament is considering legislation that would allow Canadians to sue the United States for land seized during its 1776 War of Independence from Canadians who refused to renounce their allegiance to England. The legislation echoes the U.S. Helms-Burton law's authorization of private suits against companies that benefit from properties seized by the Cuban government after the 1959 Cuban Revolution. Liberal parliamentarian John Godfrey, a co-sponsor of the bill, says that there are three million Canadians descended from people who had land seized. "We're talking about land which is now part of Boston, Manhattan, Philadelphia -- although from what I've seen of Philadelphia, I'm not sure that any Canadian would want to get that back," said Godfrey.

Seven Canadian executives and board members for Sherritt International Corporation have been barred from entry to the United States, under Helms-Burton, as have officials of the Mexican Grupo Domos firm.

European Union member states plan to adopt retaliatory measures against the United States by October 1, although those measures would not actually take effect until U.S. nationals bring lawsuits under Helms-Burton. In July, Florida-based Consolidated Development Corporation filed a claim in Miami against Canadian Sherritt International Corporation, seeking $50 million for Sherritt's use of Cuban oil properties formerly owned by Consolidated. This suit, however, was filed under U.S. and international law, not under Helms-Burton.

In the United States, the 500 large multinational corporations of the National Foreign Trade Council are considering ways to reverse or modify unilateral U.S. trade sanctions. The U.S. companies are concerned that unilateral trade sanctions bar them from marketplaces that are then taken over by other non-U.S.-based companies.

Stephen Dale, "Helms-Burton Look-Alike Attracts Interest,' INTERPRESS SERVICE, September 19, 1996; "EU States Press for Helms-Burton Decisions by Early October," INSIDE U.S. TRADE, September 13, 1996; "Consolidated Development to Sue Sherritt Outside Helms-Burton Act," INSIDE U.S. TRADE, July 12, 1996; Louis Uchitelle, "Who's Punishing Whom?" NEW YORK TIMES, September 11, 1996.

COLOMBIAN FLOWER IMPORTS THREATENED

California flower growers want an end to trade preferences for Colombian flower growers. Two out of three flowers sold in the U.S. come from Colombia, where 75,000 women are employed in fields and greenhouses raising carnations, chrysanthemums and roses. Colombia's flower industry is second only to that of the Netherlands.

Colombians fear that President Clinton may remove the trade benefits currently enjoyed by Colombia under the Andean Trade Preference Act in order to show that he is tough on drugs. The United States already "decertified" Colombia, removing it from the list of countries active in fighting drugs. While decertification has no concrete effect on trade, removal of Andean Trade Preference benefits would result in imposition of an eight percent tariff on cut flowers, which presently enter the United States duty-free.

Colombia's foreign trade minister Morris Harf Meyer said in September that Colombia is optimistic about regaining certification status with the U.S. government, and hopeful that it will not lose Andean preferential trade status. The European Union, Colombia's second largest trading partner after the United States, recently extended special trade privileges to Andean Pact countries (Colombia, Bolivia, Peru, Ecuador and Venezuela) until 2005.

Tim Johnson, "US Sanctions May Wilt Colombia Flower Sector," JOURNAL OF COMMERCE, August 26, 1996; Caroline Flowers, "Colombia Wants to Clear Its Drug-Tarnished Name," REUTERS, September 30, 1996. RESOURCES/ EVENTS "GOVERNMENT RESPONSES TO THE LATIN AMERICAN DEBT PROBLEM," edited by Robert Grosse. North-South Center Press, University of Miami. 1995. 214 pp. Order from Lynne Riemer Publishers, 1800 30th Street, Suite 314, Boulder, CO 80301-1026. Telephone 303/444-6684; fax 303/444-0824. $24.95. Studies Latin American debt crisis in Chile, Brazil, Peru, Bolivia and Mexico, including analysis of Brady Plans in each country and comparison of ten countries' return to international creditworthiness."REGIONALISM AND THE GLOBAL ECONOMY: THE CASE OF LATIN AMERICA AND THE CARIBBEAN," edited by Jan Joost Teunissen. Forum on Debt and Development (FONDAD). 1995. 163 pp. Order from FONDAD at Noordeinde 107A, 2514 GE The Hague, the Netherlands. Telephone 31-70-3653820; fax 31-70-3463939. Email: fondad@pi.net. Four papers and reports of floor discussions from 1995 meeting of the Economic Commission for Latin America and the Caribbean in Santiago, Chile. Subjects: Open Regionalism: Stepping Stone or Millstone toward an Improved Multilateral System?; Financial Flows for Regional Integration; Trends in Regional Cooperation in Latin America and the Caribbean: the Crucial Role of Intra-Regional Trade; Preferential Trade Liberalisation in the Western Hemisphere: NAFTA and Beyond.

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Subject: NAFTA & Inter-Am Trade Monitor 10-18

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

October 18, 1996 Volume 3, Number 20

Headlines:

- CANADIAN WHEAT BOARD MAINTAINED
- TOMATO CASE SETTLED
- MEXICAN OIL PRIVATIZATION HALTED
- FOOD SUMMIT FACES CONFLICTS
- AROUND THE AMERICAS
- TEXTILE TRADE CHANGES

CANADIAN WHEAT BOARD MAINTAINED

After months of debate, Canadian Agriculture Minister Ralph Goodale announced in early October that the 61-year-old Canadian Wheat Board (CWB) will continue to hold monopoly marketing power over western Canadian wheat production. Goodale also said that he will introduce legislation to modify the wheat board's governance so that farmers will elect a majority of the board's directors. At present, the board is made up of federally appointed commissioners.

Goodale says the CWB needs continued monopoly trading authority "to go head to head with the world's biggest multinational private grain traders and win." The board pays "pooled" prices for wheat and barley, based on average sales over the Canadian crop year. Goodale said the government will schedule a vote by barley farmers on whether they want to continue selling through the board.

Many western farmers think they could get higher prices on their own and oppose the CWB's monopoly. The United States also criticizes the CWB, saying its "non-transparent" pricing practices threaten U.S. markets and prices.

The CWB lowered its Pool Return Outlook for the fourth consecutive month, dropping projected prices to approximately $4.87 a bushel for No. 1 CW wheat, reflecting projected increases in the world wheat crop.

John Urquhart, "Canada Upholds Monopoly Powers of Wheat Board," WALL STREET JOURNAL, October 7, 1996; Barry Wilson, "U.S. Warns Canada Off Heavy Foray Into American Markets," WESTERN PRODUCER, September 26, 1996; "U.S. Says It Will Keep Watchful Eye on Wheat Imports From Canada," MILLING & BAKING NEWS, September 24, 1996; Adrian Ewins, "Wheat PRO Down But Analysts Still Bullish," WESTERN PRODUCER, October 3, 1996.

TOMATO CASE SETTLED

On October 11, the U.S. Clinton Administration announced an agreement with Mexico that will end the shipment of low-price winter tomatoes to the United States, thereby pacifying Florida growers who want protection from $800 million in annual Mexican winter tomato exports. The agreement calls for Mexican farmers to sell their tomatoes in the United States at no less than 20.68 cents a pound, the lowest average price of Mexican tomatoes during the period in which U.S. officials have charged dumping (sale below actual cost of production.) U.S. consumers will not be likely to notice the increase because only about 20 cents of the consumer dollar for tomato purchases goes to tomato farmers.

Florida growers maintain that their workers receive an average $6.77 an hour, compared to 50 cents an hour for workers in Mexico, and say that one-third of the cost of producing tomatoes is in labor. Florida tomato growers seemed headed for victory in the antidumping case before the U.S. Commerce Department, although the U.S. International Trade Commission had ruled against Florida growers twice this year. But, as one Clinton Administration official observed, "The math was pretty simple. Florida has 25 electoral votes, and Mexico doesn't."

U.S. grain growers and California produce farmers have criticized the Florida complaint as a transparent election-year attempt to help Florida growers. Many U.S. farm organizations opposed the Florida complaint, fearing Mexican retaliation against other U.S. agricultural exports. The Mexican government complained that the U.S. action was heavy-handed and that the United States acted "outside the disciplines" of NAFTA and the World Trade Organization (WTO). Mexico has already sought consultations with the United States at the WTO.

"Mexico Reviews U.S. Response After Geneva Talks on Tomatoes," INSIDE NAFTA, October 2, 1996; Kevin G. Hall, "California Trade Official Raps Clinton on Mexico," JOURNAL OF COMMERCE, October 10, 1996; David E. Sanger, "President Gains Deal on Tomatoes to Help Florida," NEW YORK TIMES, October 12, 1996; Larry Waterfield, "Subcommittee Hears Florida's Side," PACKER, September 30, 1996; "Commerce, Mexican Growers Explore Suspension Deal on Tomatoes," INSIDE U.S. TRADE, October 4, 1996; "U.S./Mexico Tomato Fight Heats Up, Ruling Tuesday," REUTER, October 7, 1996; Robert Greene, "Tomato-Dumping Deal Proposed," ASSOCIATED PRESS, 10/11/96; Maggie McNeil, "U.S., Mexico Squash Messy Tomato Fight," REUTER, October 11, 1996.

OIL PRIVATIZATION HALTED

Two weeks after the governing Institutional Revolutionary Party (PRI) convention voted to oppose the sell-off of 61 state-owned petrochemical plants, President Ernesto Zedillo announced the cancellation of petrochemical privatization efforts. The announcement, made on a Sunday to minimize its impact on financial markets, reversed repeated pledges by the president to carry through with sale of the secondary petrochemical processing plants.

The state has owned all petrochemical plants since former President Lazaro Ca'rdenas nationalized the oil industry in 1938. The Mexican Constitution makes petroleum stocks government property, but Mexican governments have distinguished between eight primary petrochemicals and other secondary petrochemicals, such as ammonia used in fertilizers and polyethylene used in plastic bags. Oil workers and other opponents of privatization said the secondary petrochemical plants are closely linked to primary plants.

Petrsleos Mexicanos (Pemex), the state-owned oil monopoly, needs capital to invest in producing and refining crude oil. Privatization would have furnished capital. Now Pemex will form a series of subsidiaries to run the 61 plants, with as much as 49 percent of shares in the subsidiaries to be privately owned. Mexico will also invite investors to set up new, 100 percent privately-owned secondary petrochemical plants.

"Mexican Ruling Party Dooms Petrochemical Sell-Off Plans," JOURNAL OF COMMERCE, September 29, 1996; Sam Dillon, "Mexico Drops Its Effort to Sell Some Oil Plants," NEW YORK TIMES, October 14, 1996; Nick Anderson, "Mexico Cancels Plant Auctions," ASSOCIATED PRESS, October 13, 1996; Henry Tricks, "Mexico Rows Back on Petrochemical Sell-Off," REUTER, October 13, 1996.

FOOD SUMMIT FACES CONFLICTS

Developing and industrialized nations remained in disagreement on significant issues covered in the Political Declaration and Plan of Action for the November 13-17 World Food Summit. The World Food Security Subcommittee meeting in late October worked to prepare final documents for signature, but by the end of an extended meeting, 200 clauses remained bracketed, meaning that they are not agreed upon.

The Group of 77 (G-77, which represents much of Africa, Asia and Latin America) insists that the Political Declaration, to be called the "Rome Declaration," affirm that "All human beings have the fundamental right not to suffer hunger and malnutrition and we consider it is intolerable that more than 800 million people worldwide, and in particular from the developing nations, do not have enough food to meet their basic nutritional needs." Industrialized nations have not agreed to declare food a basic human right. The United States refuses to agree to a clause proposed by G-77 that specifies that "food should not be used as an instrument to impose political and economic pressure."

Industrialized nations agreed on a declaration in favor of reconversion of developing nations' foreign debt in order to finance rural and agricultural programs. Josi Lopez Portillo of Mexico, president of the United Nations Food and Agriculture Organization, stressed that hunger is a global problem and that cooperation is needed to address it. He said that enforcement and follow-up mechanisms should be adopted to ensure that pledges made at the Summit are kept.

Jorge Pin~a, "Food: No Agreement Reached on Summit Documents," INTERPRESS SERVICE, October 1, 1996; Jorge Piqa, "Food: World Summit to Approve Reconversion of Foreign Debt," INTERPRESS SERVICE, October 2, 1996; Jorge Pin~a, "Outlining the World Map of Hunger," INTERPRESS SERVICE, October 3, 1996; Jorge Pin~a, "Hunger - Not Just a Question of Productivity," INTERPRESS SERVICE, October 4, 1996;

AROUND THE AMERICAS

* Empresas La Moderna, a Mexican company, has con-

tracted to buy some plant genetics research products from Monsanto Company. Francisco Gonzalez-Sebastian, chief executive officer of ELM's Seminis Vegetable Seeds subsidiary, predicted that Monsanto technology "such as gene transfer and enabling technologies, will enhance our own bio-technology efforts and fresh produce operations." Seminis produces 22 percent of the world's vegetable seeds. Monsanto will buy the Asgrow Agronomics unit of Seminis, a major U.S. grain seed company.

* Canada, which is pseudorabies-free, will begin later this year to allow Canadian packing houses to import slaughter hogs from the United States without the present 30-day quarantine period, so long as the hogs come from U.S. states believed to be pseudorabies-free and provided that strict sanitation procedures are followed by slaughterhouses. Some Canadian hog producers oppose the change, pointing out that Canada already produces more hogs than it consumes, and that potential costs of a pseudorabies outbreak are very high.

* Panama's Drunken Chicken (El Pollo Borracho) restaurant, and other small local restaurants, are endangered by the invasion of 13 McDonald's and 15 Kentucky Fried Chicken restaurants. McDonald's plans three more restaurants this year, Kentucky Fried Chicken plans another four, Burger King plans to grow from nine to sixteen, and Dairy Queen and Pizza Pizza will also grow. Panamanian restaurant business has dropped by 17 percent during the last year. A typical Drunken Chicken lunch costs about $2.50, while McDonald's offers a hamburger and coke for 99 cents. Special meals, toys, and playgrounds influence children to "beg their parents to take them to McDonald's," according to Roosevelt Thayer, a McDonald franchisee.

* Chilean grape exporters rejected the latest U.S. offer to resolve disputes stemming from the March 1989 embargo imposed on Chilean table grapes after the alleged discovery of two grapes containing cyanide. The embargo cost Chilean grape exporters an estimated $330 million, and the U.S. proposal offers no monetary compensation, only information on prices and volumes in the U.S. market, meteorological information, 10 to 20 professional scholarships annually, and help for Chilean fruit in the U.S. market. Now Chilean fruit growers have been hit by a U.S. Department of Agriculture requirement that Chilean kiwi exports be treated with methyl bromide before entering the U.S., potentially pricing 9 million cases of kiwi fruit out of the market. The USDA says that mites that infect grapes have also been discovered in kiwis.

* Brazil will cut farm aid by 15 percent in 1997, slashing federal funding for farm loans by 60 percent from the 1996 total, and ending most federal guarantees on farm loans. The government will increase funding for export loans and disease control, and will phase out programs that buy grain and oilseeds from farmers and then sell the stocks during the inter-harvest period.

* The Inter-American Development Bank will loan $15 million to Honduras to finance development and technology transfer for agriculture, and for training agricultural workers. The Inter-American Development Bank has approved a total of $244.8 million this year to finance global agriculture projects.

* Cargill, Inc. will build a $50 million, export-oriented citric acid plant in Brazil and a $6 million peanut shelling plant in Argentina. Cargill already has a citric acid plant in Iowa, and the Brazil plant's opening in 1999 will make Cargill the world's third-largest producer of citric acid. The peanut plant, scheduled to open in April, will produce about 17,000 tons for export and 7,000 tons for the domestic market.

Tom Zind, "Genetic Engineering to be Focus," PACKER, September 30, 1996; "Monsanto to Acquire Asgrow Corn, Soybean Seed Business from ELM," MILLING & BAKING NEWS, October 1, 1996; "Canadian Hog Producers Fear Pseudorabies May be Next U.S. Export," UNION FARMER, August, 1996; Silvio Hernandez, "'The Drunken Chicken' Reeling From Fast-Food Competition," INTERPRESS SERVICE, 9/24/96; Steve Anderson, "Exporters Reject Proposal in Case," PACKER, September 9, 1996; El Diario, "1989 Embargo's Legacy Still Stings Chileans," PACKER, September 30, 1996; Patricia Saldanha, "Brazil to Cut Total Aid to Farmers by 15%," JOURNAL OF COMMERCE, September 5, 1996; "IDB Loans $15 Million to Honduras for Agriculture," XINHUA, October 3, 1996; "Cargill Plans Citric Acid Plant in Brazil, Peanut Plant in Argentina," MILLING & BAKING NEWS, October 8, 1996.

TEXTILE TRADE CHANGES

Caribbean and Central American apparel manufacturers reported a loss of 88,000 jobs from 1994 to 1995, with regional employment in the industry down to 472,000. Both manufacturers and government officials in the region blame the North American Free Trade Agreement for the job loss. The Dominican Republic reports a loss of 21,000 jobs due to movement of orders to Mexico, according to the Caribbean Textile and Apparel Institute, a lobby for the industry in Central America and the Caribbean. Guatemala lost 50,000 jobs, but the Institute said this loss was due to charges of human rights abuses.

On the other hand, Honduras, El Salvador and Nicaragua all gained textile jobs through marketing and promotion. Despite the overall job losses, the volume of Caribbean apparel exports to the United States in the first half of 1996 was up six percent over the same period in 1995, with earnings increasing by three percent to $2.56 billion. During the same time period, Mexican apparel exports to the United States grew by 38 percent in volume and by 32 percent in value to $1.52 billion. Mexican industry spokespersons say that their growth is not at the expense of Caribbean nations, but rather is due to reduced U.S. imports from the Far East.

The Caribbean Basin countries want Canada, Mexico and the United States to grant them "NAFTA parity," giving them the same free access for apparel exports that the NAFTA members extend to one another. Workers in the United States apparel industry oppose extension of NAFTA parity, pointing out that NAFTA has already cost them jobs as U.S. apparel plants move to Mexico. Pendleton Mills closed two of its six U.S. apparel plants in September, eliminating 163 U.S. jobs and moving production to Mexico.

According to Gary Benson, Pendleton's manager for corporate human resources: "It has been traumatic for everyone here. We held out long after most American companies had gone offshore." Sixty-five percent of U.S. apparel sales are imports. Benson says that the company does not blame its employees or their union. "Primarily we feel this is the result of our government's trade policy, mainly the NAFTA and GATT. Somebody has decided that this is a disposable industry."

In a move forcing U.S. apparel markets further open, a World Trade Organization dispute panel ruled in September that the United States must withdraw import restraints imposed in 1995 on Costa Rican-made underwear. The ruling is still officially classified, but will be sent to the two parties in late October. The WTO panel said that the United States had not demonstrated that imports from Costa Rica and Honduras caused serious injury to U.S. industry.

Scott West, "Apparel Manufacturers Feeling the Pinch," INTERPRESS SERVICE, September 24, 1996; John Zarocostas, "WTO Panel Rules Against US on Costa Rica Underwear," JOURNAL OF COMMERCE, October 4, 1996; Canute James, "Caribbean, Top Source of US Imports of Apparel, Wary of Mexican Threat," JOURNAL OF COMMERCE, September 26, 1996; Robin Bulman, "Apparel Workers Stranded as Plant Moves to Mexico," JOURNAL OF COMMERCE, September 24, 1996.

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Mexico: Free Market Failure. Catholic Institute for International Relations, London: 1996. 43 pp. Order from CIIR, Unit 3, Canonbury Yard, 190a New North Road, London N1 7BJ UK. Telephone 44 171 354 0883; fax 44 171 359 0017. Email ciirlon@gn.apc.org. #2.50. Examines Mexico's political, economic and social history, and explains how Mexico's system of government and economic policies exclude poor, rural and indigenous people.

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Subject: NAFTA & Inter-Am Trade Monitor 11-1-

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

November 1, 1996 Volume 3, Number 21

Headlines:

- U.S. TO INVESTIGATE CANADA BEEF TRADE
- WTO MEETING, AG EXPORTS, HUNGER
- U.S. FRUIT, VEGETABLE EXPORTS UP
- OFF AGAIN, ON AGAIN: OIL AND TOMATO DEALS
- NAFTA LABOR CHALLENGE IN CANADA
- LATIN AMERICAN INTEGRATION
- U.S. BLOCKS WTO CUBA PANEL

U.S. TO INVESTIGATE CANADA BEEF TRADE

An International Trade Commission investigation of the impact of world trade liberalization and NAFTA and of the Canadian cattle industry and beef trade, the fourth such investigation in twenty years, was approved by Congress in October. None of the earlier inquiries into Canadian beef trading (in 1978, 1987, and 1992) found any unfair trading.

Canadian beef exports to the United States during the first nine months of 1996 were up 25 percent over the same time period in 1995, while cattle imports during the same period rose from 860,000 in 1995 to 1.1 million in 1996. Some Canadians expressed concern that Alberta's Farm Income Disaster Program, which one New Democrat Member of Parliament likened to a rich European subsidy program, could be judged as unfair trading. Canadian Agriculture Minister Ralph Goodale told the House of Commons that the Canadian government "will be watching very closely to make certain that all programs are applied in an equitable manner so that all farmers in every corner of this country are treated fairly."

Barry Wilson, "U.S. Will Investigate Canadian Beef Trade," WESTERN PRODUCER, October 17, 1996.

INCREASES IN AG EXPORTS, HUNGER

Changes in agricultural production patterns are expected to be part of the discussion at the World Trade Organization (WTO) conference of trade ministers in Singapore on December 9-13. U.S. government officials are expected to use the WTO meeting in December to push for an end to duties and subsidies in the oilseeds sector and publication of details of commercial dealings of government marketing boards, such as the Canadian Wheat Boards.

The United Nations Food and Agriculture Organization (FAO) reported in September that tariff-reduction agreements negotiated as part of the Uruguay Round accelerated modernization of agriculture throughout Latin America and the Caribbean. The FAO report predicted a sharp increase in export income from agriculture for the region by 1999, estimating that farm exports will earn $2.6 billion more annually after the year 2000. The increase is attributed to sugar, vegetable and animal oils, cereals, coffee and dairy products.

The modernization of agricultural production has led to a major decrease in national food production in favor of increased agroexports, quickening the pace of concentration of land ownership, causing more dependency on food imports, and contributing to increased hunger and malnutrition. The FAO estimates that 14 percent of the population of Latin America and the Caribbean, some 60 million people, suffer from chronic malnutrition. Hunger and malnutrition are concentrated in rural areas, and in households headed by single women. In Haiti, the rate of rural poverty is estimated by the International Fund for Agricultural Development at 97 percent. The FAO says that malnutrition in Nicaragua, El Salvador, Bolivia, the Dominican Republic, Peru, Honduras, Panama and Guatemala is at 47 percent.

In Bolivia, 15,000 rural and indigenous protesters marched on the capital in late September, demanding land. In Guatemala, continuing land occupations have been followed by violent evictions. One such eviction in late September resulted in the death of a 30-year-old rural worker and more than two dozen injuries. In Brazil, nearly 1,000 people were killed in land conflicts from 1985-1995.

Looking ahead to the World Food Summit in Rome on November 13-17, FAO Director-General Jacques Diouf warned that world food needs are increasing, and called for a guarantee of access to food for everyone while developing production and supply systems, "which take into account the environmental balance and the richness of the water resources."

"Upcoming World Trade Organization Conference Generates Debate Over Uruguay Round's Impact on Latin America," NOTISUR, October 18, 1996; Ian Elliott, "U.S. Spells Out Goals for WTO Meeting," FEEDSTUFFS, October 7, 1996; Zoraida Portillo, "Plenty of Food But Many Still Hungry," INTERPRESS SERVICE, October 22, 1996; Jorge Piqa, "The Paradox of the Fat and the Thin," INTERPRESS SERVICE, October 16, 1996; "Protests and Violence Over Land," INTERPRESS SERVICE, September 27, 1996.

U.S. FRUIT, VEGETABLE EXPORTS UP

According to the U.S. Department of Agriculture, U.S. fruit and vegetable exports totaled $9.1 billion in 1995, having tripled since 1985. Fruits and vegetables account for more than 15 percent of 1995's U.S. agricultural exports. Top buyers of U.S. fruits and vegetables are Canada, Japan, the European Union, Hong Kong, Mexico, Taiwan and South Korea. Apples, grapes, pears, citrus fruit and bananas are the leading export fruits, with tomatoes and bell peppers leading vegetable exports.

Scott Horsfall, chair of the Produce Marketing Association's International Trade Conference, believes increased exports reflect rising expectations in developing countries. "On a per capita basis, nobody can afford these products," observes Horsfall. "But there's a small but growing middle class. . . . Maybe they can't run out and buy a Mercedes-Benz, but they can buy a Washington apple."

Growers look to Japan as a growth market, ripe for development from a $1 billion market today to a $10 billion market over the next decade. China and Australia are also key markets, though many phytosanitary barriers slow development of export channels.

Total U.S. agricultural exports to Mexico seem headed for record levels in 1996, reversing the United States' 1995 agricultural trade deficit with Mexico. Fruits and vegetables continue to be flashpoints of controversy, with Mexican avocados, U.S. cherries, and Mexican tomatoes and bell peppers at issue. [See following article and "Tomato Case Settled," NAFTA & INTER-AMERICAN TRADE MONITOR, October 4, 1996.]

Michael Goldstein, "U.S. Fruits and Vegetables on an International Roll," JOURNAL OF COMMERCE, October 11, 1996; "U.S.-Mexico Agricultural Trade Back on Track but Under Dispute," TRACKING U.S. TRADE, October 18, 1996.

OFF AGAIN, ON AGAIN: OIL AND TOMATOES

Despite Mexican President Zedillo's reversal of plans to privatize 61 secondary petrochemical plants, controversy over proposed legislation that would allow investment in existing plants and up to 100 percent foreign ownership of new secondary petrochemical plants continues. [Mexican governments have distinguished between eight primary petrochemicals and other secondary petrochemicals, such as ammonia used in fertilizers and polyethylene used in plastic bags.]

Almost as soon as a tentative agreement to control prices for Mexican tomatoes in the United States was reached, some Mexican tomato growers announced their opposition. In order to implement the plan, 85 percent of Mexican growers must agree to it. Under the agreement, Mexican tomatoes cannot be sold for less than 20.6 cents per pound at the wholesale level. The U.S. Commerce Department has delayed ruling on Florida tomato growers' anti-dumping case until October 28, when the agreement will be finalized. The Florida tomato industry is dominated by big producers 88 growers in 1996. Among the largest producers are those owned by the DiMare, Gargiulo, Heller and Esformes families.

The Mexican government did not endorse the agreement, reached by two Mexican growers' groups and the U.S. Department of Commerce and Florida growers. Instead, the Mexican government reiterated its concern "on the manner in which the U.S. authorities have conducted this antidumping investigation," and reserved the right to redress under the WTO and NAFTA.

Daniel Dombey, "Mexico Scales Back Move for Energy Industry Sell-Off," FINANCIAL TIMES, October 14, 1996; Kevin G. Hall, "Mexico Petrochemical Flap to Enter Legislative Debate," JOURNAL OF COMMERCE, October 22, 1996; John Maggs, "Mexican Tomato Growers Split on Tentative Trade Deal With U.S.," JOURNAL OF COMMERCE, October 15, 1996; Dan Balaban, "Settlement Staves Off Tomato War," THE PACKER, October 21, 1996; Robert S. Greenberger, "Mexico Agrees to Temporary Floor on Price of Tomatoes Sold in U.S.," WALL STREET JOURNAL, October 14, 1996; "Commerce Tomato Deal Remains Tenuous, Mexican Sources Caution," INSIDE NAFTA, October 16, 1996; "U.S. Vegetable Farmers Fight Imports," NAFTA & INTER-AMERICAN TRADE MONITOR, May 3, 1996.

NAFTA LABOR CHALLENGE IN CANADA

U.S. and Canadian lawyers plan to use NAFTA's Tribunal on Labor Standards to challenge Alberta's decision to privatize enforcement of labor standards. The challenge is based on the theory that Alberta's action unfairly drives down its regulatory wage labor standards. The Alberta government will save an estimated $2 million by privatizing enforcement of minimum labor standards in areas such as pay, employment records, hours of work, vacation, and employment of children. Alberta's unionization rate is the lowest in Canada, with only one in four of the province's workers belonging to a labor union.

If the NAFTA tribunal finds that Alberta has violated NAFTA provisions, then it could order Alberta to pay a financial penalty, based on a percentage of its trade with the United States and Mexico.

Paul Weinbert, "Canada Faces Challenge Under NAFTA Labour Accord," INTERPRESS SERVICE, October 2, 1996;

LATIN AMERICAN INTEGRATION

The 22nd ministerial meeting of the Latin American Economic System (SELA) council, held in late October in Montevideo, Uruguay, heard reports of growing regional trade, increasing from $16 billion in 1990 to nearly $40 billion in 1995. Exports among the 11 countries of the Latin American Integration Association (ALADI, comprised of Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela) increased from 10.8 percent of their total trade in 1990 to 17.5 percent in 1995. According to Manuela Rangel, director of economic relations for SELA, trade is as dominant a theme in Latin America and the Caribbean today as "the foreign debt and the financing of development were in the 1980s."

Intra-regional customs unions include the Andean Community, Mercosur, Central American Common Market, and Caribbean Common Market (Caricom.) Exports among the members of the Andean Community (Bolivia, Colombia, Ecuador, Peru and Venezuela) rose from 4.1 percent to 11.9 percent of that bloc's total trade. Exports among the Mercosur nations (Argentina, Brazil, Paraguay and Uruguay) increased from 8.9 percent to 22 percent of the group's total exports.

The SELA report attributed the growth in intra-regional trade to "open regionalism," which it characterized as including a preference for nations in geographical proximity and sharing cultural affinity. Mercosur occupies a central place among the many trade agreements, having the most comprehensive agreement and the most prosperous countries. Chile signed a trade agreement with Mercosur last June and Bolivia is currently negotiating a similar deal. The Andean Community and Mercosur began negotiations for a free trade area in October, with an anticipated 10-year time frame for completion. Mercosur has also signed a framework agreement with the European Union, with a tentative target of free trade by 2005.

A draft World Bank report leaked in October, criticizes Mercosur for favoring capital-intensive industries that cannot compete internationally. Examples include manufacture of cars, buses, and agricultural machinery, which can be sold within Mercosur but are too expensive to be exported competitively. Karen Hanson-Kuhn of the Development Group for Alternative Policies criticized the World Bank draft report, saying that it implies that "developing countries should be content to promote the low-wage raw material exports that are efficient at this time."

Raul Ronzoni, "Integration, a Shield Against Protectionism," INTERPRESS SERVICE, October 23, 1996; Raul Ronzoni, "Finding Markets is Dominant Theme of 1990s," INTERPRESS SERVICE, October 22, 1996; Abid Aslam, "MERCOSUR Draws Fire From World Bank Economist," INTERPRESS SERVICE, October 23, 1996; Michael M. Phillips, "South American Trade Pact is Under Fire," WALL STREET JOURNAL, October 23, 1996; "The End of the Beginning," THE ECONOMIST, October 12, 1996.

U.S. BLOCKS WTO CUBA PANEL

The United States blocked the first request by the European Union for a World Trade Organization (WTO) dispute panel on the U.S. Helms-Burton law, which penalizes trade with Cuba. Despite U.S. delaying tactics, a panel will be created under WTO dispute-settlement rules when the EU makes its second request on November 20. The United States wants to claim the WTO's security exception clause for its Cuba sanctions, but these would not apply to third-party countries. The EU continues to work out complicated internal jurisdictional questions to determine which kinds of retaliation against Helms-Burton are appropriate to the EU and which should be reserved to member states.

Despite their dispute over Cuba, the EU and the United States continue work on other trade issues, such as a proposal for duty-free trade in information technology products. Other WTO disputes continue, with panels currently examining U.S. complaints about the Japanese consumer photographic film and paper market and Canadian objections to the EU's ban on hormone-treated beef. The United States withdrew a request for a panel against Pakistan on issues of patent protection for certain chemicals and Canada withdrew a complaint against Brazil over alleged subsidies to a Brazilian aircraft manufacturer.

John Zarocostas, "U.S. Blocks Bid for WTO Panel on Anti-Cuba Law," JOURNAL OF COMMERCE, October 17, 1996; Richard Lawrence, "Despite Cuba Flap, US, EU Move Ahead on Trade Issues," JOURNAL OF COMMERCE October 18, 1996; "Jurisdiction Wrangle Complicates EU Response to Helms-Burton," INSIDE NAFTA, October 16, 1996.

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Center for U.S.-Mexican Studies at the University of California, San Diego focuses significant research on the campesino sector in Mexico, including a recently concluded Ejido Reform Research Project and the new Transformation of Rural Mexico Research Project. Contact the Center at University of California, San Diego, 9500 Gilman Drive, Dept. 0510, La Jolla, CA 92093-0510. Telephone 619/534-4503; fax 619/534-6447; email ejido@weber.ucsd.edu. Visit Rural Mexico Research Project homepage on the WorldWide Web at http://weber.ucsd.edu/Depts/USMex/rural.htm.

Annual Report: Council of the Commission for Environment Cooperation. Commission for Environment Cooperation, Montreal: 1996. Approx. 200 pp., including annexes. Official report on progress made in 1995 in meeting goals of North American Agreement on Environmental Cooperation.

Environmental Infrastructure Needs in the U.S.-Mexican Border Region Remain Unmet. General Accounting Office Report to the Ranking Minority Member, Committee on Commerce, House of Representatives: July, 1996. 42 pp. Order from U.S. General Accounting Office, P.O. Box 6015, Gaithersburg, MD 20884-6015; telephone 202/512-6000; fax 301/258-4066. For internet access, send e-mail with "info" in the body to info@www.gao.gov. $2. Report examines environmental problems of border region.

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Subject: NAFTA & Inter-Am Trade Monitor 11-15

NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

Friday, November 15, 1996 Vol 3, No 22

Headlines:

- **ELECTION IMPACT ON TRADE**
- **MULTI-FACETED BANANA CONFLICTS**
- **TUNA, TRADE AND THE ENVIRONMENT**
- **FROM BIODIVERSITY TO BIOTECHNOLOGY**
- **MERCOSUR AND MOVEMENT ON FTAA**

ELECTION IMPACT ON TRADE

The recent U.S. elections left in office as many members of the U.S. House of Representatives who voted against NAFTA as those who voted for it 143 on each side, and 149 members who were not in the House at the time of the NAFTA vote. The Republican majority in the House of Representatives includes Oregon Republican Bob Smith, the likely new chair of the House Agriculture Committee. Smith says he wants to "revisit NAFTA," because of complaints of unfairly priced Mexican cattle and Canadian grain.

A new poll by the Bank of Boston shows 51 percent of U.S. citizens believe that free trade pacts cost U.S. jobs and 57 percent oppose any new trade agreements with Latin America. An even larger majority of 73 percent want labor and environmental issues negotiated as part of any new trade accords.

The U.S.-based International Brotherhood of Teamsters warned that President Clinton will probably respond to requests from California Governor Pete Wilson and the American Trucking Association and lift the ban on cross-border trucking in border states on December 18, the first anniversary of the U.S.-imposed delay in compliance with NAFTA trucking provisions.

"NAFTA 'No' Voters No Longer a Minority in the House of Representatives," PUBLIC CITIZEN NEWS RELEASE, November 8, 1996; "NAFTA Impact Next U.S. House Ag Chairman," AGNET, November 6, 1996; "Poll Shows Public Believes Trade Pacts Cost U.S. Jobs," BANKBOSTON PRESS RELEASE, November 7, 1996; "NAFTA Trucking Delay," INTERNATIONAL BROTHERHOOD OF TEAMSTERS MEMORANDUM, November 1, 1996.

MULTI-FACETED BANANA CONFLICTS

Caribbean banana-producing countries, angered by the U.S. opposition that resulted in their legal counsel being barred from World Trade Organization hearings, accused the United States of attempting to destroy their economies. The U.S. challenge to European Union policies favoring Caribbean producers is supported by some Latin American countries, but the Caribbean countries say the challenge does not recognize the crucial role of banana trade to their small, island economies.

A rebel banana farmers' union in the eastern Caribbean nation of Santa Lucia, the Banana Salvation Committee, has gone on strike to demand release from their contractual agreement to sell bananas to the Windward Islands Banana Development and Exporting Company (Wibdeco), the regional marketing agency, in order to sell to Chiquita Brands, a U.S.-based multinational that produces bananas in Latin America. Another banana union in Belize is fighting against Irish fruit multinational Fyffes Ltd., following Fyffes' 1995 firing of leaders of the United Banners Banana Workers' Union. As a former British colony, Belize also benefits from the EU banana regime. Fyffes controls all foreign marketing of Belizean bananas and has successfully resisted organizing efforts by the independent union. When the union struck last year, Belizean security forces reportedly arrested 350 strikers and tried to deport them to Guatemala. Although many banana workers are migrants from Central American countries, Guatemala refused most of the strikers, saying they were not Guatemalan.

While banana producers typically use high amounts of pesticides, they can respond quickly when pesticide use threatens markets. In 1991, Costa Rica suspended use of aldicarb after the U.S. Department of Agriculture barred several shipments for impermissible residue levels of the pesticide. Banana-producing companies and countries have been slower to regulate pesticides that merely kill fish or have carcinogenic and mutagenic effects on field workers.

Canute James, JOURNAL OF COMMERCE, "Caribbean Banana Producers Accuse U.S. of Trying to Squash Their Economies," October 18, 1996; Canute James, "Caribbean Banana Union Strikes for Chiquita Sales," JOURNAL OF COMMERCE, October 7, 1996; Macdara Doyle, "Busting Banana Unions in Belize," MULTINATIONAL MONITOR, September, 1996; Andrew Wheat, "Toxic Bananas," MULTINATIONAL MONITOR, September, 1996.

TUNA, TRADE AND THE ENVIRONMENT

U.S. President Bill Clinton pledged to Mexico that he will push for legislation to lift the U.S. tuna embargo by changing the definition of "dolphin-safe" tuna early next year. The Clinton administration failed to get Senate approval of the "Panama Declaration" this year. The Panama Declaration would change U.S. law in return for creation of an international marine-species protection program in the eastern Pacific. Mexico and other Latin American fishing nations have threatened a formal challenge to the U.S. tuna embargo before the World Trade Organization.

The easiest and cheapest way to catch large, yellow-fin tuna in the Pacific also puts dolphins at risk. Many U.S. supporters of the ban maintain that national sovereignty is at stake, while Latin American activists oppose what they see as unilateral U.S. action in violation of NAFTA and WTO rules. Other environmental-trade issues in the news recently include:

* The U.S. Congress authorized the Border Patrol to build a 50-mile-wide, 2,000-mile-long corridor from San Diego through Texas, and exempted the Border Patrol from compliance with the Endangered Species Act or the National Environmental Policy Act. Environmentalists fear that the Border Patrol will pave over or fence out animals and their habitat in the 40 million acres covered by the authorization, harming as many as 100 species in Arizona alone.

* Mexican Environment Secretary Julia Carabias said that export of hazardous waste from the

maquiladora sector has increased significantly over the past year. Under NAFTA, the plants will no longer be required to export their wastes in the year 2000. Carabias also said that her office will eliminate a backlog of environmental impact studies by the end of the year, and will exempt small and medium-sized industries operating in industrial parks from filing environmental impact statements.

* The Commission for Environmental Cooperation was authorized in September to investigate how a cruise ship dock received construction permits on the Mexican resort island of Cozumel. The CEC secretariat is made up of the environmental ministers of Mexico, Canada and the United States.

* Canadian environmentalists oppose a U.S. company's claim that Canada has violated NAFTA by trying to restrict sales of methylcyclopentadienyl manganese tricarbonyl (MMT), a gasoline additive that may be a neuro-toxin. Ethyl Corporation claims that the anti-MMT legislation "constitutes a substantial interference with Ethyl Corporation's control and enjoyment of its investment in Canada," and claims that because the health hazards of MMT have not been fully established, the Canadian government cannot restrict its sale or use on public health grounds. Ethyl also claims that statements by the Canadian environment minister about MMT are "defamatory and reckless," and is suing for "expropriation of goodwill."

"Clinton Pledges Early, Renewed Effort to Pass Tuna-Dolphin Bill," INSIDE U.S. TRADE, October 18, 1996; Harry Brown, "Dolphin-Tuna Issue Puts Cross-Border Environmental Collaboration to the Test," BORDERLINKS, September, 1996; "Border Patrol Allowed to Violate Environmental Laws, KNIGHT-RIDDER/TRIBUNE, October 9, 1996; "Significant Rise Seen in Hazardous Waste Sent to U.S. by Border Plants, Official Says," INTERNATIONAL ENVIRONMENTAL REPORTER, September 18, 1996; Kevin G. Hall, "Dock Probe Tests Nafta's 'Green' Panel," JOURNAL OF COMMERCE, September 17, 1996; Stephen Dale, "NAFTA-Based Lawsuit Angers Activists," INTERPRESS SERVICE, September 26, 1996.

FROM BIODIVERSITY TO BIOTECHNOLOGY

Colombian Minister of Environment Josi Mogollon told the first Forum of the Andean and Amazonian Countries on Biodiversity in July that they must present a united front to protect biodiversity and the region's environmental treasures. He discussed regulation of intellectual property rights and protection of the environment as key to protection of biodiversity.

Five Andean nations (Bolivia, Peru, Colombia, Ecuador and Venezuela) approved the Common Regime on Access to Genetic Resources this summer. The regime regulates access to genetic resources and products derived from them, recognizes the knowledge and rights of indigenous communities, and promotes conservation of biodiversity. Despite fears that the regime could lead indigenous people to sell off their culture, the Aguarunas Indian community contracted to pass on knowledge and technology to Searle Farmaceutical, an affiliate of the Monsanto group. The Aguarunas will retain property rights to the information, and will receive royalty payments of between $50,000 and $70,000 annually.

Recent mergers in Mexico aim to bring genetically-engineered produce to market, combining DNA Plant Technology Corporation and Monterrey-based Empresas La Moderna. A DNAP executive said that the merger brought critical access to "the best germ plasm." Empresas La Moderna recently reached a cooperation agreement with Monsanto, which has a controlling interest in another genetic engineering development company, Calgene Inc.

Mycogen Corporation, the sixth-largest seed company in the United States, expanded its seed business in South America in October by purchasing Morgan Seeds, Argentina's second largest seed company. Jerry Caulder, Mycogen chief executive officer said Mycogen's genetics, together with insect-resistance and oilseed technology, will help provide new products for South America.

In July, Ecuadorean non-governmental organizations successfully opposed an attempt by the Ecuadorean Congress to ratify a bilateral intellectual property right agreement with the United States. The agreement would have required Ecuador to enforce U.S. patents on living organisms. Ecuadorean ecologists and indigenous peoples argued that the already-granted U.S. patent on the Amazonian plant ayahuasca constituted bio-piracy of indigenous knowledge and resources.

Intellectual property rights include copyright, trademark and patent protections, and are a major U.S. concern in trade negotiations. The U.S. Trade Representative said it will review Panamanian and Paraguayan protection of intellectual property rights in regard to counterfeiting of video games. IPR practices are also under review in Colombia, El Salvador and Honduras.

Maricel Sequeira, "Technology Flows North," INTERPRESS SERVICE, October 20, 1996; "Ecuadorean NGOs Stop Bilateral IPR Agreement With the United States," RAFI COMMUNIQUE', July/August, 1996; Tom Zind, "Merger to Speed Biotech Timetable," THE PACKER, October 7, 1996; "Latin American Countries Must Unite on Protection of Biodiversity, Forum Told," INTERNATIONAL ENVIRONMENT REPORTER, July 24, 1996; Michael Howe, "Mycogen Buys Argentine Firm," FEEDSTUFFS, October 7, 1996; "USTR to Examine Panama, Paraguay Regimes Under GSP Review," INSIDE NAFTA, October 16, 1996; "Colombia Urged to Revamp Investment, IPR Rules Before Trade Talks," INSIDE NAFTA, October 2, 1996.

MERCOSUR AND MOVEMENT ON FTAA

A draft World Bank report criticizing Mercosur for distorting international trade by favoring its own capital-intensive industries and raising high tariff barriers to external manufacturers of products such as cars, buses, and agricultural machinery has caused a continuing political storm. Although the draft report was leaked in October, the World Bank did not release the report and instead publicly defended Mercosur as "an important and positive initiative" that has boosted internal trade and attracted increased foreign investment.

Mercosur, and especially Brazil, dominate Latin American discussions of trade agreements and of the proposed Free Trade Area of the Americas (FTAA). The four Mercosur members Argentina, Brazil, Paraguay and Uruguay were joined by Chile on October 1, despite strong opposition by Chilean farmers. The five members of the Andean Community Bolivia, Colombia, Ecuador, Peru and Venezuela have also launched negotiations for a merger with Mercosur. Bolivia has already reached an agreement with Mercosur that will become effective on January 1, 1997, over the objections of Bolivia's agroindustrial sector. Mexico and Mercosur are negotiating a preferential trade agreement to replace bilateral agreements between Mexico and each of the Mercosur member countries. Mexican Commerce Secretary Herminio Blanco predicts that Mexico and Mercosur will negotiate a free trade agreement in 1997. Outside Latin America, Mercosur is also negotiating trade agreements with the European Union and the Community of Independent States, the alliance of former Soviet Union republics.

Without fast-track negotiating authority from Congress, the U.S. Clinton administration is handicapped in pursuing FTAA negotiations and virtually blocked from negotiating any other trade agreements with Latin American trade blocs or individual countries. That leaves Mercosur, dominated and led by Brazil, in a position to influence free trade negotiations in the Americas.

Guy de Jonquie'res, "World Bank Softens Criticism of Mercosur," JOURNAL OF COMMERCE, October 29, 1996; "Chile Joins Southern Cone Common Market as Andean Nations Agree to Multilateral Free-Trade Negotiations With Mercosur," NOTISUR, October 4, 1996; Abraham Lama, "Andean Community Gives Top Priority to Mercosur," INTERPRESS SERVICE, October 11, 1996; Juan Carlos Rocha, "Bolivia's Business Sector Rejects Mercosur Merger," INTERPRESS SERVICE, October 15, 1996; "Mexico-Mercosur Talks Could Conclude Within Months, Lampreia Says," INSIDE NAFTA, October 2, 1996; Kevin G. Hall, "Mexico and Mercosur Set to Exchange Product Lists," JOURNAL OF COMMERCE, October 28, 1996; Mario Osava, "Integration Beyond Trade," INTERPRESS SERVICE, October 14, 1996; Scott Otteman, "Mercosur Plan Should End Worry of FTAA Delay Tactics, Official Says," INSIDE NAFTA, October 2, 1996; "A Survey of Mercosur: Remapping South America," (special section) THE ECONOMIST, October 12, 1996.

TRADE NEWS BRIEFS

* A trade disputes panel set up under the provisions of NAFTA rejected U.S. sugar producers' challenge to the duties imposed by Canada on U.S. sugar 15 months ago. Canadian sugar beet farmers support the duties, but some Canadian businesses that use sugar were not pleased and one such company is threatening to move 1,000 jobs to the United States. Canadian imports of cheaper U.S. sugar fell from 74,000 metric tons during the first half of 1995 to 20,000 tons during the same period in 1996. Only 10 percent of Canadian-produced sugar comes from Canadian-grown beets, with the rest coming from imported cane.

* California avocado industry representatives again asked the U.S. Department of Agriculture to delay a final ruling that would allow Mexican avocados into the northeastern United States. The California Avocado Commission maintains that the files of the USDA's Animal and Plant Health Inspection Service (APHIS) show that Mexican pest trapping and inspection procedures were not adequate to detect the presence of fruit flies.According to the California Avocado Commission, APHIS officials reported that some packinghouses and groves were in good condition, but that major infractions were observed in others and that the Mexican plant health agency, Sanidad Vegetal, did not always conduct adequate inspections.

Barry Wilson, "Canada Keeps Duty on Sugar," WESTERN PRODUCER, October 31, 1996; Roberta Rampton, "Sugar Beet Players Need to Find a Strategy," WESTERN PRODUCER, October 31, 1996; Larry Waterfield, "Group Calls for Delay on Issuing Final Rule," THE PACKER, November 4, 1996.

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NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

Wednesday, November 27, 1996 Vol 3, No 23

Headlines:

-SUMMIT ON SUSTAINABLE DEVELOPMENT

-CANADA-U.S. DAIRY DISPUTE CONTINUES

-WHEAT HARVEST UP, PRICES DOWN IN SOUTH AMERICA

-MERCOSUR SUMMIT

-RESOURCES/EVENTS

SUMMIT ON SUSTAINABLE DEVELOPMENT

The Organization of American States-sponsored Hemispheric Summit on Sustainable Development, which brought representatives from 34 countries, the Inter-American Development Bank, the United Nations, and environmental organizations to Santa Cruz, Bolivia on December 7-8, ended with consensus. The Santa Cruz Declaration and a 65-clause Plan of Action, approved by applause rather than votes, acknowledged that, "Any attempt to protect our ecological system while ignoring human needs constitutes a political, moral and practical impossibility."

Bolivian President Gonzalo Sanchez de Lozada insisted that the summit consider what he called the four foundations of sustainable development: economic development, social policies to fight poverty, participative democracy and respect for nature. 'Without economic development," said Sanchez de Lozada, "it is not possible to address social and human needs, maintain political stability, nor much less attend to the environment."

Sanchez de Lozada called the enormous gap between the economic growth and standards of living of the northern countries and the rest of the nations the greatest obstacle to regional integration, reminding summit participants that the Bolivian economy is 10 percent of the Chilean economy and one percent of the Brazilian economy, which is just 10 percent of the U.S. economy.

The Summit documents recommended more of the neoliberal economic policies that have been the trend of the past decade, including specific recommendations for moving toward market-based pricing of water, energy resources, and forest products, and for increased reliance on markets, free trade, and private property.

Unions, women's movements, universities, business groups, neighborhood associations, grassroots organizations, intellectuals and indigenous groups attending the summit urged that power be returned to communities and warned that free trade has not been a panacea. "Since the creation of the North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO), the costs of economic globalisation, for both human communities and ecosystems, have been steadily growing," according to the non-governmental groups' Summit document.

Stressing the higher priority that the United States assigns to environmental issues, U.S. Vice President Al Gore and Sanchez de Lozada met separately to finalize an agreement to protect 2.2 million acres of endangered tropical rain forest and promote sustainable development in and around Noel Kempff Mercado National Park in Santa Cruz, Bolivia. Ohio-based American Electric Power (AEP) and two non-profit organizations The Nature Conservancy and Fundaci^◊n Amigos de la Naturaleza (FAN) will participate in the project.

Under the terms of the 1992 Framework Convention on Climate Change, the U.S. and more than 150 other countries committed to balancing greenhouse gas emissions. Protection of rainforests under this agreement may offset as much as 14.5 million metric tons of carbon over 30 years, benefiting AEP and the investors to whom it sells shares.

Juan Carlos Rocha, "NGOs Urge Participation and Responsible Trade," INTERPRESS SERVICE, December 6, 1996; Juan Carlos Rocha, "Fragile North-South Consensus Reached," INTERPRESS SERVICE, December 9, 1996; Peter McFarren, "Gore Targets the Environment," ASSOCIATED PRESS, December 7, 1996; "Vice President Gore Announces Approval of International Project to Protect Bolivian Rain Forest," AEP PRESS RELEASE, December 7, 1996; Juan Carlos Rocha, "Drafts of Declaration Approved Despite Differences," INTERPRESS SERVICE, November 27, 1996; Alejandro Chafuen, "A Latin Summit Plans a Harder Look at Ecopolitics," WALL STREET JOURNAL, December 6, 1996.

CANADA-U.S. DAIRY DISPUTE CONTINUES

U.S. officials continue to attack Canadian dairy and poultry tariffs in the aftermath of a NAFTA dispute resolution panel ruling that the tariffs are consistent with the North American Free Trade Agreement. Agriculture Secretary Dan Glickman and Acting U.S. Trade Representative Charlene Barshefsky released a joint statement expressing deep disappointment in the ruling, and promising that the United States "will do everything possible, consistent with trade laws, to seek the ultimate elimination of these duties and to improve U.S. access to the Canadian market for dairy, poultry, egg, barley and margarine products." Glickman and Barshefsky also expressed U.S. concern that the Canadian tariffs are inconsistent with World Trade Organization rules.

The NAFTA panel ruling came after prolonged negotiations between the United States and Canada failed to resolve disagreement over Canadian imposition of tariff rate increases as a substitute for previously existing quotas, consistent with the World Trade Organization mandate for tariffication. The United States requested formation of the dispute panel in July 1995, and the panel's final ruling was issued in November 1996.

Members of the U.S. President's Advisory Committee for Trade Policy and Negotiation called attention to an earlier General Agreement on Tariffs and Trade panel finding that some Canadian restrictions on ice cream and yogurt were GATT-inconsistent. Warned that the provisions of the U.S.-Canada Free Trade Agreement and NAFTA, which exclude the dairy and poultry industries from coverage, may be inconsistent with the World Trade Organization rule that substantially all trade must be covered if an agreement is to qualify as a free trade agreement, rather than a preferential agreement prohibited under WTO rules.

A WTO review of Canada's trade regime, released November 19, criticizes Canadian protection of dairy, poultry, and egg industries, but noted that Canadian government expenditures on agriculture have been reduced by 20 percent since 1993, due to elimination of grain transport subsidies.

Statement, Secretary Dan Glickman and Acting U.S. Trade Representative Charlene Barshefsky, December 2, 1996; Press release, "Panel Findings Could Nullify U.S.-Canada Trade Agreement," U.S. President's Advisory Committee for Trade Policy and Negotiations Press Release, "Panel Findings Could Nullify U.S.-Canada Trade Agreement," December 11, 1996; Ian Elliott, "Canadian Farm Policy Reviewed at WTO," FEEDSTUFFS, December 2, 1996.

WHEAT HARVEST UP, PRICES DOWN IN SOUTH AMERICA

As crop estimates for the just-begun Argentine wheat harvest put production up by more than 50 percent over the 1995-96, prices fell from $275 per ton during the first half of 1996 to $122 in December. Although Brazil's harvest appears not much changed from last year, Brazilian wheat producers will also feel the impact of lower prices. Worldwide production of wheat is expected to reach 575 million tons for the agricultural year that began in July, according to the International Council of Grains, up from 539 million tons the previous year. More than 100 million tons are exported annually, with Brazil the world's second-largest importer, following China.

Mario Osava, "Wheat Harvest Up, Prices Down," INTERPRESS SERVICE, December 3, 1996.

MERCOSUR SUMMIT

Overcoming last-minute conflicts with Argentina, Bolivia signed a free trade agreement with the Southern Cone Common Market (Mercosur) at its biannual summit in Fortaleza, Brazil on December 16-17, making it the second country, after Chile, to sign an agreement with the group.

At a joint news conference at the end of the summit, Argentine President Carlos Menem claimed that Mercosur has a higher level of internal integration than that of NAFTA, while Brazilian President Fernando Henrique Cardoso described Mercosur as a "training ground" for the proposed Free Trade Area of the Americas. Cardoso dismissed criticism that Mercosur is growing at the expense of trade with outsiders, pointing out that Mercosur trade with third countries has more than doubled to $59 billion since Mercosur's beginning five years ago.

Although a November meeting between the Andean Community and Mercosur did not produce a final framework accord for negotiation on a combined free trade area, negotiators said that the meeting ended in delay rather than failure. Negotiators had hoped that the presidents of the four Mercosur nations — Argentina, Brazil, Paraguay and Uruguay — and the five Andean bloc nations — Bolivia, Colombia, Ecuador, Peru and Venezuela — could sign a framework agreement at the biannual Mercosur summit in Fortaleza, Brazil on December 16-17.

Protesting exclusion of labor issues from the summit, thousands of union members from the four Mercosur countries stopped traffic in downtown Fortaleza.

Adrian Dickson, "Mercosur Chiefs Laud Pace of Economic Integration," REUTER, December 17, 1996; Adrian Dickson, "Bolivia to Join Booming Mercosur Trading," REUTER, December 17, 1996; Abraham Lama, "Steady, Slow Moves Toward Super-Bloc," INTERPRESS SERVICE, November 26, 1996; Juan Carlos Rocha, "Argentina and Bolivia at Odds Over Mercosur," INTERPRESS SERVICE, December 3, 1996.

RESOURCES/EVENTS

NAFTA and the Expansion of Free Trade: Current Issues and Future Prospects, February 26-28, 1997, Tucson, Arizona. Symposium sponsored by the Arizona Journal of International and Comparative Law will focus on expansion of free trade in the Western Hemisphere through NAFTA and other agreements, such as the Southern Cone Common Market (Mercosur.) Specific areas to be addressed: political and legal considerations relating to near-term expansion of NAFTA; impact of consumer and business access to credit on trade expansion; dispute resolution under NAFTA and other international mechanisms;

relationship under NAFTA of freer trade and labor relations; dealing with trade and environmental conflicts in the context of regional economic integration. For information, contact either Arizona Journal of International and Comparative Law at NAFTA@law.arizona.ed or University of Arizona College of Law Development Office at 520/621-8430.

Tracking U.S. Trade, a monthly publication of the Center for the Study of Western Hemispheric Trade. For free monthly copy, distributed by e-mail or fax, contact Center for the Study of Western Hemispheric Trade, 3925 W. Braker Lane/MCC bldg., Ste. 1.900 Austin, TX 78758; telephone 512/475-8679; fax 512/475-7966; e-mail trade@uts.cc.utexas.edu.

The Morning NAFTA, a newsletter published by the Canadian Labour Congress, highlights labor issues and free trade agreements, particularly NAFTA and the new Canada-Chile Free Trade Agreement. For information or subscription, contact NAFTA Desk, Canadian Labour Congress, 2841 Riverside Drive, Ottawa, Ontario K1V 8X7.

ENFOQUE, a biannual publication of the Center for U.S.-Mexican Studies, University of California, San Diego. 16 pp. For subscription information, contact Center for U.S.-Mexican Studies, University of California- San Diego, 9500 Gilman Drive, Dept. 0510, La Jolla, CA 92093-0510; telephone 619/534-4503; fax 619/534-6447. Includes research updates, information on the Center for U.S.-Mexican Studies, listings of publications of the Center.

Labor in NAFTA Countries, a periodic bulletin of the Commission for Labor Cooperation, North American Agreement on Labor Cooperation. 8 pp. Order from Secretariat of the Commission for Labor Cooperation, One Dallas Center, 350 N. St. Paul, Suite 2424, Dallas, TX 75201-4240; telephone 214/754-1100; fax 214/754-1199; e-mail info@naalc.org.

Labor and Industrial Relations Law in Canada, the United States, and Mexico, published by the Secretariat of the Commission for Labor Cooperation, North American Agreement on Labor Cooperation. 1996. 40 pp. $10 U.S.; $12 Canada. To order, contact Secretariat of the Commission for Labor Cooperation, One Dallas Center, 350 N. St. Paul, Suite 2424, Dallas, TX 75201-4240; telephone 214/754-1100; fax 214/754-1199; e-mail info@naalc.org.

Forum on Democratic Alternatives to Structural Adjustment in the Americas. Summary of papers presented at May 21, 1996 forum organized by The Development GAP and Equipo Pueblo. 18 pp. For copies of summary or of full text papers, contact The Development GAP, 927 Fifteenth Street, NW - 4th Floor, Washington, DC 20005. Telephone 303/898-1566; Fax 202/898-1612. Email dgap@igc.apc.org. Presentations include "The Oaxaca Initiative": A Framework for Equitable and Sustainable Development in the Americas; "The Liberty Referendum": An Alternative Economic Strategy for Mexico; "The Popular Alternative": A Basis for a New Economic Plan for El Salvador.

Comparison of Mexican and United States Occupational Safety and Health Legislation, Regulation, and Enforcement, UAW Health and Safety Department. 1993. 12 pp. Order from Health and Safety Department, International Union, UAW, 2000 East Jefferson, Detroit, MI 48214. Telephone 313/926-5566. Comparison of worker protection laws concludes that the Mexican system is substantially deficient and that Mexican enforcement mechanisms are very limited. Includes examination of health standards for chemical exposure and key safety standards.

Free Trade and Economic Restructuring in Latin America, edited by Fred Rosen and Deidre McFadyen. North American Congress on Latin America, 1995. 288 pp. Order from Monthly Review Press, 122 West 27th Street, New York, NY 10001. $16. Twenty-seven essays focus on free trade as the globalization of the neo-liberal agenda, examining effects of neo-liberal structural-adjustment and free trade policies in twelve countries of the Americas, and the U.S. role in those policies.

Planting Trouble: The Barz^◊n Debtors' Movement in Mexico by Heather L. Williams. Center for U.S.-Mexican Studies, 1996. To order, contact: Publications Order Department, Center for U.S.-Mexican Studies, University of California - San Diego, 9500 Gilman Drive Dept 0510, La Jolla, CA 92093; telephone 619/534-1160; fax 619/534-6447 e-mail usmpubs@weber.ucsd.edu. Documents the evolution of El Barz^◊n from its beginnings after the currency devaluation of December 1994 to the present, from the perspective of the agriculturalists and consumer debtors who built the organization to protest exorbitant interest charges and lack of credit.

Regionalization in the World Economy: NAFTA, The Americas, and Asia-Pacific, edited by Van R. Whiting, Jr. Published by Center for U.S.-Mexican Studies, 1996 in association with Macmillan India. To order, contact: Publications Order Department, Center for U.S.-Mexican Studies, University of California - San Diego, 9500 Gilman Drive Dept 0510, La Jolla, CA 92093; telephone 619/534-1160; fax 619/534-6447 e-mail usmpubs@weber.ucsd.edu. Includes seven essays on NAFTA and the Ameicas, six chapters on Asia-Pacific, several detailed industry studies and overviews of global regionalization, including contrasting U.S. and Japanese perspectives.

Latino Politics in California, edited by An^"bal Y^«^÷ez-Ch^«vez. 139 pp. Center for U.S.-Mexican Studies. $12.95. To order, contact: Publications Order Department, Center for U.S.-Mexican Studies, University of California - San Diego, 9500 Gilman Drive Dept 0510, La Jolla, CA 92093; telephone 619/534-1160; fax 619/534-6447 e-mail usmpubs@weber.ucsd.edu. Analyzes Latino politics in California, including history, demography, and contemporary Latino ethnic politics. Chapters are revisions of papers originally presented at conference on "Latino Politics in San Diego County" in May, 1996. Includes discussion of shape of age pyramid in Latino population, immigration status, cross-border population flows, housing patterns and tenure, employment status and income and education.

Mexico at the Crossroads: Politics, the Church, and the Poor, Michael Tangeman. Orbis Books, Maryknoll, NY: 1995. 138 pp. Order from Orbis Books, Order Department, Box 302, Maryknoll, NY 10545. Telephone 800/258-5838; fax 914/945-0670. Email: orbmarketg@aol.com. $17. Explores history of interaction between Mexico's rich elite, the church and the poor majority, including background on Zapatista uprising, debates over NAFTA, and impact of neo-liberal policies on the poor.

Stubborn Hope: Religion, Politics and Revolution in Central America, Phillip Berryman. Orbis Books, Maryknoll, NY: 1994. 276 pp. Order from Orbis Books, Order Department, Box 302, Maryknoll, NY 10545. Telephone 800/258-5838; fax 914/945-0670. Email: orbmarketg@aol.com. $13.95. Includes introduction to church involvement in revolution in Central America, growth of evangelical churches in recent years, and clashing understandings of Christian faith.

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NAFTA & Inter-American Trade Monitor
Vol. 3, Number 24 December 12, 1996

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Four More Years Of Free Trade?

As the Republican leadership returns to power in the 105th Congress, opinion polls from Boston to Texas continue to show U.S. opposition to free trade policy. Trade issues remain high on the Congressional agenda, with the Clinton administration still seeking some kind of "fast track" negotiating authority for trade talks.

Fast-track legislation would allow the Clinton Administration to negotiate a free trade agreement, requiring that Congress vote yes or no on the entire agreement, without amendments. Republicans refused last year to approve any fast-track legislation that would allow inclusion of labor and environmental provisions in a free trade agreement. The legislation will need bi-partisan support, since organized labor and many Democrats oppose it. Both Secretary of Agriculture Dan Glickman and the probable new chair of the House Agriculture Committee, Bob Smith (R-OR) have heard farmer discontent with free trade agreements. Dairy and poultry producers are upset over the NAFTA arbitration panel's ruling upholding Canadian tariffs, while wheat and beef producers blame NAFTA for price-depressing imports. Smith would like to focus on increasing U.S. exports, particularly to the Pacific Rim.

Assistant Secretary for Inter-American Affairs Jeffrey Davidow predicted an early Clinton visit to Latin America and a push for some kind of fast-track authority, but said that no decision has been made on whether to seek fast-track negotiating authority for an agreement with Chile, the proposed Free Trade Agreement of the Americas (FTAA), or on a global level. Undersecretary of Commerce for International Trade Stuart Eizenstat said that the Clinton Administration hopes for progress on fast-track negotiating authority by the mid-May FTAA trade ministerial.

Davidow called 1997 a critical "year of definition" for U.S.-Latin American trade. "I am convinced," said Davidow, "that what we must do now very early on .

. . is to move quickly to get fast-track authority for Chile and get NAFTA parity" for the Caribbean Basin. Caribbean nations want Congress to grant them trade treatment on a par with that enjoyed by Mexico under NAFTA.

The President must send to Congress by July a report on the economic impact of NAFTA. The original NAFTA implementing legislation requires the President to report on the "operation and effects" of NAFTA, including its effect on the gross national product, employment, trade balance and current account balance. The report must also evaluate whether NAFTA has contributed to improving wages and working conditions in Mexico and Mexican environmental and labor laws.

"Old Bottle - New Wine," CITIZENS' TRADE CAMPAIGN, November 26, 1996; "Agricultural Trade Reclaims a Place on the Congressional Agenda," THE WEBSTER AGRICULTURAL LETTER, November 15, 1996; "Senior U.S. Official Warns 1997 is Critical Year for U.S. on Latin Trade," INSIDE NAFTA, November 13, 1996; Scott Otteman, "Analysts Split Over Likely Role of Latin Trade in Second Clinton Term," INSIDE NAFTA, November 13, 1996; "Eizenstat Calls for Progress on Fast-Track Renewal by Early Spring," INSIDE NAFTA, November 27, 1996; "USTR-Led Study of NAFTA Impact May Affect Fast-Track Debate," INSIDE NAFTA, November 27, 1996.

No Sorghum Ban

A U.S. Department of Agriculture inter-American specialist said on November 25 that Mexico has not banned imports of U.S. sorghum. A U.S. merchant had reported a 3-4 day delay in processing exports at the border in mid-November, and rumors of denial of phytosanitary certifications for U.S. sorghum spread. John Larkin of the U.S. Feed Grains Council agreed that there is no evidence of a ban, and called the delay "an isolated incident." Larkin noted that there has recently been an increase in the volume of sorghum shipped to Mexico. From September 1995 through August 1996, Mexico purchased 1,483 million tons of U.S. sorghum out of a total of 4,643 million tons exported that year.

"No Sorghum Ban by Mexico, US Says," JOURNAL OF COMMERCE, November 27, 1996.

Canadian Ag Exports Up, Profits Down

Canadian agriculture exports increased 10 percent during the first half of 1996, compared to the same time period in 1995. Ontario led the country with $2.5 billion worth of agri-food exports, out of the national total of $9.4 billion exported from January to June. Exports to the United States increased by 17 percent to $4.9 billion, with exports to China increasing by 50 percent and exports to Mexico climbing by 7 percent.

Agricultural imports into Canada fell slightly from 1995 levels, to a total of $6.4 billion. U.S. agricultural exports to Canada account for 60 percent of Canadian imports, with the European Union holding a 10 percent share. Meanwhile, Canadian grain farmers earned less. In 1974, grain farmers kept 37 cents for every dollar of grain they sold, but in 1995 they kept only 9 cents. Increased sales came along with rising production costs and a consequent squeeze on profit margins. Profits to grain farmers actually fell by $225 million last year, according to Statistics Canada. More succinctly, an Alberta implement dealer concludes: "The farmers are really getting screwed."

Ian Elliott, "Canadian Exports Jump 10% in First Half of 1996," FEEDSTUFFS, November 25, 1996; Bob Weber, "Farmers Earn Less," AGWEEK, November 25, 1996.

Mercosur Fights Back

After the October leak of a World Bank report criticizing the Mercosur trade pact (which now includes Argentina, Brazil, Paraguay and Uruguay, with Chile and Bolivia joining soon), Mercosur and its supporters are fighting back. Critics claimed that intra-Mercosur trade grew, but that much came in sectors in which Mercosur members are not internationally competitive. They said that the internal free market turns Mercosur into a "fortress" that deters members from investing in their most efficient, and internationally competitive, industries.

According to Robert Devlin, chief of the integration, trade and hemispheric issues division of the Inter-American Development Bank, critics overlooked the overall growth of Mercosur imports. Devlin notes that "only 15 percent of all products turn out to have shifted significantly to the Mercosur market, while 27 percent shifted to non-Mercosur markets."

World Bank officials have also distanced themselves from the report, though perhaps not from its conclusions. According to the report, intra-Mercosur trade rose to $12.3 billion in 1994 from $4.2 billion in 1990. Shahid Javed Burki, the World Bank's vice president for Latin America and the Caribbean, praised Mercosur, but agreed with the report that "some of the growth stimulated by intra-Mercosur trade has not been efficient."

Robert Devlin, "Hardly a Fortress," JOURNAL OF COMMERCE, November 26, 1996; Abid Aslam, "Brazil, World Bank Seen Resorting to Archaic 'Information Control.'" INTERPRESS SERVICE, November 26, 1996; Abid Aslam, "Mercosur Draws Fire From World Bank Economist," INTERPRESS SERVICE, October 23, 1996.

NAFTA Affects Health And Safety

The North American Working Group on Sound Management of Chemicals, formed by the NAFTA watchdog Commission on Environmental Cooperation, held hearings in Mexico in late October on plans to eliminate mercury, PCBs, DDT and chlordane from the North American environment. The working group will present action plans to the U.S., Mexican and Canadian environmental secretaries. DDT is widely used in Mexico for malaria control, and Mexico also exported 21 tons of DDT to Colombia, Panama and Guatemala last year. The action plan calls for 80 percent reduction in DDT use in five years and elimination over 10 years.

The effect of NAFTA on workers' health and safety was the subject of a panel discussion at the American Public Health Association's annual meeting in November. Panelists pointed out that NAFTA is part of a continuing process of globalization of economies under a neoliberal ideological framework.

According to Professor Jorge Villegas of the Metropolitan Autonomous University, Xochimilco campus, in Mexico City, aspects of this framework include favoring large industry and transnational capital over small and medium-sized enterprises; increasing productivity through use of technology and elimination of workers' control over the labor process, accompanied by elimination or erosion of the collective bargaining process; and control of inflation at the expense of wage-earners and the unemployed by depressing wages and advocating fiscal policies that discourage creation of new jobs.

In Mexico, proposed "reforms" to labor laws include restriction of the right to strike, elimination of job security, and increasing productivity by loosening occupational health and safety standards without regard to occupational health risks. Specific examples include individual experience ratings for workers' compensation, rather than industry-wide ratings. That means that each business will pay a premium based on its claims history, resulting in a strong incentive to employers to under-report work injuries. Another proposal will transfer responsibility for workplace health and safety inspections from the Mexican government to private contractors.

The maquiladora assembly plant sector is now second only to oil in generating foreign income for Mexico. More than 80 percent of maquiladora investment comes from the United States, with maquiladoras receiving permanent government subsidies, including tax breaks and regulatory exceptions. Two-thirds of the 850,000 workers in 3,600 maquiladoras are women.

According to Cathy Walker, Health and Safety Director of the Canadian Auto Workers of Ontario, Canada, concern about free trade's impact on Canadian social institutions began with the Free Trade Agreement between the United States and Canada and continues under NAFTA. Canadians feared that free trade would mean harmonizing Canadian laws downward to the lower U.S. standards, and would pressure workers to accept worsened working conditions because of the threat of plants moving to the low wage and largely non-unionized southern United States.

Canadian health and safety laws are built around worker's right to participate in joint management-worker health and safety committees; right to know about workplace hazards; and right to refuse hazardous work. In Ontario, the most populous Canadian province, welfare has been cut by $200 per month, hospitals have closed and health care workers have been laid off - all since the election of a conservative government in 1995. Anti-scab legislation, which protects unionized workers who go on strike, has been repealed. Severe cuts in funding to the Ministry of Labor included elimination of 20 percent of health and safety inspectors and of all ergonomists and half of the technical staff.

Canadian workers have responded with letters, petitions, meetings, and one-day general strikes called Days of Protest.

Kevin G. Hall, "NAFTA Working Group Closer to Halting Use of 4 Chemicals," JOURNAL OF COMMERCE, November 4, 1996; "NAFTA and Occupational Health: an International Perspective," MEXICAN LABOR NEWS AND ANALYSIS, 12/1/96.

Panel Rejects U.S. Dairy Bid

The five-member NAFTA panel set up to rule on a U.S. bid to roll back steep Canadian tariffs on U.S. poultry, eggs, milk and other dairy products unanimously and finally rejected the U.S. claims in early December.

U.S. dairy, poultry, egg and barley interests challenged Canadian tariffs ranging from 180 to 350 percent on their products, filing their original complaint in January, when new Canadian tariffs went into effect. The tariff rates apply to products shipped in excess of previously existing quotas. Canada had replaced quotas with tariffs, pursuant to the "tariffication" process set out by the General Agreement on Trades and Tariffs and the World Trade Organization. The NAFTA arbitration panel agreed with the argument that NAFTA does not prevent Canada from complying with WTO rules by using the tariffication process to eliminate previously existing quotas. The United States claimed that the tariffs violate NAFTA rules. [See NAFTA & INTER-AMERICAN TRADE MONITOR, 9/6/96 and 7/12/96.]

Canadian dairy farmers welcomed the ruling, though Canadian consumer groups and food processors and retailers had opposed the tariffs. The U.S. Dairy Council said the ruling "flies in the face of all logic and reason." The U.S., handicapped by the high tariffs, exported only $41 million of dairy products to Canada in 1995.

John Urquhart, "Panel Rejects Bid by U.S. to Roll Back Canadian Tariffs," WALL STREET JOURNAL, December 3, 1996; "NAFTA Ruling Favors Canada," NAFTA & INTER-AMERICAN TRADE MONITOR, July 26, 1996.

Chile - Canada Pact Differs From NAFTA

The free-trade agreement signed by Mexico and Canada on November 18 differs from NAFTA in several significant aspects. The accord will eliminate duties for 80 percent of Chilean-Canadian trade, effective on June 2, 1997, but it excludes five areas included in NAFTA: intellectual property, product standards, sanitary and phytosanitary measures, government procurement, and financial services.

Both sides exclude dairy and poultry products from the pact. Chilean beef, pork and canola oil receive special protection, while Canada obtains immediate, duty-free access for durum wheat. Duties on other Canadian agri-food products will be reduced to zero over five years. Any better access ever granted by Chile to the United States for those products, or for pork, beef, potatoes, dried peas and cereal products, will also be granted to Canada.

Other differences include antidumping and rules of origin provisions. In the Chile-Canada pact, antidumping measures will be barred for six years or upon elimination of a product's tariff, whichever occurs first. NAFTA allows antidumping and countervailing duty cases, with appeal to a binational panel. The method for calculating origin is similar to that of NAFTA, but the Chile-Canada pact sets a lower regional content value than does NAFTA, with the most restrictive rules of origin applying to textiles, apparel, plastics and footwear.

While the pact will not directly affect Chilean trade with the United States, it is expected to simplify negotiation of Chilean accession to NAFTA.

Scott Otteman, "Chile-Canada FTA Differs From NAFTA, But Could Aid Chilean Accession," INSIDE NAFTA, November 27, 1996; Steve Anderson, "Pact Primes Chile for NAFTA," THE PACKER, December 2, 1996.

Tomato Agreement At Risk

A single dissenting member of the Florida Tomato Growers Exchange challenged the U.S.-Mexico agreement setting a $5.17 floor price on 25-pound cartons of imported Mexican tomatoes and a $5 floor price on domestically-grown tomatoes, but last-minute negotiations salvaged the agreement on November 27. Some Florida tomato growers worry that those few Mexican firms that refused to sign the accord will undercut the accord by selling at lower prices. Mexican signatories make up more than 85 percent of U.S. imports. The Florida Tomato Growers Exchange includes producers of 92 percent of all tomatoes grown in the state.

In addition to price floors, growers agreed not to back-bill or rebill customers at a lower price when marketing conditions change from week to week. They also agreed not to sell off-grade tomatoes when prices for premium No. 1 grade tomatoes were down.

Tracy Rosselle, "Marketing Agreement in Jeopardy," THE PACKER, November 25, 1996; "Tomato Industry Waits Cautiously to See Suspension Pact Enforcement," INSIDE NAFTA, November 27, 1996; Tracy Rosselle, "Florida Hits a New Chord," THE PACKER, December 2, 1996.

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NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

Wed., January 3, 1997 Volume 4, Number 1

Headlines:

-SUMMIT ON SUSTAINABLE DEVELOPMENT
-CANADA-U.S. DAIRY DISPUTE CONTINUES
-WHEAT HARVEST UP, PRICES DOWN IN SOUTH AMERICA
-MERCOSUR SUMMIT
-RESOURCES/EVENTS

SUMMIT ON SUSTAINABLE DEVELOPMENT

The Organization of American States-sponsored Hemispheric Summit on Sustainable Development, which brought representatives from 34 countries, the Inter-American Development Bank, the United Nations, and environmental organizations to Santa Cruz, Bolivia on December 7-8, ended with consensus. The Santa Cruz Declaration and a 65-clause Plan of Action, approved by applause rather than votes, acknowledged that, "Any attempt to protect our ecological system while ignoring human needs constitutes a political, moral and practical impossibility."

Bolivian President Gonzalo Sanchez de Lozada insisted that the summit consider what he called the four foundations of sustainable development: economic development, social policies to fight poverty, participative democracy and respect for nature. "Without economic development," said Sanchez de Lozada, "it is not possible to address social and human needs, maintain political stability, nor much less attend to the environment."

Sanchez de Lozada called the enormous gap between the economic growth and standards of living of the northern countries and the rest of the nations the greatest obstacle to regional integration, reminding summit participants that the Bolivian economy is 10 percent of the Chilean economy and one percent of the Brazilian economy, which is just 10 percent of the U.S. economy.

The Summit documents recommended more of the neoliberal economic policies that have been the trend of the past decade, including specific recommendations for moving toward market-based pricing of water, energy resources, and forest products, and for increased reliance on markets, free trade, and private property.

Unions, women's movements, universities, business groups, neighborhood associations, grassroots organizations, intellectuals and indigenous groups attending the summit urged that power be returned to communities and warned that free trade has not been a panacea. "Since the creation of the North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO), the costs of economic globalisation, for both human communities and ecosystems, have been steadily growing," according to the non-governmental groups' Summit document.

Stressing the higher priority that the United States assigns to environmental issues, U.S. Vice President Al Gore and Sanchez de Lozada met separately to finalize an agreement to protect 2.2 million acres of endangered tropical rain forest and promote sustainable development in and around Noel Kempff Mercado National Park in Santa Cruz, Bolivia. Ohio-based American Electric Power (AEP) and two non-profit organizations The Nature Conservancy and Fundaci^◊n Amigos de la Naturaleza (FAN) will participate in the project.

Under the terms of the 1992 Framework Convention on Climate Change, the U.S. and more than 150 other countries committed to balancing greenhouse gas emissions. Protection of rainforests under this agreement may offset as much as 14.5 million metric tons of carbon over 30 years, benefiting AEP and the investors to whom it sells shares.

Juan Carlos Rocha, "NGOs Urge Participation and Responsible Trade," INTERPRESS SERVICE, December 6, 1996; Juan Carlos Rocha, "Fragile North-South Consensus Reached," INTERPRESS SERVICE, December 9, 1996; Peter McFarren, "Gore Targets the Environment," ASSOCIATED PRESS, December 7, 1996; "Vice President Gore Announces Approval of International Project to Protect Bolivian Rain Forest," AEP PRESS RELEASE, December 7, 1996; Juan Carlos Rocha, "Drafts of Declaration Approved Despite Differences," INTERPRESS SERVICE, November 27, 1996; Alejandro Chafuen, "A Latin Summit Plans a Harder Look at Ecopolitics," WALL STREET JOURNAL, December 6, 1996.

CANADA-U.S. DAIRY DISPUTE CONTINUES

U.S. officials continue to attack Canadian dairy and poultry tariffs in the aftermath of a NAFTA dispute resolution panel ruling that the tariffs are consistent with the North American Free Trade Agreement. Agriculture Secretary Dan Glickman and Acting U.S. Trade Representative Charlene Barshefsky released a joint statement expressing deep disappointment in the ruling, and promising that the United States "will do everything possible, consistent with trade laws, to seek the ultimate elimination of these duties and to improve U.S. access to the Canadian market for dairy, poultry, egg, barley and margarine products." Glickman and Barshefsky also expressed U.S. concern that the Canadian tariffs are inconsistent with World Trade Organization rules.

The NAFTA panel ruling came after prolonged negotiations between the United States and Canada failed to resolve disagreement over Canadian imposition of tariff rate increases as a substitute for previously existing quotas, consistent with the World Trade Organization mandate for tariffication. The United States requested formation of the dispute panel in July 1995, and the panel's final ruling was issued in November 1996.

Members of the U.S. President's Advisory Committee for Trade Policy and Negotiation called attention to an earlier General Agreement on Tariffs and Trade panel finding that some Canadian restrictions on ice cream and yogurt were GATT-inconsistent. Warned that the provisions of the U.S.-Canada Free Trade Agreement and NAFTA, which exclude the dairy and poultry industries from coverage, may be inconsistent with the World Trade Organization rule that substantially all trade must be covered if an agreement is to qualify as a free trade agreement, rather than a preferential agreement prohibited under WTO rules.

A WTO review of Canada's trade regime, released November 19, criticizes Canadian protection of dairy, poultry, and egg industries, but noted that Canadian government expenditures on agriculture have been reduced by 20 percent since 1993, due to elimination of grain transport subsidies.

Statement, Secretary Dan Glickman and Acting U.S. Trade Representative Charlene Barshefsky, December 2, 1996; Press release, "Panel Findings Could Nullify U.S.-Canada Trade Agreement," U.S. President's Advisory Committee for Trade Policy and Negotiations Press Release, "Panel Findings Could Nullify U.S.-Canada Trade Agreement," December 11, 1996; Ian Elliott, "Canadian Farm Policy Reviewed at WTO," FEEDSTUFFS, December 2, 1996.

WHEAT HARVEST UP, PRICES DOWN IN SOUTH AMERICA

As crop estimates for the just-begun Argentine wheat harvest put production up by more than 50 percent over the 1995-96, prices fell from $275 per ton during the first half of 1996 to $122 in December. Although Brazil's harvest appears not much changed from last year, Brazilian wheat producers will also feel the impact of lower prices. Worldwide production of wheat is expected to reach 575 million tons for the agricultural year that began in July, according to the International Council of Grains, up from 539 million tons the previous year. More than 100 million tons are exported annually, with Brazil the world's second-largest importer, following China.

Mario Osava, "Wheat Harvest Up, Prices Down," INTERPRESS SERVICE, December 3, 1996.

MERCOSUR SUMMIT

Overcoming last-minute conflicts with Argentina, Bolivia signed a free trade agreement with the Southern Cone Common Market (Mercosur) at its biannual summit in Fortaleza, Brazil on December 16-17, making it the second country, after Chile, to sign an agreement with the group.

At a joint news conference at the end of the summit, Argentine President Carlos Menem claimed that Mercosur has a higher level of internal integration than that of NAFTA, while Brazilian President Fernando Henrique Cardoso described Mercosur as a "training ground" for the proposed Free Trade Area of the Americas. Cardoso dismissed criticism that Mercosur is growing at the expense of trade with outsiders, pointing out that Mercosur trade with third countries has more than doubled to $59 billion since Mercosur's beginning five years ago.

Although a November meeting between the Andean Community and Mercosur did not produce a final framework accord for negotiation on a combined free trade area, negotiators said that the meeting ended in delay rather than failure. Negotiators had hoped that the presidents of the four Mercosur nations — Argentina, Brazil, Paraguay and Uruguay — and the five Andean bloc nations — Bolivia, Colombia, Ecuador, Peru and Venezuela — could sign a framework agreement at the biannual Mercosur summit in Fortaleza, Brazil on December 16-17.

Protesting exclusion of labor issues from the summit, thousands of union members from the four Mercosur countries stopped traffic in downtown Fortaleza.

Adrian Dickson, "Mercosur Chiefs Laud Pace of Economic Integration," REUTER, December 17, 1996; Adrian Dickson, "Bolivia to Join Booming Mercosur Trading," REUTER, December 17, 1996; Abraham Lama, "Steady, Slow Moves Toward Super-Bloc," INTERPRESS SERVICE, November 26, 1996; Juan Carlos Rocha, "Argentina and Bolivia at Odds Over Mercosur," INTERPRESS SERVICE, December 3, 1996.

RESOURCES/EVENTS

NAFTA and the Expansion of Free Trade: Current Issues and Future Prospects, February 26-28, 1997, Tucson, Arizona. Symposium sponsored by the Arizona Journal of International and Comparative Law will focus on expansion of free trade in the Western Hemisphere through NAFTA and other agreements, such as the Southern Cone Common Market (Mercosur.) Specific areas to be addressed: political and legal considerations relating to near-term expansion of NAFTA; impact of consumer and business access to credit on trade expansion; dispute resolution under NAFTA and other international mechanisms; relationship under NAFTA of freer trade and labor relations; dealing with trade and environmental conflicts in the context of regional economic integration. For information, contact either Arizona Journal of International and Comparative Law at NAFTA@law.arizona.ed or University of Arizona College of Law Development Office at 520/621-8430.

Tracking U.S. Trade, a monthly publication of the Center for the Study of Western Hemispheric Trade. For free monthly copy, distributed by e-mail or fax, contact Center for the Study of Western Hemispheric Trade, 3925 W. Braker Lane/MCC bldg., Ste. 1.900 Austin, TX 78758; telephone 512/475-8679; fax 512/475-7966; e-mail trade@uts.cc.utexas.edu.

The Morning NAFTA, a newsletter published by the Canadian Labour Congress, highlights labor issues and free trade agreements, particularly NAFTA and the new Canada-Chile Free Trade Agreement. For information or subscription, contact NAFTA Desk, Canadian Labour Congress, 2841 Riverside Drive, Ottawa, Ontario K1V 8X7.

ENFOQUE, a biannual publication of the Center for U.S.-Mexican Studies, University of California, San Diego. 16 pp. For subscription information, contact Center for U.S.-Mexican Studies, University of California- San Diego, 9500 Gilman Drive, Dept. 0510, La Jolla, CA 92093-0510; telephone 619/534-4503; fax 619/534-6447. Includes research updates, information on the Center for U.S.-Mexican Studies, listings of publications of the Center.

Labor in NAFTA Countries, a periodic bulletin of the Commission for Labor Cooperation, North American Agreement on Labor Cooperation. 8 pp. Order from Secretariat of the Commission for Labor Cooperation, One Dallas Center, 350 N. St. Paul, Suite 2424, Dallas, TX 75201-4240; telephone 214/754-1100; fax 214/754-1199; e-mail info@naalc.org.

Labor and Industrial Relations Law in Canada, the United States, and Mexico, published by the Secretariat of the Commission for Labor Cooperation, North American Agreement on Labor Cooperation. 1996. 40 pp. $10 U.S.; $12 Canada. To order, contact Secretariat of the Commission for Labor Cooperation, One Dallas Center, 350 N. St. Paul, Suite 2424, Dallas, TX 75201-4240; telephone 214/754-1100; fax 214/754-1199; e-mail info@naalc.org.

Forum on Democratic Alternatives to Structural Adjustment in the Americas. Summary of papers presented at May 21, 1996 forum organized by The Development GAP and Equipo Pueblo. 18 pp. For copies of summary or of full text papers, contact The Development GAP, 927 Fifteenth Street, NW - 4th Floor, Washington, DC 20005. Telephone 303/898-1566; Fax 202/898-1612. Email dgap@igc.apc.org. Presentations include "The Oaxaca Initiative": A Framework for Equitable and Sustainable Development in the Americas; "The Liberty Referendum": An Alternative Economic Strategy for Mexico; "The Popular Alternative": A Basis for a New Economic Plan for El Salvador.

Comparison of Mexican and United States Occupational Safety and Health Legislation, Regulation, and Enforcement, UAW Health and Safety Department. 1993. 12 pp. Order from Health and Safety Department, International Union, UAW, 2000 East Jefferson, Detroit, MI 48214. Telephone 313/926-5566. Comparison of worker protection laws concludes that the Mexican system is substantially deficient and that Mexican enforcement mechanisms are very limited. Includes examination of health standards for chemical exposure and key safety standards.

Free Trade and Economic Restructuring in Latin America, edited by Fred Rosen and Deidre McFadyen. North American Congress on Latin America, 1995. 288 pp. Order from Monthly Review Press, 122 West 27th Street, New York, NY 10001. $16. Twenty-seven essays focus on free trade as the globalization of the neo-liberal agenda, examining effects of neo-liberal structural-adjustment and free trade policies in twelve countries of the Americas, and the U.S. role in those policies.

Planting Trouble: The Barz^◊n Debtors' Movement in Mexico by Heather L. Williams. Center for U.S.-Mexican Studies, 1996. To order, contact: Publications Order Department, Center for U.S.-Mexican Studies, University of California - San Diego, 9500 Gilman Drive Dept 0510, La Jolla, CA 92093; telephone 619/534-1160; fax 619/534-6447 e-mail usmpubs@weber.ucsd.edu. Documents the evolution of El Barz^◊n from its beginnings after the currency devaluation of December 1994 to the present, from the perspective of the agriculturalists and consumer debtors who built the organization to protest exorbitant interest charges and lack of credit.

Regionalization in the World Economy: NAFTA, The Americas, and Asia-Pacific, edited by Van R. Whiting, Jr. Published by Center for U.S.-Mexican Studies, 1996 in association with Macmillan India. To order, contact: Publications Order Department, Center for U.S.-Mexican Studies, University of California - San Diego, 9500 Gilman Drive Dept 0510, La Jolla, CA 92093; telephone 619/534-1160; fax 619/534-6447 e-mail usmpubs@weber.ucsd.edu. Includes seven essays on NAFTA and the Ameicas, six chapters on Asia-Pacific, several detailed industry studies and overviews of global regionalization, including contrasting U.S. and Japanese perspectives.

Latino Politics in California, edited by An^“bal Y^«^÷ez-Ch^«vez. 139 pp. Center for U.S.-Mexican Studies. $12.95. To order, contact: Publications Order Department, Center for U.S.-Mexican Studies, University of California - San Diego, 9500 Gilman Drive Dept 0510, La Jolla, CA 92093; telephone 619/534-1160; fax 619/534-6447 e-mail usmpubs@weber.ucsd.edu. Analyzes Latino politics in California, including history, demography, and contemporary Latino ethnic politics. Chapters are revisions of papers originally presented at conference on "Latino Politics in San Diego County" in May, 1996. Includes discussion of shape of age pyramid in Latino population, immigration status, cross-border population flows, housing patterns and tenure, employment status and income and education.

Mexico at the Crossroads: Politics, the Church, and the Poor, Michael Tangeman. Orbis Books, Maryknoll, NY: 1995. 138 pp. Order from Orbis Books, Order Department, Box 302, Maryknoll, NY 10545. Telephone 800/258-5838; fax 914/945-0670. Email: orbmarketg@aol.com. $17. Explores history of interaction between Mexico's rich elite, the church and the poor majority, including background on Zapatista uprising, debates over NAFTA, and impact of neo-liberal policies on the poor.

Stubborn Hope: Religion, Politics and Revolution in Central America, Phillip Berryman. Orbis Books, Maryknoll, NY: 1994. 276 pp. Order from Orbis Books, Order Department, Box 302, Maryknoll, NY 10545. Telephone 800/258-5838; fax 914/945-0670. Email: orbmarketg@aol.com. $13.95. Includes introduction to church involvement in revolution in Central America, growth of evangelical churches in recent years, and clashing understandings of Christian faith.

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NAFTA & Inter-American Trade Monitor

Produced by the Institute for Agriculture and Trade Policy

February 10 1997 Vol. 4, Number 3

Headlines:

ACCORDS BREAK DOWN, FARM LEADERS ARRESTED

As the government rejected a previously-signed agreement on indigenous rights, tension rose in Chiapas and in other rural areas, where residents feared an imminent military attack. Local people, international observers, health workers and Protestant ministers all told the Mexican daily La Jornada that the army has been building up its strength since January 11 in areas of Zapatista National Liberation Army (EZLN) support, where right-wing paramilitary groups have also been active. Some observers fear that January‟s early repayment of Mexico^‟s debt to the United States and the International Monetary Fund is designed to minimize the impact of renewed fighting in Chiapas on the Mexican stock market. The Mexican government may also be preparing to blame renewed unrest in Chiapas for a peso devaluation that has been recommended by experts.

On Saturday, January 11, the EZLN rejected the government's counter-proposal to the Congressional Mediation Commission's (COCOPA) proposal for Constitutional reforms to ensure compliance with the San Andres accords, calling the government proposal "a vile and blatant mockery of the indigenous people of Mexico." In November, COCOPA drafted a proposal based on the agreements reached in San Andres by the government and the EZLN. The EZLN accepted the COCOPA proposal, but the Zedillo administration did not, insisting that the COCOPA proposal threatens Mexican sovereignty by giving indigenous peoples autonomy. Indigenous people represent 13 percent of the 93 million Mexican people. The agreement on indigenous culture is the only one that was actually signed between the EZLN and the government in a negotiation process which has been suspended since September 1996, when the guerrilla accused the government of showing no real interest in peace.

As military presence increased in rural areas, police officials also moved to arrest campesino organizers. On January 27, Mexican police arrested Benigno Guzm·n MartÌnez, a campesino organizer from the southwestern state of Guerrero, as he was giving his children a reading lesson in his current home in Mexico City. Guzm·n, a leader of the Southern Sierra Campesino Organization (OCSS), the target of a June 1995 massacre of 17 campesinos by state police at Aguas Blancas, Guerrero had been living in Mexico City due to his fear of Guerrero authorities. On December 7, Guzm·n's brother, Bartolo (another peasant activist), was murdered by four unidentified men while working on his land with his son. Although federal authorities announced that Benigno Guzm·n had been arrested as a leader of the rebel Revolutionary Popular Army (EPR), he was charged in connection with demonstrations the OCSS held in 1994 and 1995, and not in connection with the EPR.

In Guadalajara, capital of the conservative western state of Jalisco, police arrested Maximiano Barbosa Llamas and six other leaders of El BarzÛn, a militant organization composed mostly of farmers and small business people unable to pay their bank debts. The seven leaders have been charged with conspiracy, riot, gangsterism and a number of other crimes. Authorities in the southern state of Oaxaca continue to hold most of the municipal government officials of San AugustÌn Loxicha on charges that they are founding members of the EPR.

Cecelia Rodriguez, spokeswoman for the Zapatistas in the United States, charges that: "Under the guise of fighting drug traffickers, the U.S. government has bolstered an anti-democratic and corrupt Mexican government with a laundry list of high-tech military equipment that has been used to violate the basic human right of the people of Mexico."

The first 20 of a planned transfer of 73 Huey helicopters to Mexico were shipped in cargo planes from Goodfellow Air Force Base in San Angelo, Texas last November. The Hueys are part of a $50 million weapons and reconnaissance package that includes four C-26 reconnaissance planes, 500 bullet-proof armored personnel transporters, 10 million dollars' worth of night vision and C-3 equipment (command control and communications), global positioning satellite equipment, radar, spare parts for 33 helicopters given to Mexico over the past seven years, machine guns, semi-automatic rifles, grenades, ammunition, flame throwers, gas masks, night sticks, uniforms, and food rations.

While the military equipment is officially destined for drug interdiction efforts, a June 1996 report from the U.S. General Accounting Office said that U.S.-provided helicopters were used to transport Mexican military personnel to fight the Zapatista rebels in 1994. U.S. Ambassador to Mexico James Jones reacted to last summer's uprising by the Popular Revolutionary Army in Guerrero state by pledging increased military aid, intelligence and training to help fight the rebels.

"Crisis in the Chiapas Negotiations," MEXICO UPDATE, January 14, 1997; Diego Cevallos, "Chiapas' Only Agreement Crumbles," INTERPRESS SERVICE, January 13, 1997; "Mexican Campesino Leader Arrested," WEEKLY NEWS UPDATE ON THE AMERICAS, February 2, 1997; "Mexican Army Planning Attack on Rebels?" WEEKLY NEWS UPDATE ON THE AMERICAS, January 26, 1997; "Peasant Leader Arrested in Mexico City," MEXICO UPDATE, January 29, 1997; Jeffrey St. Clair, "The 'Drug War' Against the Zapatistas," INTERPRESS SERVICE, January 14, 1997; "Negotiations Continue to be Stalled," MEXICO UPDATE, January 22, 1997.

CORN BROOMS AND DISPUTE RESOLUTION

As Mexico launched a formal challenge to the U.S. increase in tariffs on corn brooms, a coalition of U.S. citizen groups and corporations filed a lawsuit challenging the entire NAFTA dispute resolution process as a violation of the U.S. Constitution. The American Coalition for Competitive Trade (ACCT) charged that the NAFTA panel system infringes on the right of U.S. persons to settle disputes in U.S. courts with appointed judges, as required by Article III of the U.S. Constitution, that the panelists are not appointed by the President with the advice and consent of the Senate, and that the President and Congress have unlawfully delegated judicial powers to the panels. ACCT also charges that the panel system does not provide the due process protections guaranteed by the Fifth Amendment.

Although implementing legislation for NAFTA requires that challenges be made to a "determination" of the panel, and although ACCT is not directly aggrieved by any such determination, ACCT maintains that it represents 500,000 U.S. citizens who have been victimized by unfair imports and by "failure to adequately enforce trade laws of the United States, including the antidumping and countervailing duty laws through the establishment of binational panels under NAFTA and the FTA . . ."

ACCT board members represent citizen groups including the American Defense Institute, America's Future, Americans for the High Frontier, America Take A Stand, Military Order of the World Wars, and private businesses. Advisory board members represent Hard Hats of America, Information Council of the Americas, Citizens for a Sovereign America, Americans for Immigration Control, United Republicans of California, National Business Association, U.S. Taxpayers Alliance, We the People, and the Council for the Defense of Freedom.

On January 15, the Mexican government requested the establishment of a dispute resolution panel under NAFTA's Chapter 20, charging that the U.S. tariff increase is "inconsistent" with NAFTA. The U.S. action was based on the U.S. International Trade Commission's (ITC) finding that Mexican imports of broom corn brooms were substantially impacting the U.S. broom corn broom industry. Mexico maintains that the ITC should have included other types of brooms, such as plastic brooms, in its consideration because they are directly competitive with corn brooms. Other Mexican responses to the U.S. action included imposition of higher tariffs on some U.S. imports to Mexico, including fructose, wine and flat glass.

""Mexico Begins Formal Challenge of U.S. Corn Broom Decision," INSIDE U.S. TRADE, January 17, 1997; Citizens Groups Challenge NAFTA Dispute Panels as Unconstitutional," INSIDE U.S. TRADE, January 17, 1997.

AVOCADO IMPORTS ALLOWED

After more than two years of deliberations, the U.S. Department of Agriculture's Animal and Plant Health Inspection Service (APHIS) published rules for the importation of Hass avocados grown in Michoac·n, Mexico into 19 northeastern states during November, December, January and February of each year. The APHIS systems approach to inspection and regulation includes nine elements ranging from ongoing field pest surveys and trapping to restricting shipping to winter months only and regular inspection of packing houses.

APHIS acting deputy administrator Alfred Elder emphasized that USDA personnel will be involved with all aspects of the systems approach outlined in the final rule published on February 5 in the Federal Register. Elder said the decision to allow avocado imports and the systems approach program are based on sound science.

A box of Mexican avocados sells for $8 in Canada, compared to a U.S. price of $30 per box for California-grown avocados. The United States now imports only a small portion of the $1 billion in avocados purchased each year, with imports coming from Chile, Israel and the Dominican Republic. U.S. growers have vigorously opposed lifting the import ban on Mexican-grown avocados. Avocado prices in the northeastern states are expected to fall by 8-41 percent, with prices falling between 1 and 3 percent in other areas of the country.

"Safeguards Allow Opportunity for Mexican Hass Avocado Imports," AGNET, January 31, 1997; Peter Tirschwell, "Mexico Gets Green Light to Sell Avocados in U.S.," JOURNAL OF COMMERCE, February 3, 1997.

MILLING MEXICAN GRAIN

Even as corn prices fell during the final months of 1996, U.S. and other foreign firms committed to major investments in Mexico's grain marketing and milling sectors. About 40 companies, including Mexican shipping firm TransportaciÛn MarÌtima Mexicana, construction firm Grupo ICA, and corn processor MaÌz Industrializado (Minsa), and U.S.-based Cargill, Continental Grain, Farmland, Louis Dreyfus, and Archers Daniels Midland, have organized three consortiums to bid on a government grain elevator network in southern Mexico. Mexican law requires that Mexicans own 51 percent of the Almacenadora Sur warehouse system and that 20 percent be owned by producers.

Miller Milling of Minneapolis formed a joint venture with Tablex to build a durum flour mill in the Mexican port city of Guaymas, Sonora, south of Nogales, Arizona. Tablex is Mexico's largest pasta manufacturer, selling its products under the La Moderna brand. Sonora is Mexico's largest durum wheat growing region.

In December, the International Finance Corporation signed a $60 million investment agreement with Grupo Minsa, the second largest corn flour producer in Mexico, to help modernize, upgrade and expand existing plants and to build a new corn flour plant. Minsa's six plants employ more than 1,200 people. IFC, a member of the World Bank Group, said its investment in Minsa illustrates its continuing support for privatization, since Minsa was privatized in October 1993.

Lowry McAllen, "Mexico Grain Elevator on the Block," JOURNAL OF COMMERCE, January 12, 1997; "Miller Milling in Joint Venture to Build Durum Mill in Mexico," MILLING & BAKING NEWS, December 10, 1996; "IFC Signs US$60 Million Deal for Mexican Corn Flour Producer," WORLD BANK PRESS RELEASE, December 5, 1996;

CANADIAN CULTURAL PROTECTION

A World Trade Organization panel, in a decision to be made final on February 21, has ruled that Canadian restrictions on so-called "split-run" versions of U.S. magazines violate the WTO's fair trade rules. Split-run magazines contain a mixture of the original U.S. material and added Canadian content, particularly advertising. Because U.S. advertising has paid for the magazine's costs, a magazine can offer Canadian advertisers very low rates.

Canada has defended the restrictions as essential to protection of Canadian culture, arguing that U.S. sale of cut-rate advertising constitutes an unfair dumping practice and will skim advertising away from Canadian publications, wiping out Canada's magazine industry. The complaint was originated by Sports Illustrated and Time Warner, Inc. The Canadian government and magazine industry have pledged to find ways to continue to protect the industry.

John Maggs, "WTO Backs U.S. in Magazine Dispute," JOURNAL OF COMMERCE, January 21, 1997; Anthony DePalma, "World Trade Body Opposes Canadian Magazine Tariffs," NEW YORK TIMES, January 20, 1997; John Urquhart, "Canadian Magazine Industry May Seek New Rules Curbing Foreign Publications," WALL STREET JOURNAL, January 20, 1997; "WTO Interim Report Calls for End to Canadian Curbs on Magazines," INSIDE U.S. TRADE, January 24, 1997.

ENVIRONMENTAL PROTECTION DECREASES UNDER NAFTA

Victor Lichtinger, executive director of the NAFTA-created Commission for Environmental Cooperation (CEC), warned business representatives in December that "efforts to deregulate, decentralize, and defund environmental programs" are part of "a potentially dangerous trend towards weakening of environmental standards in North America ^◊ all under the guise, sometimes, of voluntary compliance and self-regulation." Instead of trying to weaken environmental regulations, said Lichtinger, the private sector should aim higher than mandated minimums.

The CEC, which lacks any enforcement powers, works to provide a forum on environmental issues and to promote effective enforcement of environmental law. While Lichtinger cited no specific instances of weakened environmental standards, other environmental issues with a direct connection to NAFTA include:

^' a suit by U.S. environmental advocates seeking to reverse an Environmental Protection Agency rule issued last March that allows polychlorinated biphenyls (PCBs) to be imported from Canada into the United States for disposal. The groups argue that the EPA is not able to properly regulate incineration of PCBs and that alternative disposal technologies should be used.

^' last October's move by the Mexican government to eliminate environmental impact assessment requirements for investments in sectors including petrochemicals, refining, fertilizers and steel. Mexican officials said the elimination of environmental impact statement requirements will increase investment.

Among the more positive environmental developments under NAFTA are:

^' the December release of the Border XXI Program, a five-year plan describing environmental infrastructure needs along the U.S.-Mexico border. The plan does not call for any funding, but instead says increased coordination and cooperation between federal, state and local agencies on both sides of the border will help greatly in resolving environmental problems.

^' a first-ever meeting of governors of U.S. and Mexican border states in November, with a stated purpose of strengthening relationships and identifying priorities for cross-border cooperation.

"North American Standards Suffering in Name of Self-Regulation, CEC Director Says," "Groups Urge President to Reverse Rule on PCB Imports From Canada for Disposal," INTERNATIONAL ENVIRONMENT REPORTER, January 8, 1997; Carl Pope, "Nafta's Broken Promises," JOURNAL OF COMMERCE, December 6, 1996; Peter Zirnite, "New Plan for U.S.-Mexico Border Skips Over Funding," INTERPRESS SERVICE, December 16, 1996; "10 States Convene on U.S.-Mexico Border Environment," WESTERN GOVERNORS' REPORT, December 1996; "New U.S.-Mexico Program Directed at Health and Environment Improvements on Border," USDA PRESS RELEASE, December 12, 1996.

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NAFTA & Inter-Am Trade Monitor 2-21-97

Produced by the Institute for Agriculture and Trade Policy

February 21, 1997 Volume 4, No. 4

Headlines:

EU DELAYS CONFRONTATION OVER CUBA
NEW NAFTA AG ADVISORY PANEL
BORDERS OPENING TO TRUCKERS
NAFTA LABOR ACCORD NOT WORKING WELL
IPR DISPUTES WITH MEXICO, ARGENTINA
NAFTA SUGAR DEAL QUESTIONED
RESOURCES/EVENTS

EU DELAYS CONFRONTATION OVER CUBA

On February 12, the European Union (EU) postponed its legal challenge to U.S. sanctions against companies doing business with Cuba. EU officials asked the World Trade Organization to delay for a week the naming of a panel of judges to rule on the validity of the Helms-Burton Act. Despite intense negotiations between U.S. and European officials, the United States continued to insist that it would invoke a national security exemption for its Cuba sanctions, asserting that Cuba poses a security threat to the United States. The World Trade Organization can rule on trade disputes, but not on matters involving national security.

On January 21-22, Canadian Minister of Foreign Affairs Lloyd Axworthy went to Havana to meet with his Cuban counterpart, Roberto Robaina, where the two issued a joint declaration of cooperation in the areas of economics, human rights and cultural exchanges. Canada and Cuba will begin meeting to discuss human rights issues in February, and will negotiate a Foreign Investment Protection and Promotion Agreement, which Canada hopes will parallel NAFTA's investment provisions. Canadian Ambassador to Cuba Mark Entwhistle called the U.S. embargo "a sieve," noting that products such as Coca-Cola, General Electric microwave ovens, U.S. cigarettes, U.S. auto parts and Black and Decker power tools are common in Cuba. "The reality is there are all kinds of American businessmen on the island," he said. "The National Hotel lobby . . . is packed with Americans."

A report released in January by the bipartisan, Washington-based Center for Public Integrity detailed the success of the Cuban-American National Foundation in maintaining hard-line U.S. anti-Cuba policies. According to the report, "Squeeze Play: The United States, Cuba and the Helms-Burton Act," the CANF donated heavily to Senator Jesse Helms (R-NC), Representative Dan Burton (R-IN) and Senator Robert Torricelli (D-NJ). The report also says that congressional staffers who drafted Helms-Burton relied heavily on lawyers and lobbyists with ties to the Bacardi liquor empire. Foreign corporations lobbying against Helms-Burton included Mexican telecommunications company Grupo Domos and Canadian mining company Sherritt International.

David E. Sanger, "Europe Postpones Challenge to U.S. on Havana Trade," NEW YORK TIMES, February 13, 1997; "Canada Defies U.S. With Cuba Visit, Strikes Investment Protection Deal," INSIDE U.S. TRADE, January 24, 1997; Tim Shorrock, "Study Eyes Money Trail Behind Helms-Burton," JOURNAL OF COMMERCE, January 24, 1997; "Official Says Cuba Embargo Just 'A Sieve,'" JOURNAL OF COMMERCE, January 31, 1997.

NEW NAFTA AG ADVISORY PANEL

Agriculture Secretary Dan Glickman named 10 U.S. delegates and 10 alternates to the new NAFTA Advisory Committee for Commercial Dispute Resolution Regarding Agricultural Goods on January 16, and south Florida farmers quickly protested the composition of the U.S. delegation. "None are growers and most are importers, brokers and persons with ties to foreign interest," said Gary Smigiel, chair of the Florida Farmers and Suppliers Coalition in a letter to Glickman.

The panel will have equal numbers of representatives from Canada, Mexico and the United States and will serve in an advisory capacity only, according to Kenneth Clayton of the USDA's Agricultural Marketing Services. Eight of each set of 10 delegates must be from outside government and two from within government, and all must have interests in agriculture. The first focus of the new panel will be on making recommendations for procedures to achieve prompt resolution of disputes about perishable fruits and vegetables.

U.S. non-governmental representatives are Daniel Coogan (Tucson, AZ), Michael Machado (Linden, CA), Matthew McInerney (Laguna Niguel, CA), Alan Middaugh (Englewood, CO), Richard Kinney (Zephyrhills, FL), Joseph Procacci (Naples, FL), Jerold Ahrens (Kerrville, TX), and L.Patrick Hanemann (Wenatchee, WA). U.S. government representatives are Kenneth Clayton and Thomas Leming of the USDA Agricultural Marketing Service. Two non-governmental alternates come from California, two from Florida, and one each from Kansas, Wisconsin, Idaho and New York.

"NAFTA Dispute Advisory Committee Members Named," THE COUNTRY TODAY, January 22, 1997; Jane Bussey, "Florida Farmers Slam a NAFTA Advisory Panel," JOURNAL OF COMMERCE, January 28, 1997; "New U.S. NAFTA Advisory Panel on Commercial Farm Disputes Named," INSIDE NAFTA, January 22, 1997.

BORDERS OPENING TO TRUCKERS

After more than a year of delay, the Clinton Administration appears close to opening U.S. border states to Mexican trucking companies. While some press reports predicted a February announcement, others speculated that the opening may come during President Clinton's April visit to Mexico.

The prospect pleases officials of the American Trucking Association and worries truckers on both sides of the border, as well as many consumer and labor groups in the United States. "This will hurt highway safety and put U. S. trucking companies in the position where they can exploit the low wages of Mexican truck drivers," said Steve Trossman of the Teamsters Union.

The California Trucking Association, representing trucking companies, said U.S. truckers were missing out on hundreds of loads that moved between the Los Angeles-Long Beach port and the maquiladora manufacturing plants in northern Mexico. Under the current arrangement, U.S. truckers take the containers of components shipped from Asia to zones along the California-Mexico border, where Mexican truckers pick them up and take them to the maquiladoras. Texas A&M International University Professor James Giermanski said the drayage business, which now employs 5,000 people in ferrying goods from Mexican trucks on one side of the border to U.S. trucks on the other, will end when borders open.

Under NAFTA, the U.S. and Mexican governments agreed to allow truckers to drive in border states by January 1996 and throughout each country by 2000. An estimated 80 percent to 85 percent of cargo between the United States and Mexico travels by highway.

California has opened inspection stations for Mexican trucks, and says that Mexican trucks have about the same inspection failure rate as U.S. trucks. "They send only good equipment and their best drivers," reports Ron Hoffman, state director in Southern California for the Federal Highway Administration's Office of Motor Carriers, adding that Mexican carriers find it cheaper to invest in modern equipment than to pay stiff fines and penalties. Differing national trucking regulations, such as Mexico's ban on 53-foot trailers, remain to be resolved.

Tim Shorrock & Chris Isidore, "Mexican Trucks Gain U.S. Access," JOURNAL OF COMMERCE, January 29, 1997; Bill Mongelluzzo, "California Truckers Seek NAFTA Action," JOURNAL OF COMMERCE, February 4, 1997; Timna Tanners, "U.S., Mexico Truckers Wary of Border Opening," REUTER, February 5, 1997; "Clinton to Visit Mexico, Latin America," REUTER, February 5, 1997.

NAFTA LABOR ACCORD NOT WORKING WELL

Despite the existence of a side agreement on labor as part of NAFTA, workers in Mexico say that they still routinely are denied the protections guaranteed to them under Mexican law. The most recent complaint was filed before the U.S. National Administrative Office (NAO) in October 1996 by the Communication Workers of America and two Mexican unions, the Union of Telephone Workers of the Republic of Mexico (STRM) and the Federation of Unions of Goods and Services Companies of Mexico.

Workers at Maxi-Switch, a Taiwanese company that manufactures computer keyboards and games at a plant in Sonora, Mexico, say that the company and the local labor board refused their request for legal recognition of an independent union, saying that workers were already represented by the gigantic, government-aligned Confederation of Mexican Workers (CTM). Workers say they did not even know of the existence of the union that signed the contract on their behalf. The practice of company-union collusion is often called a "protection contract" between employer and a "ghost union," in order to avoid recognition of a union that would vigorously represent employees.

The labor side agreement provides that NAFTA signatories will ensure impartial labor tribunals and transparent decision-making processes, but workers charge that members of the tribunal that ruled against Maxi-Switch organizing efforts were CTM officials. An earlier complaint to the NAO involved a similar complaint by Sony workers, who described a union authorization election that was called at midnight by CTM to take place the following morning. The election was held on a football field, and workers were told to go to one side or the other to vote for CTM or the independent union, as company representatives filmed the entire procedure with video cameras.

Women workers, the overwhelming majority of workers in the border maquila industries, suffer particular discrimination and harassment. Mexican law allows women six weeks leave before birth and six weeks maternity leave after giving birth, all at full pay, but employers circumvent the law by requiring pregnancy tests before hiring and by making extraordinary demands on pregnant women, reassigning them to more difficult tasks, and being forced to stand rather than to sit while working, so that they will quit and not take advantage of the legally guaranteed maternity leave.

Although Mexican law guarantees women the same rights as men, the legal guarantees are not enforced by the government. Harassment can be as blatant as the order given by managers of American United Global, a California manufacturer, to women at a company picnic. Female employees were ordered to strip for a "bikini contest," and the 118 women who later filed a sexual harassment suit in Mexican courts were fired from their jobs. After the women filed suit in Los Angeles, American United Global settled out of court.

"NAFTA Labor Agency to Review Complaint," JOURNAL OF COMMERCE, December 12, 1996; "U.S., Mexican Unions Use NAFTA Side Deal to Challenge Mexican Labor Institutions," BORDERLINES, January, 1997; Nancy Dunne, "Mexican Job Laws Under Spotlight," FINANCIAL TIMES, September 3, 1996; Molly Moore, "Rights of Pregnant Workers at Issue on Mexican Border," WASHINGTON POST, August 21, 1996; Leslie Crawford, "Defiance Pays Off for Bikini Women," FINANCIAL TIMES, August 29, 1996.

IPR DISPUTES WITH MEXICO, ARGENTINA

On January 15, U.S. Trade Representative-Designate Charlene Barshefsky said that the United States would penalize Argentina for lax patent protection by withdrawing half of Argentina's Generalized System of Preferences (GSP) benefits. Barshefsky called patent and health registration laws passed in Argentina last year "far short of adequate and effective protection," and specifically objected to provisions that "provided that patent protection would not be available for pharmaceutical products until November, 2000 and contained provisions inconsistent with the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights."

Pharmaceutical Research and Manufacturers of America President Alan Holmer criticized the U.S. action as inadequate, since it will result in only about a $13 million penalty. PhRMA claims that piracy by Argentine firms costs U.S. drug companies more than half a billion dollars a year.

U.S. music publishers may suffer under Mexico's new copyright laws, because they will neither enjoy national treatment nor be able to invoke criminal penalties in violations involving sound recordings. Other U.S. producers of copyrighted materials criticized the hastily-passed law, which was sent to the Mexican Congress in November, passed three weeks later, and is scheduled to go into effect on March 24, as failing to meet the enforcement requirements of NAFTA because of procedural shortcomings in civil proceedings and because of apparent decriminalization of most copyright violations.

"Clinton Removes Half of Argentina's GSP Benefits in Patent Tiff," INSIDE NAFTA, January 22, 1997; "U.S. IPR Industries Find Fault With New Mexican Copyright Law," INSIDE NAFTA, January 8, 1997.

NAFTA SUGAR DEAL QUESTIONED

In February, the Clinton Administration asked U.S. sugar producers to consider renegotiating the NAFTA side letter that governs market access for Mexican sugar. Mexican sugar producers and U.S. refiners want more raw Mexican sugar shipped to the United States. U.S. refiners want limits on the amount of refined sugar shipped, fearing that if Mexico ships all its eligible tonnage as refined sugar, it will destroy the U.S. refining industry.

Under the agreement, as described by then-U.S. Trade Representative Mickey Kantor in his November 3, 1993 letter, Mexico could ship up to 25,000 tons of sugar to the U.S. in 1994-1999, if it was a net surplus producer, and up to 250,000 tons annually in 2000-2009. The letter described changes in the definition of net surplus producer to include both sugar and high fructose corn syrup in consumption figures, making it harder for Mexico to be defined as producing a surplus.

Mexico is reluctant to acknowledge the validity of the side accord, citing two conflicting letters sent by then-Mexican Commerce Secretary Jaime Serra Puche on November 3 and 4, 1993, but has not formally challenged the existence of a side agreement. U.S. sugar producers may be willing to see the side agreement renegotiated, if such a deal confirms its validity.

Jutta Hennig, "USDA Considers Changing NAFTA Amid Questions Over Sugar Side Deal," INSIDE U.S. TRADE, February 14, 1997.

RESOURCES/EVENTS

-- Mexico at the Crossroads: Politics, the Church, and the Poor, Michael Tangeman. Orbis Books, Maryknoll, NY: 1995. 138 pp. $17. Explores history of interaction between Mexico's rich elite, the church and the poor majority, including background on Zapatista uprising, debates over NAFTA, and impact of neo-liberal policies on the poor.

-- Stubborn Hope: Religion, Politics and Revolution in Central America, Phillip Berryman. Orbis Books, Maryknoll, NY: 1994. 276 pp. $13.95. Includes introduction to church involvement in revolution in Central America, growth of evangelical churches in recent years, and clashing understandings of Christian faith.

To order Mexico at the Crossroads or Stubborn Hope, contact Orbis Books, Order Department, Box

302, Maryknoll, NY 10545. Telephone 800/258-5838; fax 914/945-0670. Email: orbmarketg@aol.com.

NAFTA Index: Three Years of NAFTA Facts, Public Citizen. 5 pp. Order from Public Citizen, 215 Pennsylvania Avenue SE, Washington, D.C. 20003. (202) 546-4996. Round-up of statistics on first three years of NAFTA, with footnotes documenting each item. Examples: Estimated number of U.S. jobs lost due to NAFTA as of October 1996 - 625,000; Number of jobs lost in Mexico in 1995 - 1,850,000; Increase in Mexican Maquiladora jobs since NAFTA's passage - 215,117.

NAFTA's Corporate Con Artists by Sarah Anderson and Kristyne Peter. 5 pp. Covert Action Quarterly. Fall 1995. Order from CAQ, 1500 Massachusetts Avenue, #732, Washington, D.C. 20005. Telephone 202/331-9763; Fax 202/3331-9751; email caq@igc.apc.org. Article details how firms that pushed for NAFTA passage have cut jobs, moved plants to Mexico or continued to violate labor rights and environmental regulations in Mexico.

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FARMERS, FAST TRACK AND FTAA

Rep. Bob Smith (R-OR), new chair of the House Agriculture Committee, said in February that fast-track legislation for free trade agreements, including Chile's possible membership in NAFTA, would be a key topic for the committee this year.

Political maneuvering over fast-track legislation continues, with President Clinton using his State of the Union address to urge congressional approval of fast-track legislation, House Speaker Newt Gingrich (R-GA) reiterating a commitment to extending fast-track negotiating authority but excluding labor and environmental provisions, and Senator Richard Lugar (R-IN) introduced similarly restricted fast-track legislation in the Senate. The Clinton Administration expects to finalize its own fast-track proposal in March.

Richard Gephardt, House Democratic leader, sent a letter to all House Democrats asking that they support a fast-track authorization that includes labor and environmental issues not "in separate side agreements that can later be rejected by the Republicans, but as integral parts of the agreement itself. . . . Trade agreements should not become vehicles to undermine progress in these important areas." Gephardt noted that three years of experience with NAFTA have shown that the labor and environmental side accords have failed to protect either workers or the environment and that both the situations of workers in the U.S. and Mexico and environmental degradation along the U.S.-Mexico border have worsened. He warned that Chilean labor and environmental laws are even weaker than Mexican laws and must be strengthened as part of any trade pact.

On February 19, the Executive Council of the AFL-CIO issued a statement on fast-track legislation and free trade, warning that "Workers, not just corporations, must be empowered, and government needs to reassert itself to insure that the benefits of increased trade and investment be widely distributed." The statement included a call for inclusion of worker rights, labor standards and environmental protection in any fast-track legislation and free trade agreements.

In a February 4 letter to President Clinton, representatives of 26 agricultural producer organizations expressed concerns about continuing problems of agricultural producers under NAFTA and the Uruguay Round Agreement and fears that U.S. agriculture is not being sufficiently protected in talks on China's accession to the World Trade Organization. They asked that the Clinton Administration "renew its support for agricultural trade by aggressively addressing the industry's major problems with NAFTA and the Uruguay Round," and asked for a meeting with the President to discuss the agricultural sector's concerns.

Representatives of six mainstream environmental groups wrote to Vice President Al Gore in February to register their concern that "The NAFTA environmental institutions have done little to clean up the U.S.-Mexico border or to ensure strong, effective environmental laws in the NAFTA countries," and to ask that any new trade negotiations and fast-track legislation include strong environmental provisions.

Meanwhile, Canada is pushing for early negotiations on creation of a Free Trade Area of the Americas (FTAA), proposing that formal negotiations begin early in 1998 and be completed by the end of 2003. Canada wants the FTAA to be a stand-alone accord, rather than a merger of sub-regional trading groups such as NAFTA and Mercosur. The four Mercosur nations - Brazil, Argentina, Paraguay and Uruguay - want a later start date for FTAA negotiations, with earlier talks focusing on "business facilitation" and non-tariff measures. FTAA trade ministers will try to set a timetable and structure for negotiations at a mid-May meeting in Belo Horizonte, Brazil.

Larry Waterfield, "Free Trade, Research at Top of the Agenda," THE PACKER, February 17, 1997; "Clinton Calls for Fast-Track Authority in State of the Union Speech," "Gingrich Suggests Softer Republican Stance on Fast-Track Authority," "Highlighting Chile's Trade Activity, Lugar Introduces Fast-Track Bill," "Canada Proposes FTAA Talks Begin in Early 1998, End before 2004," INSIDE NAFTA, February 6, 1997; Mike Dolan, "Three Cheers for the AFL-CIO," PUBLIC CITIZEN, February 22, 1997; "Mercosur Plan at Odds With U.S., Canada on Start Date for FTAA Talks," "Clinton Administration to Make Proposal on Fast-Track Next Month," "Agricultural Letter on Fast Track," "Environmental Letter on Fast Track," INSIDE U.S. TRADE, February 28, 1997; "Gephardt Letter to House Democrats on Fast Track Authority," February 26, 1997.

CRP AND EEP

Final Conservation Reserve Program (CRP) rules issued in February by the U.S. Department of Agriculture drastically reduce the amount of U.S. farmland that will be enrolled in the program after September. About 14 million of the currently-enrolled 36 million acres will be returned to production, possibly leading to depressed crop prices, land values and land rental rates, according to Wally Sparby, Minnesota director of the Farm Services Agency that administers the program. The redesigned CRP program focuses on soil erosion prevention, water quality improvement, and wildlife habitat enhancement through a new Environmental Benefits Index.

Both the Clinton administration and House Agriculture Committee chair Bob Smith (R-OR) support full funding for the Export Enhancement Program (EEP) in fiscal year 1998, despite anticipated opposition from the European Union. U.S. Secretary of Agriculture Dan Glickman described EEP as a "big stick," and promised "to use it if that's necessary to protect our producers from unfair competition." Smith claims that European Union domestic and export subsidies totaled $49 billion last year, compared to only $12 billion by the U.S., and pointed out that EEP costs only $500 million. Senate Agriculture Committee Chair Richard Lugar (R-IN) opposes EEP. Smith also promised to fight to maintain the Market Access Program (MAP), which subsidizes agricultural advertising overseas and has been attacked as "corporate welfare."

"Final CRP Rule Denies Extension of Existing Contracts," "Government Announces Final CRP Rules," MINNESOTA AGRICULTURE, February 19, 1997; "House Agriculture Chairman Calls for Reactivation of EEP," INSIDE U.S. TRADE, February 14, 1997; USDA Secretary Dan Glickman, "1997 Agricultural Outlook," February 24, 1997.

COLLISION COURSE ON CUBA

As the World Trade Organization named a three-member dispute resolution panel to hear European Union complaints against the United States over provisions of the Helms-Burton law penalizing some companies and individuals that do business with Cuba, the United States insisted that the law is a national security provision and thus is outside the jurisdiction of the WTO. Although the United States did not act immediately to block formation of the panel, senior U.S. officials said that the United States would simply ignore the panel.

WTO head Renato Ruggiero named Arthur Dunkel of Switzerland (former head of the General Agreement on Tariffs and Trade), Ted Woodfield of New Zealand, and Tommy Koh of Singapore to make up the panel.

The United States and the European Union continue to negotiate on the EU complaint, which was first filed on May 3, 1996. The panel will not make any formal ruling for at least another six months. Both sides would prefer to avoid U.S. invocation of the national security clause, fearing that such a move could seriously damage the WTO, both by opening the door for other countries to claim national security exemptions for trade-related laws and by undermining U.S. support for the WTO. The European Union contends that no country can simply assert a national security interest to avoid the WTO, but must make a case for why this is a national security matter and submit to the ruling of the WTO panel.

Ian Elliott, "WTO to Name Helms-Burton Panel," FEEDSTUFFS, February 24, 1997; "EU Starts Official Challenge to U.S. on Anti-Cuba Trade Law," LOS ANGELES TIMES, February 21, 1997; "U.S. Says It Will Not Participate in WTO Panel on Cuba," INSIDE U.S. TRADE, February 21, 1997; Robert Evans, "WTO Chief to Name Judges in EU-US Cuba Trade Row," REUTER, February 19, 1997; Jim Lobe, "U.S. to Reject WTO Panel," INTERPRESS SERVICE, February 21, 1997; Lionel Barber and Guy de Jonquiéres, "Helms-Burton: Brussels Seeks Amicable Settlement," FINANCIAL TIMES, February 19, 1997.

BEEF, PORK EXPORTS

Montana beef producers lost a bid for endorsement of their request for a tariff on Canadian cattle by the National Cattlemen's Beef Association international trade committee in January. Montana producers say that Canadian cattle contribute to an oversupply of beef and lower cattle prices. Other producers point out that large amounts of U.S. beef go to Ontario and Quebec, while the trade differential between the two countries is falling. (The trade differential is the difference between the weights of all exported and imported meats and live cattle.)

In 1996, six percent of all meat consumed in the United States was imported from all over the world, including Canada. Some Montana producers also object to the fact that when Canadian cattle are slaughtered in the United States, the resulting beef is labeled as a product of the U.S.A.

Canadian packers and U.S. hog producers want a Canadian quarantine on live hog imports lifted, but the Canadian National Farmers Union insists that the protection against pseudorabies remains necessary to protect Canada's pseudorabies-free status. Nineteen U.S. states are pseudorabies-free, and nine others have no known infected herds. The U.S. imposes a retaliatory duty of about $3 per hog on Canadian hogs.

"Montana Angered by Canadian Live Beef Imports; Tariffs Urged," WESTERN PRODUCER, February 6, 1997; Michael Raine, "Pressure Builds to Change Hog Import Rules," WESTERN PRODUCER, February 13, 1997.

TOMATO PRICES UP

Four months after tomato growers in Mexico and Florida agreed on a minimum price of $5.17 for a carton of Mexican tomatoes in exchange for the Florida growers' suspension of their anti-dumping case against Mexico before the U.S. Department of Commerce, tomato prices have almost doubled, due to a severe freeze in southwest Florida. Prior to the mid-January freeze, the price agreement, accompanied by a Florida Tomato Exchange agreement pegging Florida growers' prices at a minimum $5.35 per carton, seemed to be working.

Earlier in the season, hundreds of truckloads of Mexican tomatoes had been turned back because of market conditions. Distributors rejected loads with quality problems that would have made sale at $5.17 difficult.

Tom Karst, "Reality Sets In After Signing," THE PACKER, February 17, 1997.

U.S. PRODUCE EXPORTS RISE

For the 13th year in a row, U.S. produce exports are projected to increase, this year reaching a record $10.5 billion. Fruit, vegetable, and horticultural exports are increasing three times faster than production, with U.S. growers exporting 25 percent of all fresh fruit, 8 percent of vegetables, and as high as 70 percent of some tree nuts.

The U.S. share of the world's produce trade is a record high 19 percent, compared to 12 percent for the entire European Union and five percent each for Argentina and Chile. Canada, the European Union and Japan buy nearly 70 percent of U.S. produce exports, with Hong Kong, Mexico, Taiwan and Korea taking another 14 percent. Sales to Brazil and Russia are also growing.

Overall, the U.S. trade deficit reached an eight-year high in 1996, as U.S. trade in goods climbed 6.5 percent. Part of the deficit was attributed to lower exports of corn and soybeans at the end of the year. U.S. trade with South and Central America and the Caribbean earned a surplus for the fifth consecutive year, though the United States continued to show a deficit in trade with both Canada and Mexico and the deficit in trade with Mexico for the year reached $16.2 billion.

Larry Waterfield, "It's a Small World After All," THE PACKER, February 17, 1997; "US-W. Hemisphere Trade at Record High in 1996," TRACKING U.S. TRADE, February 19, 1997; Robert D. Hershey Jr., "Trade Deficit Grew Sharply Last Year," NEW YORK TIMES, February 20, 1997.

FLOWER EXPORTS UNDER ATTACK

U.S. flower growers, angered by Colombia's $1-million-a-day flower exports to the United States, have won the support of two California Congressional representatives in a drive to re-impose tariffs on Colombian flowers. The tariffs were lifted five years ago to encourage substitution of flowers for coca leaf and opium poppies by Colombian farmers. Since then, Colombian production of cocaine and heroin has grown.

According to Representative Sam Farr (D-CA), whose district includes big flower farms in California's Salinas Valley, U.S. flower growers are being driven out of business as cut flowers account for two-thirds of imports coming in duty-free under the Andean Trade Preferences Act. Unless the duty-free treatment is changed, said Farr, "American-produced flowers are going to be as hard to find as an American-produced television set."

Miami business leaders countered that reimposing duties on Colombian flowers would directly threaten 5,400 Florida jobs and indirectly endanger another 10,000. If duties were reimposed, the price of flowers would increase by 3.6 to 7.4 percent.

Meanwhile, Percy Hawkes of the U.S. Department of Agriculture's Animal and Plant Health Inspection Service, said that the preclearance program being set up for flower exports might show the way for fresh fruit producers in Colombia to set up a similar program and increase Colombian fruit exports to the United States.

Christopher S. Wren, "U.S. Sours on Flowers as a Weapon in the War on Drugs From the Andes," NEW YORK TIMES, February 17, 1997; Steve Anderson, "Flowers May be Key to Exports," THE PACKER, February 17, 1997.

RESOURCES/EVENTS

"The Transformation of Rural Mexico: Building an Economically Viable and Participatory Campesino Sector," a research workshop sponsored by the Center for U.S.-Mexican Studies at the University of California, San Diego and the Centro de Investigaciones y Estudios Superiores en Antropología Social de Occidente (CIESAS-Occidente) will be held on Wednesday, April 16, 1997 in Guadalajara, Mexico prior to the Latin American Studies Association International Congress. For more information, please contact Richard Snyder by telephone at (619) 534-4681, by fax at (619) 534-6447, or by e-mail at: rsnyder@weber.ucsd.edu.

"NAFTA's Broken Promises: Failure to Create U.S. Jobs," Public Citizen Publications, 1997. $10. Reports on interviews with more than 80 firms that made specific NAFTA job creation and export expansion promises in 1993, finding that most promises were broken and that NAFTA actually cost U.S. jobs. Order from Public Citizen Publications, 1600 20th Street NW, Washington, D.C. 20009 or call (202) 588-1000.

"Is NAFTA Constitutional?" by Bruce Ackerman & David Golove. Harvard University Press Cambridge, MA: 1995. $12.95 paper. 129 pp. Order from Harvard University Press, Holy Oak Center, Cambridge, MA 02138. Tel. 617/495-2600. Explores constitutionality of twentieth century displacement of the treaty clause requirement of advice and consent to treaties by two-thirds of the Senate by joint House-Senate consideration with passage by simple majorities.

"Social Dimensions of North American Economic Integration: Impacts on Working People and Emerging Responses," prepared for The Department of Human Resources Development by the Canadian Labour Congress. 1996. 83 pp. and appendices. $8.00. Order from Canadian Labour Congress - Attention: NAFTA Desk, 2841 Riverside Drive, Ottawa, Ontario, K1V 8X7. Telephone 613/521-4655. Covers impacts of free trade on Canadian, U.S., and Mexican workers, social dimensions of NAFTA, and strategies of labor, popular, and political movements opposed to NAFTA in all three countries.

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CHALLENGES TO U.S. TRADE POLICY

The NAFTA Accountability Act, introduced in Congress by a bi-partisan group of legislators on March 4, would force renegotiation of NAFTA to meet "clear and measurable performance standards" on labor, the environment and other issues, and would mandate withdrawal from NAFTA if the U.S. trade deficit with either partner is "excessive." The bill also calls for certification that increased imports are not resulting in greater entry of illegal drugs, and would prohibit expansion of NAFTA to Chile or any other countries until the performance standards are achieved.

Backers of the bill include some of the most liberal and most conservative members of the House of Representatives, such as Rep. Marcy Kaptur (D-OH), Rep. John Conyers (D-MI), Rep. Bernie Sanders (I-VT), and Minority Whip David Bonior (D-MI) as well as conservative Rep. Clifford B. Stearns (R-FL) and Rep. Zach Wamp (R-TN.)

House Minority Leader Richard Gephardt circulated a 12-page document to Democratic colleagues, calling for an expansion of the Congressional role in trade negotiations, for strengthening labor and environmental provisions in NAFTA, and for limiting new trade negotiations with China.

In a letter to Congressional representatives, the United Auto Workers strongly opposed fast-track legislation. Fast-track legislation would give the administration greater negotiating authority, requiring Congress to vote yes or no on specified trade agreements without making changes or amendments to the agreements. The UAW calls NAFTA "an unmitigated failure for workers in all three countries, and especially workers in the U.S. automotive industry." Mexico now exports more cars to the United States than the United States does to the world. The U.S. automotive trade deficit with Mexico increased from $3.6 billion in 1993 to $15.1 billion in 1996, and the U.S. automotive trade deficit with Canada grew from $9.5 billion in 1993 to $12.7 billion in 1996.

The UAW points to both loss of U.S. automotive manufacturing jobs and to "immense downward pressure on the standard of living of American workers," as companies "threaten to move work to Mexico in order to undermine" bargaining on wages, benefits and working conditions. Nor has NAFTA improved conditions for Mexican workers, the UAW maintains, since purchasing power of wages in Mexico has declined by 25 percent since 1993 and the labor side agreement has proved ineffective in protecting worker rights.

John Maggs, "Gephardt Challenges Trade Policy," JOURNAL OF COMMERCE, February 28, 1997; Tim Shorrock, "Bill Would Force US to Quit Nafta Unless Standards Met," JOURNAL OF COMMERCE, March 6, 1997; Nancy Dunne, "Anti-Nafta Forces in US Congress Take Aim," FINANCIAL TIMES, March 6, 1997; News Release, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS, March 5, 1997; "Crane Says USTR Confirmation Paves Way for Progress on Fast Track," INSIDE U.S. TRADE, March 7, 1997; "Non-Trade Issues Could Thwart Fast Track, Legislative Aides Warn," INSIDE U.S. TRADE, March 14, 1997.

INTERNATIONAL GRAIN NOTES

** As world demand for soybean meal grows, South America is increasing production to meet the demand. Current worldwide reserves are only about 12 percent of the quantity used during a year, and U.S. mills are operating at capacity, with U.S. reserves at only 6 percent of use. According to Doane Agricultural Services in St. Louis, "Total world soybean usage is forecast to reach 4.9 billion bushels."

Brazil expects a record crop for the fifth year in a row, and Argentine soybean production has doubled in the last 10 years, with another record crop expected this year. U.S. production is expected to be about 2.5 billion bushels this year, just short of 1994's record. The United States is the world's largest producer of soybeans, followed by Brazil and Argentina, but Brazil and Argentina are the world's largest exporters of soybeans. Worldwide, 11 companies dominate 88 percent of soybean sales.

** The Mexican government has extended the sale process in the privatization of about one-third of its grain storage facilities. Almost all of the 700 publicly owned grain storage units will be sold in three stages, the first of which is now underway. Alsur, the company now being sold, owns storage facilities in an area from the Guatemalan border to Mexico City. The 33 companies interested in purchasing Alsur include Cargill, Farmland Industries, Archer Daniels Midland, Louis Dreyfus and Continental Grain. MINSA (a flour miller) and ICA (a construction business) are among possible Mexican buyers. At least 51 percent of ownership must remain in Mexican hands, with 20 percent controlled by Mexican producer groups.

** Mexico has rejected a request from feed grain buyers to eliminate import duties on U.S. soymeal, saying that there is "sufficient domestic production of soybean meal." The import duty, protested by Mexican livestock feed associations and the National Poultry Producers Union, is set at 9 percent.

** Wheat consumption is increasing in Guatemala, as government officials work to keep bread prices low. One step taken in November was to increase the total wheat import quota. The United States and Canada supply almost all of Guatemala's wheat imports, with the U.S. market share totaling about 240,000 of 308,000 metric tons. Guatemala's staple food is white corn, and the country produces only about 25,000 tons of wheat per year, though about 285,000 tons of wheat are used each year. Guatemala also imports yellow corn for use in livestock industries, predominantly to feed poultry.

** Jim Parker, a representative of the U.S. Department of Agriculture, criticized the Australian Wheat Board in February, saying: "We believe that state trading exporters have more manipulative power than market-oriented exporters." Australian law mandates the "single desk" selling arrangement, defended by Australian trade minister Tim Fischer, who says Australia does not subsidize wheat growers and is not in violation of World Trade Organization rules. In the past, Australia has complained about U.S. subsidies to wheat producers, particularly about the U.S. subsidies under the Export Enhancement Program.

** Railway delays in getting grain to 40 waiting ships at West Coast ports has forced Canadian grain prices down by $1 to $6 (Canadian) per metric ton for top grade red spring wheat, with prices stabilizing at C$210 to C$225 per ton. Durum prices also fell slightly. The Canadian Wheat Board and farm groups blame the railroads, but the railroads say weather and factors beyond their control have forced the delays.

** U.S. wheat growers are worried about increasing Canadian wheat exports to the United States, but Canadian Agriculture Minister Ralph Goodale notes that exports are far below the record levels of the early 1990s. Goodale warned the United States not to resurrect the Export Enhancement Program, an export grain subsidy. The U.S. Tariff Rate Quota expired in 1995, but U.S. officials and growers want Canadian imports to remain below levels established by the TRQ.

Linda H. Smith, "Into the Breach," FARM JOURNAL, March, 1997; Marcela Valente, "Soya Producers in the Pink," INTERPRESS SERVICE, March 12, 1997; "Mexico Will Not Drop Soymeal Import Duty," JOURNAL OF COMMERCE, February 18, 1997; Melissa Cordonier, "Deregulation of Wheat, Flour, Baking Advances in Guatemala," MILLING & BAKING NEWS, January 21, 1997; "US Pans Australia Wheat Sales Plan," JOURNAL OF COMMERCE (from Associated Press), February 6, 1997; Charles House, "Mexico Selling Grain Storage Operations," FEEDSTUFFS, March 3, 1997; "Canada Grain Shipping Delays Hit Prices," AG WEEK, March 3, 1997; "Canada Poised to Reject U.S. Demands on Curbing Wheat Trade," INSIDE U.S. TRADE, February 14, 1997; Barry Wilson, "Goodale Chides U.S. Grain Council," WESTERN PRODUCER, February 6, 1997.

WORLD GRAIN RESERVES LOW

According to a March report by Worldwatch Institute, last year's record grain harvests still left world grain reserves dangerously low. Those reserves, currently estimated at 55 days' worth of consumption, are lower than any time except 1973. In order to withstand "one moderately poor harvest without a runaway rise in grain prices," reserves should equal 70 days of consumption.

Last year's record grain harvest added only four days' worth of consumption to reserves. While the World Bank predicts lower grain prices and "considerable restocking" this year, Worldwatch disagrees. "With the world consuming 5 million tons of grain every day, increasing carryover stocks from 55 to 70 days of consumption requires an additional 75 million tons of grain," the institute says, requiring a harvest this year of 1.92 billion tons, about 80 million tons more than last year.

While the world grain harvest tripled from 1950 to 1990, says Worldwatch, "land scarcity, water scarcity, and the diminishing response to the use of traditional fertilizer" make it difficult to continue expanding production.

Abid Aslam, "Grain Stocks Vulnerable to Weather, the Wealthy," INTERPRESS SERVICE, March 6, 1997.

BANANA CHANGES VOTED

The European Parliament adopted a European Commission proposal to change the European Union banana import regime, despite objections by Farm Commissioner Franz Mischler. The proposal will cut the share of the EU market allotted to the African, Caribbean and Pacific nations favored as former colonies of EU member states.

While increasing the overall tariff quota from 2.2 million to 2.553 million tons of bananas, to account for accession of Austria, Finland and Sweden to the EU, the proposal raises from 66.5 to 70.5 percent the market share allotted to Latin American bananas, sold mainly by U.S.-based multinationals. The proposal will take effect if approved by the Council of Ministers of the European Union.

The United States has challenged the region's special banana export arrangement with Europe before the World Trade Organization, and a ruling is expected shortly.

"Euro-MPs Accept Cut in ACP Share of Banana Market," REUTER, February 18, 1997; Michael Becker, "Caribbean Leaders Brace for Lome Pact Changes," REUTER, February 20, 1997.

COFFEE PRICES UP SHARPLY

World coffee prices soared to more than two dollars per pound, the highest price in three years, due in part to port strikes in Colombia and Brazil and to the Association of Coffee Producing Countries' agreement to reduce exports.

U.S. and world reserves of coffee beans are shrinking, and Brazil, the world's largest coffee producer, is headed for the poorest coffee crop of the decade, according to forecasters. The drop in Brazilian production is still attributable to the 1993 drought and freeze, which damaged a third of Brazil's coffee trees. Besides the continuing tree damage, some Brazilian producers have shifted to more profitable crops.

The United States is the world's largest importer of coffee. Brazil and Colombia together supply more than 40 percent of the world's coffee. Colombian production estimates have been contradictory, increasing speculative trading and price swings.

In Central America, total production of coffee has increased only slightly. Guatemala, the largest producer in Central America, remains outside the ACPC, though its producers did cooperate in the 1993-94 retention plan. Central American production is increasingly affected by violence in the coffee-growing countryside. Salvadoran and Guatemalan coffee growers complain of a high number of kidnappings, highway assaults and robberies of trucks loaded with processed coffee. In Nicaragua, armed groups of ex-combatants, who fought in the contra war of the 1980s and now operate as bandits, have increased violence in coffee-growing regions of the country.

"World Coffee Prices Soar; Violence Mars Production," CENTRAL AMERICA REPORT, February 13, 1997; Howard Simon, "Price of Imported Coffee Beans Tops $2 a Pound," JOURNAL OF COMMERCE, March 10, 1997; Howard Simon, "Brazil's Coffee May be Scarce Commodity by '98," JOURNAL OF COMMERCE, February 27, 1998; Howard Simon, "Colombia's Coffee-Output Estimate Swings Probed," JOURNAL OF COMMERCE, March 3, 1997.

FTAA NEGOTIATIONS MOVE FORWARD

The meeting of vice-ministers in Recife, Brazil in late February moved toward agreement on beginning negotiations to establish the Free Trade Area of the Americas (FTAA) at the second hemispheric summit, scheduled for Santiago, Chile in March 1998, and completing those negotiations by 2005, according to Venezuelan negotiator Miguel Rodriguez Mendoza. The next vice ministerial meeting will take place in Rio de Janeiro in April and trade ministers will meet in Belo Horizonte, Brazil in May.

According to Rodriguez, speaking to InterPress Service, the United States, Canada, Mercosur and Caricom agreed that nations will be able to participate in negotiations either individually or as groups. Caricom and Mercosur plan to negotiate as blocs, while NAFTA members will negotiate individually. Negotiations will include a broad range of issues, from tariff reductions to investment rules and intellectual property rights. A General Secretariat will concentrate negotiations in no more than three cities, with the United States still pushing for negotiations to be centralized in a single city.

Remaining disagreements include whether or not there should be stages in the negotiations, and, if so, what would be negotiated first. The United States and Mercosur want negotiations to proceed in stages, though they do not agree on the number of stages or on what should be included in each stage. Mercosur wants business facilitation discussed first, with discussion of market access postponed to 2003, while the United States wants market access and intellectual property to come first.

The role of the Secretariat, to be established in 1998, is also under continuing debate.

"Confrontation on FTAA Path Deferred Until April Meeting in Rio," INSIDE U.S. TRADE, March 7, 1997; Richard Lawrence, "Prospects Bright for Pact on Hemispheric Free Trade," JOURNAL OF COMMERCE, March 5, 1997; Estrella Gutierrez, "FTAA Negotiations to Start March 1998," INTERPRESS SERVICE, March 11, 1997.

U.S. APPLE DUMPING CHARGED

Apple producers from the Mexican state of Chihuahua say that U.S. growers are exporting Red and Golden Delicious apples to Mexico at below production costs, and Mexico's trade ministry has begun an investigation into dumping charges. U.S. apple growers deny the charges. Mexico is t he top apple market for Washington State, which shipped 1.28 million cartons to Mexico in February 1997, compared to 919,000 cartons for all of 1995-96.

Lance Jungmeyer, "Mexico Looks at Dumping Claims," THE PACKER, March 10, 1997.

BRAZIL PROTESTS TRADE BARRIERS

Brazil plans to file a World Trade Organization complaint against European Union tariffs on Brazilian chickens. Brazil also wants changes in U.S. tariffs, since its 1990 $3.2 billion trade surplus with the United States has turned into a soaring trade deficit. The cost of Brazilian orange juice in the United States has doubled due to U.S. tariffs of $454 per ton, and the U.S. maintains quotas on imports of Brazilian sugar, chicken and textiles, while Brazil has slashed its average tariffs from 41 percent in 1988 to 12 percent in 1996.

Mario Osava, "Brazil Attacks EU and US Trade Barriers," INTERPRESS SERVICE, February 13, 1997; Mario Osava, "Chilly U.S.-Brazilian Ties Affect FTAA Talks," INTERPRESS SERVICE, February 26, 1997.

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"Democracy Undermined, Economic Justice Denied: Structural Adjustment and the Aid Juggernaut in Haiti," by Lisa A. McGowan. The Development Gap, Washington, D.C.: 1997. 35 pp. Order from The Development Group for Alternative Policies, 927 15th Street, NW - 4th Floor, Washington, DC 20005. Telephone 202/898-1566; Fax 202/898-1612; E-mail dgap@igc.apc.org. Critiques structural adjustment, International Monetary Fund policies, and the failure of foreign aid in Haiti in recent years.

WSAA Newsletter, a quarterly publication of the World Sustainable Agriculture Association, dedicated to achieving sustainable food and farming systems that are both economically viable and environmentally sound. Suggested contribution for subscription - $18. Available from WSAA Publications, 8544 Melrose Avenue, West Hollywood, CA 90069. Telephone 310/657-7202; Fax 310/657-3884; Email pmadden1@aol.com.

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BANANA RULING FROM WTO

On March 18, the World Trade Organization Dispute Panel issued a preliminary ruling on the U.S. challenge to the European Community's (EC) tariff quota regime for bananas. The panel found the EC in violation of the General Agreement on Tariffs and Trade (GATT), the General Agreement on Trade in Services and the Agreement on Import Licensing Procedures, due to discriminatory quota allocation, for its licensing procedures for importers, and for violations of its commitments under the General Agreement on Trade in Services. The confidential panel report, released to the parties on March 18 in Geneva, will become final only in late April, after the parties have an opportunity to comment. The EC is expected to appeal the decision. Appeals and negotiations will delay any changes in the EU banana regime for at least a year.

The complex EC banana import regime divides tariff quotas among suppliers from the EC (including overseas territories), the African Caribbean Pacific countries (governed by the EC-ACP Lome Agreement), the Banana Framework Agreement (BFA) countries with whom the EC negotiated and agreed on tariff quotas, and third countries. The banana regime also provides rules for licensing various categories of importers and for allocation of tariff quotas among them. ACP producers are favored over Latin American producers. The panel upheld the EC's right to establish quotas for ACP bananas produced by former colonies of EC states, in accordance with a waiver received for the Lomé Convention.

The United States had brought the case on behalf of Chiquita Brands International Inc., a U.S.-based company which claims that 2,000 high-paying U.S. office jobs are threatened by the EU's banana regime. Not coincidentally, Chiquita is a major exporter of Latin American bananas. Four Latin American countries -- Ecuador, Guatemala, Honduras and Mexico --joined the dispute.

An EC spokesperson in Brussels defended the regime, saying that it "allows for a massive slice of the European banana market to go to U.S. multinationals operating out of Latin America, while respecting traditional exports of a small group of very poor Caribbean ACP countries which depend overwhelmingly on banana production."

An official of the St. Lucian government warned that implementation of the WTO ruling would devastate the economies of the eastern Caribbean nations that depend heavily on banana exports to Europe. The EU buys half of the exports of the four Windward Islands (Dominica, Grenada, St. Lucia and St. Vincent, and the Grenadines). These exports make up 15 percent of the countries' gross domestic product. Small farms on hilly terrain in the Windward Islands make Caribbean fruit more expensive than that produced on large, flatland plantations in Latin America.

A report released in London in March showed that bananas are now the most popular fruit in Britain, with consumption having doubled since 1985. British consumers prefer Caribbean bananas because they are sweeter and fit better into children's lunch boxes.

As the WTO ruled on bananas, the U.S. press reported that the American Financial Corporation (AFC), which owns Chiquita Brands, had made a series of contributions to the Democratic party. AFC contributed $100,000 to the Democratic party on August 4, 1995 and $15,000 in February, 1996, and AFC Chief Executive Officer Carl Lindner turned up on the list of Democratic Party benefactors allowed to stay overnight at the White House. The Clinton administration made its first formal move to challenge the EU banana regime on September 28, 1995 and filed the formal challenge with the WTO on April 11, 1996.

Clinton administration officials said there was no connection between the $460,000 in AFC/Lindner contributions made to Democrats between 1993 and 1996 and its banana policy. U.S. Trade Representative Charlene Barshefsky said that Lindner had, in fact, wanted the United States to impose sanctions rather than taking the case to the WTO. And Lindner also supported the Republicans, lending Republican presidential candidate Bob Dole his corporate planes for campaign transportation.

Jutta Hennig, "Confidential WTO Report Shows Win for U.S. on EU Banana Regime," INSIDE U.S. TRADE, March 20, 1997. ; Patrick Smikle, "A Day of Coincidences for the Banana Industry," INTERPRESS SERVICE, March 20, 1997; Chakravarthi Raghavan, " A Complicated Ruling on a Complicated Banana Regime," SUNS, March 20, 1997; WTO Banana Panel Releases Draft Ruling, BRIDGES, March 24, 1997; Caroline Southey, "ACP States 'Need Banana Regime,'" FINANCIAL TIMES, March 18, 997; Canute James, "Banana Exporters Fear WTO Ruling," JOURNAL OF COMMERCE, March 20, 1997; Gustavo Capdevila, "Banana Feud Hits United States and Europe," INTERPRESS SERVICE, March 19, 1997.

FAST TRACK FAIRNESS ACT

The Clinton administration, while insisting on its commitment to passage of fast track legislation, has not yet agreed on its own fast track proposal. Under fast track legislation, Congress can approve or disapprove a trade agreement, but cannot amend it. Internal administration debates focus on whether to include labor and the environment in fast track, an inclusion vehemently opposed by Republicans. Presidential politics for the year 2000 also come into play, as House Democratic Leader Richard Gephardt (D-MO), a likely competitor of Vice President Al Gore for the Democratic presidential nomination, insists that labor and environmental issues must be at the core of any trade agreement.

Meanwhile, NAFTA opponents Reps. Bernie Sanders (I-VT), David Bonior (D-MI), George Miller (D-CA), Barney Frank (D-MA) and John Spratt (D-SC) introduced the Fast Track Fairness and Accountability Act on March 13. This legislation would allow the President to use fast-track authority on a trade agreement only if it includes provisions mandating acceptance and implementation of laws reflecting international worker rights and international environmental rules and treating violations of these laws as unfair trade practices.

"Kolbe Warns Barshefsky of 'Narrow Window' for Fast Track Passage," INSIDE U.S. TRADE, March 21, 1997; "Text of HR 1079 -- Fast-Track Fairness and Accountability Act," INSIDE U.S. TRADE, March 21, 1997.

HELMS-BURTON NEGOTIATIONS

As the United States and the European Union (EU) continued attempts to settle their dispute over the Helms-Burton law, Cuban-made pajamas sold in a Winnipeg Wal-Mart sparked the latest battle in the three-way trade war between the United States, Cuba and the rest of the world. When Wal-Mart discovered that its Winnipeg store carried Cuban-made pajamas, it ordered all of the pajamas removed from its 135 Canadian stores, fearing that the company might be in violation of the U.S. prohibitions on trade with Cuba. A spokesperson for the Canadian Ministry of Foreign Affairs and International Trade warned that Wal-Mart could be fined as much as $1.5 million (Canadian) if it were prosecuted and found guilty of violating a Canadian law that bars companies doing business in Canada from "observing any directive, instruction, intimation of policy, or other communication" from the U.S. government that supports the Cuba trade embargo.

U.S.-EU negotiations seem focused on the provisions under Title IV of the Helms-Burton law, which allows denial of entry visas to foreign executives and their families, if the executives' companies are deemed to be trafficking in expropriated U.S. property in Cuba. EU negotiators seem to have decided that Title III is not a problem. Title III allows U.S. entities to file damage claims in U.S. courts against companies that are found to traffic in expropriated property. The first formal submission in the World Trade Organization dispute settlement panel, convened to hear EU complaints against the U.S. Helms-Burton law, is scheduled for April 14. The U.S. National Association of Manufacturers (NAM) issued a new report in March, cataloging U.S. sanctions against Cuba and 34 other countries and calling for an end to use of unilateral sanctions. NAM President Jerry Jasinowski called sanctions "little more than postage stamps we use to send messages to other countries at the cost of thousands of American jobs."

"U.S.-EU Helms-Burton Deal to Hinge on Title IV Visa Provisions," INSIDE U.S. TRADE, March 21, 1997; "Pajama Wars," CONNECTION TO THE AMERICAS, April, 1997; Nancy Dunne and Guy de Jonquiéres, "US and EU Set to Resume Cuba Talks," FINANCIAL TIMES, March 24, 1997.

FIRST NAFTA INVESTOR-STATE CLAIMS FILED

Two U.S. companies have filed complaints against Mexican state and local officials, claiming that the officials have prevented them from operating environmental waste facilities, despite federal approval. The complaints are the first ever filed under NAFTA's Chapter 11 investor-state arbitration clause. As such, they will be heard at the International Center for Settlement of Investment Disputes (ICSID), which is headquartered out of World Bank programs in Washington, D.C. An ICSID arbitration tribunal may make a binding award of monetary damages or restitution of property.

California-based Metalclad Corporation claims that Mexico blocked its move to open a hazardous waste landfill facility which it built in the Mexican state of San Luis Potosí. Metalclad maintains that it has complied with all applicable legal requirements to operate its $25-million facility in Guadalcazar. Desechos Solidos de Naucalpan (Desona), whose principal investors are U.S. nationals and a Brazilian national, charges that Desona was prevented by municipal authorities in Naucalpan de Juarez in the state of Mexico from operating a waste landfill.

NAFTA requires that countries give national treatment to investors in the three member-countries, that is, all levels of government should provide treatment no less favorable than that which they accord to their own investors.

"U.S. Firms File First-Ever Investor-State Claims Under NAFTA," INSIDE U.S. TRADE, March 21, 1997.

SUB-HEMISPHERIC TRADE TALKS

Representatives from the Mexico and the four Mercosur countries - Argentina, Brazil, Paraguay and Uruguay - met in Mexico City in mid-March to discuss access to markets and products covered under a proposed free trade agreement, norms relating to product origin, sanitation as related to agricultural products, safeguards and mechanisms for resolving disputes. Negotiations for a "four plus one" trade agreement have been underway for two years.

The European Union is Mercosur's chief trading partner, while Mexico has traded mainly with the United States. The European Union and Mexico are also negotiating a bilateral pact covering economic, trade and political links, with a goal of freer trade and lower tariffs.

Representatives of Andean Community members Bolivia, Colombia, Ecuador, and Venezuela rejected Peru's proposal for a seven-year schedule to return to the free trade bloc. Peru was excluded in 1995 because of tariff discrepancies. Chilean economist Vittorio Corbo says Peru's 15 and 25 percent tariff levels make it the most protectionist country in the Andean region. The members of the Andean Community want Peru to commit to tariff cuts and adoption of a common external tariff over a five-year period.

Despite periodic conflicts over issues such as a short-lived Costa Rican ban on Nicaraguan onions and Salvadoran restrictions on the import of Panamanian cheese, Central American regional trade has grown steadily during the 1990s. According to the Secretariat of Central American Economic Integration, the value of regional trade rose from $782 million in 1991 to $1.592 billion in 1996, with total regional exports in 1996 valued at $7.4 billion. Nicaraguan global exports are the lowest in the isthmus, totaling only $565.9 million. Costa Rica and El Salvador lead the region in exports to their neighbors, with $461.7 million and $390.4 million respectively, while Honduras lags with regional exports of only $60.7 million in 1996.

Diego Cevallos, "Small Step for Free Trade Agreement," INTERPRESS SERVICE, March 21, 1997; Mary Sutter, "EU Set to Clarify Stance on Pact With Mexico," JOURNAL OF COMMERCE, February 13, 1997; Abraham Lama, "Andean Community: Peru's gradual return plan rejected," INTERPRESS SERVICE, March 19, 1997; Maricel Sequeira, "Regional Trade Overcomes Small Conflicts," INTERPRESS SERVICE, March 14, 1997.

AGRICULTURE AND IPR

Enrique Alarcón, director of the InterAmerican Institute of Agricultural Co-operation (IICA), warned in a regional conference in Panama that application of intellectual property rights agreements to genetic resources "could become a no tariff barrier and establish inequalities between the (WTO member) countries,'' instead of encouraging trade.

The Americas have nine of the world's most biodiverse nations and five of the twelve leading international centers for agricultural research. During the past few years, Latin American nations have tried to create genetic research networks in the Southern Cone, the Andean zone, the Amazon, Central America and the Caribbean. ''We are ending a happy stage, where everything was free (for researchers), everything (like the bio-diversity) was human heritage, and there were no rules of the game,'' said Alarcon.

Argentine expert Gustavo Sainz, of the International Centre for Improving Maize and Wheat (CIMMIT), said that companies now often offer seeds free to producers in order to sell them accompanying agrochemical products with higher profit margins. Sainz expressed concern about requirements that farmers sign contracts specifying and restricting the use they will give to seeds. Chilean researcher Arnaldo Chivaro, of the IICA, noted that profit used to come from the increased production generated by new genetic resources, but that the profit now comes from selling the resources.

Silvio Hernandez, "Experts Fear Intellectual Property Will Go Too Far," INTERPRESS SERVICE, March 24, 1997.

SUGAR CONFLICTS SOUR NAFTA RELATIONS

Canada brought its challenge to the U.S. sugar re-export policy to U.S. Trade Representative Charlene Barshefsky on March 21, triggering a 30-day negotiation period that may end in Canada taking its case to a NAFTA dispute panel. Canada objects to the practice of 375 U.S. companies that import sugar at world prices of about 10 cents per pound, half the cost of domestic sugar, and then re-export the cheap sugar in products ranging from baked goods to drink crystals. Sandra Marsden, president of the Canadian Sugar Institute, maintains that this results in U.S. exporters "passing distortions of their program into our market."

The American Sugar Alliance, a U.S. group representing growers and processors of beet and cane sugar, says NAFTA's provision for ending re-export programs on January 1, 1996 does not apply to sugar. Canada also objects to high U.S. tariffs on imports of sugar and sugar-containing products, a factor in reduction of sales of Canadian refined beet sugar from 35-40,000 metric tons per year to 3-5,000 metric tons last year. The high U.S. tariffs were implemented in 1996 to replace U.S. quota barriers under World Trade Organization rules.

As Mexico's sugar harvest is projected to reach a record 4.5 million tons during the current harvest, U.S. sugar producers are unhappy with the prospect of a major increase in Mexican sugar exports to the United States. Mexico has begun an anti-dumping investigation directed at imports of high fructose corn syrup from the United States, with lower HFCS prices tempting the booming Mexican soft drink industry to substitute HFCS for sugar.

Courtney Tower, "Canada is Sour Over U.S. Sugar Re-Export Policy," JOURNAL OF COMMERCE, March 27, 1997; Barry Wilson, "Farmers Want Chrétien to Get Tough With U.S.," THE WESTERN PRODUCER, March 13, 1997; Peter A. Meyer, "HFCS Status, Sugar Recovery in Mexico Stand Out at Colloquium," MILLING & BAKING NEWS, March 18, 1997; "Mexico Initiates Anti-Dumping Study of HFCS From U.S. Exporters," MILLING & BAKING NEWS, March 18, 1997; "Mexico Sugar Harvest Could Set New Record," JOURNAL OF COMMERCE, March 24, 1997.

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The TRIPs Agreement and Developing Countries, report released March 4, 1997, by UNCTAD. $22. Order from the United Nations Sales & Marketing Section, Palais des Nations, 1211 Geneva 10, Switzerland. The Internet address is http://www.un.org/Pub/sales.htm.

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TAKING THE SLOW ROAD TO FAST TRACK

The Clinton administration may delay submission of a fast-track bill to Congress until after the passage of the budget, as it continues to try to find language that will maximize support for the legislation. Under fast track legislation, Congress can approve or disapprove a trade agreement, but cannot amend it. According to an official at the office of the U.S. Trade Representative, several influential Democratic members of Congress have urged delay in presenting a fast-track bill to Congress, saying that the administration should be well-organized and have details of the bill cleared with Congress before formally submitting it.

A March 11 internal Clinton administration memorandum recalls that "During the 1995 Fast Track fight, negotiations between the Administration and the Congress dissolved over the scope of Fast Track authority -- specifically the linkage between labor and the environment. The Administration sought language which the Reagan Administration secured which permitted all legislative changes "necessary or appropriate" to implement the trade agreement. Republicans in Congress insisted on language permitting only legislative changes "necessary for or directly related to" provisions set out in the negotiating objectives. Because labor and environmental principle were not included in the negotiating objectives, this language would prohibit the Administration submitting an agreement to Congress which included labor and environmental provisions or other provisions that the Administration or Congress feel are needed to attract support from individual Members."

The memorandum outlines a strategy to avoid conflicts by "includ[ing] negotiating objectives only in the accompanying Presidential statement and not in the text of the bill. This approach not only provides the Administration with maximum negotiating flexibility, it also avoids the inevitable fight on negotiating objectives for labor and the environment." While not specifying whether it will proceed with bilateral negotiations with Chile or will attempt to comply with its previous commitment to include Chile in NAFTA, the administration is seeking an eight-year fast-track authorization.

Meanwhile, the European Union continues active pursuit of trade pacts throughout Latin America, particularly with Mexico and with Mercosur. Larry Liebenow, president of the Fall River, Massachusetts Quaker Fabric Corporation, is alarmed by the prospect of European competition advantaged by trade deals. "We are already competing against European mills in Latin America," said Liebenow "We could be left in the dust.

"Administration Wrestles With Timing, Substance of Fast Track Bill," INSIDE U.S. TRADE, April 4, 1997; "Administration Memorandum on Fast Track," March 11, 1997, reprinted in INSIDE U.S. TRADE, March 28, 1997; "Confidential Memo Reveals Administration Strategy on Fast Track," INSIDE U.S. TRADE, March 28, 1997; Nancy Dunne, "Clinton in Latin America 'Slow Track,'" FINANCIAL TIMES, April 8, 1997; "USTR Official Says Congress Members Urged Delay on Fast-Track Bill," INSIDE U.S. TRADE, March 28, 1997; John Maggs, "Clinton Seeks Authority to Expand Free Trade," JOURNAL OF COMMERCE, April 14, 1997; "Eggleston Says U.S. Hopes to Have Fast-Track Authority by Early 1998," INSIDE U.S. TRADE, April 11, 1997.

MAQUILADORAS, EXPORTS AND JOBS

NAFTA has helped Mexico displace China as the top textile supplier to the United States, while also contributing to plant closings and union busting within the United States. Mexico moved from eighth place in textile exports to the United States in 1993 to first place in 1996, increasing exports to 2.2 billion square meters of textile and apparel, compared to China's 1.8 billion square meters.

According to an internal U.S. International Trade Commission analysis, exports of U.S. components to Mexican maquiladoras made up 28 percent of U.S. exports to Mexico in 1996. The total number of maquiladoras in Mexico increased from 2,251 in 1995 to 2,645 in 1996, with total Mexican maquiladora employment rising to 611,736 in 1996, according to the memorandum. Mexican government estimates place the maquiladora employment even higher, at 818,000 workers.

According to the ITC memorandum, growth in the Mexican maquiladora sector results from NAFTA, through shifts of U.S.-owned assembly plants from Asia to Mexico. The devaluation of the peso that began in December 1994 also benefited maquiladoras as labor costs (in dollars) were cut in half.

Inside the United States, the impact of increasing Mexican maquiladora production has been felt in union certification elections. From 1993 to 1995, U.S. employers threatened to close their plants in half of all union certification elections, according to an unreleased study--"Final Report: The Effects of Plant Closing or Threat of Plant Closing on the Right of Workers to Organize"--commissioned by the trinational Labor Secretariat of the Commission for Labor Cooperation, NAFTA's labor commission. The report, approved by Canada and Mexico but not yet by the U.S. Department of Labor, also finds that nearly 12 percent of employers followed through on the threats and closed plants rather than negotiating a first contract and another four percent closed before a second contract. The cumulative shutdown rate of 15 percent was triple that of the late 1980s, before NAFTA went into effect.

"ITC Says Nearly One-Third of U.S. Exports to Mexico Go to Maquiladoras," INSIDE U.S. TRADE, April 4, 1997; "Maquiladora Boom," MEXICO UPDATE, April 2, 1997; "In Other News," WEEKLY NEWS UPDATE ON THE AMERICAS, April 30, 1997; Paula L. Green, "Mexico Sews Up US Title as Top Textile Supplier," JOURNAL OF COMMERCE, April 7, 1997; Kate Bronfenbrenner, "We'll Close!" MULTINATIONAL MONITOR, March, 1997.

WHEAT, FLOUR, MILLING ISSUES

As U.S. flour exports fell to the lowest level since 1942, U.S. food giant Archer Daniels Midland Company (ADM) purchased more mills in Canada, giving it control of an estimated 75 percent of Canada's flour milling capacity. An ADM subsidiary has also purchased mills in Barbados and Belize from Canadian Maple Leaf Foods during the past year.

Liberal Member of Parliament Wayne Easter said he is uneasy about both the high degree of market concentration and the high degree of foreign ownership. The Canadian Competition Bureau will require ADM to sell one of its two Montreal mills in order to allow for competition in Quebec and Atlantic Canada. However, the Competition Bureau ruled that the acquisition of Canada's second largest milling company - Maple Leaf Foods - by the largest - ADM - would not unduly limit competition.

Although U.S. flour exports accounted for less than three percent of total U.S. flour production, U.S. wheat exports are more than half of U.S. wheat production. Canadian wheat exports to the United States have increased in recent months, running 70 percent higher in 1997 than in 1996. U.S. Agriculture Secretary Dan Glickman warned that the United States "will not tolerate market disruptions from imports of Canadian grain."

A Canadian trade official said he expected a U.S. political response to increased Canadian grain shipments and a call for consultations, but added, "They can call. We will talk. But we are not going to agree to any artificial cap." Canadian Trade Minister Arthur Eggleton also confirmed that no limits on Canadian wheat exports are contemplated.

In a report released at a conference in Costa Rica in early April, the Central American Association of Peasant Farmers noted an increase in grain imports to their region during recent years. Central American imports of corn, rice and other grains increased by 13 percent a year between 1980 and 1993, while Central American production of grains grew by only three percent a year. The study also noted that some 242,000 rural jobs could have been created if Central America had produced the grains instead of importing them. Miguel Angel Lemus, one of the conference coordinators, called for increased credit and assistance to small farmers as a way of increasing food security and sustainability. Lemus criticized the decreases in government assistance to small farmers, which he said have been mandated by policies of structural adjustment and globalization.

Barry Wilson, "Flour Mill Buy Gives Archer Daniels 75 Percent of Canadian Production," THE WESTERN PRODUCER, March 20, 1997; Robert Lewis, "U.S. Flour Exports Flop," THE WESTERN PRODUCER, March 27, 1997; Barry Wilson, "Canadian Grain Exports to U.S. Under Scrutiny, Glickman Warns," THE WESTERN PRODUCER, March 27, 1997; "Canada Won't Limit Wheat," JOURNAL OF COMMERCE, April 14, 1997; Bill Rodgers, "Central American Farmers," VOICE OF AMERICA, April 9, 1997.

STRAWBERRY CONTAMINATION, UNIONIZATION

As reports linked more than 150 cases of hepatitis A in U.S. school children to frozen strawberries imported from Mexico, strawberry sales in the United States fell, and consumers' concerns about the safety of imported food increased. An unfounded rumor linking California strawberries to the parasite cyclospora cost growers more than $20 million in sales in 1996.

The hepatitis outbreak brought renewed calls for legislation to require country-of-origin labeling on fresh and frozen fruits and vegetables. Representative Marcy Kaptur cited lack of adequate border inspections and use of pesticides in other countries as reasons to require labeling. The strawberries in question were imported from Mexico more than a year ago and processed in the United States, and the site of their contamination has not been determined.

Meanwhile, 20,000 migrant workers in California's strawberry fields are engaged in a major union organizing drive. Many of the workers come from Mexico to pick tomatoes and strawberries, often earning less than the U.S. minimum wage. Protesting low wages and mistreatment, workers at Watsonville, CA's VCNM strawberry farm won a union organizing vote after a strike last year, but were ultimately defeated as VCNM plowed under strawberry fields to eliminate their jobs. Since 1989, two other strawberry farms whose workers have voted to unionize also plowed under fields or went out of business rather than recognize the union. Supported by the AFL-CIO, the United Farm Workers has organized a national campaign called "5 Cents for Fairness" in support of the strawberry workers.

"Scare Has Fresh Repercussions," THE PACKER, April 7, 1997; Bill Cormier, "Mexican Farmers Insist Berrie Are Safe," AGWEEK, April 7, 1997; David Bacon, "The U.F.W. Picks Strawberries," THE NATION, April 14, 1997; "Union Rallies in California to Get Raise for Strawberry Pickers," NEW YORK TIMES, April 14, 1997; Rep. Marcy Kaptur, CONGRESSIONAL RECORD, April 9, 1997.

MAKING MONEY ON MEXICAN WASTES

On March 31, Mexican President Ernesto Zedillo announced a 6 percent increase in the environment ministry's budget to $1.2 billion. Environmental Secretary Julia Carabias Lillo said water and hazardous waste treatment programs are priorities. According to David Robinson, a Mexico City-based environmental consultant to U.S. companies, Mexico generates 8 million tons of hazardous waste annually, and currently only 10 percent is legally treated, with the rest illegally dumped into rivers, deserts, or other unauthorized sites.

Hazardous waste treatment in Mexico has doubled over the past two years, attracting significant foreign investment. Metalclad Corporation, a U.S. company engaged in the development of industrial waste treatment facilities in Mexico, has seen major increases in revenues despite disputes that have delayed opening of the company's plant in San Luis Potosí. The company is pursuing a claim for compensation under NAFTA [see "First NAFTA Investor-State Claims Filed," NAFTA & INTER-AMERICAN TRADE MONITOR, 4/4/97.]

Studies published by the U.N. Development Program in early April estimate that $500 billion a year will be spent on pollution-control goods and services by the year 2000. Industrialized countries now control 67 percent of global environmental sales.

Mary Sutter, "Mexico Waste Plan Attracts Investors," JOURNAL OF COMMERCE, April 2, 1997; "Metalclad Announces Filing Its Annual 10-K Report and Increased Revenues from Mexican Operations," ENVIROBIZ, April 3, 1997; Leyla Boulton, "Pollution's $500bn Promise," FINANCIAL TIMES, April 8, 1997.

UNRELATED ACCIDENTS SLOW TRUCK AGREEMENT

U.S. President Clinton's knee injury and a flaming crash involving a Mexican national driving a U.S. truck on California's Santa Ana freeway combined to further delay opening of the U.S.-Mexico border to cross-border truck traffic. The president's knee injury delayed his trip to Mexico, which had been expected to yield progress on both cross-border trucking and Mexican rules regulating small-package deliveries.

The March 26 truck crash, which killed four people, involved a tractor-trailer truck driven by a Mexican national who held a Mexican commercial drivers' license but no California license. Teamsters president Ron Carey warned that "if NAFTA's trucking provisions are implemented, thousands of trucks from Mexico will pour into California every day, and these ticking time bombs will claim even more innocent lives." Subsequent investigation showed that the truck was not from Mexico and was hauling a load of tomatoes picked up in the United States.

NAFTA mandated allowing cross-border hauling into border states, beginning in December 1995, but the Clinton Administration blocked the border opening, citing safety and security concerns vis-a-vis Mexican trucks and drivers. The American Trucking Association and other industry groups have backed border opening, but a bi-partisan group of 201 U.S. Congressional representatives sent a letter to President Clinton on March 14 opposing any opening at this time, and citing a need for "improved border facilities to provide adequate space for comprehensive inspections and assurance that the Mexican government will furnish timely safety and compliance histories of carriers and drivers."

"Clinton Trip Delay, House Letter Work Against Mexican Border Opening," INSIDE U.S. TRADE, April 4, 1997; Emily Otani, David Reyes and Scott Martelle, "4 Die as Crashes Choke Freeways," LOS ANGELES TIMES, March 27, 1997; Bill Mongelluzzo, "Crash May Spawn More Nafta Debate," JOURNAL OF COMMERCE, April 2, 1997; Kevin G. Hall, "Nafta Truck Safety Issue Escalates," JOURNAL OF COMMERCE, April 2, 1997; "House Letter Asks Delay Opening US Border to Mexican Truck Traffic," JOURNAL OF COMMERCE, March 26, 1997.

BRAZIL MOVE SPARKS MERCOSUR CONFLICT

On March 31, the Brazilian government eliminated all import credits for time periods of less than one year, affecting 90 percent of the country's imports, but exempted oil and petroleum by-products and imports under $10,000. After lengthy discussions with Argentine Economy Minister Roque Fernandez, Brazil's Finance Minister, Pedro Malan, announced on April 2 that Brazil would exempt purchases from within Mercosur valued at up to $40,000, and it would delay application of the credit restrictions for 120 days for imports from Mercosur members, including associate members Chile and Bolivia. Mercosur economy ministers will meet on April 23 to continue discussions.

Brazilian President Fernando Henrique Cardoso's administration defended the measures, saying that without them the Brazilian trade deficit would exceed $30 billion by the end of the year, due largely to debt service payments. Brazil had run a trade surplus for many years, until a consumer boom pushed its account into the red in 1995. More recently, Brazilian importers have been taking out long-term, low interest loans to make profits in the Brazilian financial market, which pays much higher interest rates than does the international bond market.

Uruguayan Economy Minister Luis Mosca questioned whether "Brazil is in condition to lead an integration process," and other Mercosur members joined in criticism of Brazil's frequent unilateral moves affecting Mercosur trade. Argentina, Paraguay, and Uruguay, the other Mercosur members, were neither consulted nor warned about the restrictions, which will affect 90 percent of all imports. Argentina's exports to Brazil are expected to drop from $6.7 billion in 1996 to less than $3 billion in 1997. Uruguay sold $831 million in exports to Brazil in 1996, nearly 35 percent of its total exports. U.S. exports to Brazil will still be affected by the credit restrictions. Florida alone exported about $4.8 billion to Brazil in 1996.

Raul Ronzoni and Mario Osava, "Partners Fuming Over Restrictions on Imports to Brazil," INTERPRESS SERVICE, March 31, 1997; Mario Osava, "New Finance Restrictions on Brazilian Imports," INTERPRESS SERVICE, March 28, 1997; "Brazil's Unilateral Restrictions Shake Mercosur Trade Partners, NOTISUR, 4/11/97; Kevin G. Hall, "Shock Waves Run Deep Over Brazil Import Restrictions," JOURNAL OF COMMERCE, April 1, 1997; Geoff Dyer, "Brazil Demands Fair Play on Deficit," FINANCIAL TIMES, April 9, 1997.

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U.S., EU DELAY CUBA TRADE SHOW-DOWN

On April 11, the European Union (EU) and the United States reached a provisional agreement to settle their dispute over U.S. sanctions against companies that trade with Cuba. The EU complaint against the United Stateswas scheduled to go to a World Trade Organization dispute settlement panel on Monday, April 14, but the EU agreed to suspend it, reserving the right to reinstate the complaint if a mutually acceptable agreement is not finalized by October 15. "It's not a peace treaty but a cease-fire," according to a senior EU official, who warned that "WTO action remains a Sword of Damocles."

The EU insists on exemption from the provisions under Title IV of the Helms-Burton law, which allows denial of entry visas to foreign executives and their families, if the executives' companies are deemed to be trafficking in expropriated U.S. property in Cuba. The Clinton administration will seek authority for the President to waive Title IV. The settlement could fall apart if the Clinton administration is unable to get this authorization from Congress.

Some of the disputed issues will be handed over to negotiators now working on the Multilateral Agreement on Investment (MAI) under the auspices of the 29-nation Organization for Economic Cooperation and Development. The MAI would provide for condemnation of illegal confiscation of any property in exchange for condemnation of extraterritorial restrictions on investment. The United States also wants a bilateral agreement with the EU to keep companies from investing in expropriated foreign assets in the future.

Lionel Barber and Guy de Jonquieres, "EC Agrees Helms-Burton Deal," FINANCIAL TIMES, April 12-13, 1997; John Maggs, "EU, US Nail Down Accord on Helms-Burton Dispute," JOURNAL OF COMMERCE, April 14, 1997; R.W. Apple, Jr.,"U.S. and Europeans Join in Plan to Ease Dispute Over Cuba," NEW YORK TIMES,April 12, 1997; Emma Tucker, "EU Postpones Cuba Law Action for Week,"FINANCIAL TIMES, April 15, 1997; Guy de Jonquieres and Nancy Dunne,"Helms-Burton Foes Keep Fingers Crossed," FINANCIAL TIMES, April 14, 1997; Bruce Barnard, "EU Approves Accord With US Over Cuba, But Tensions Remain,"JOURNAL OF COMMERCE, April 17, 1997.

VIDEO EVIDENCE FOR IMPORT LABELING BILL

On April 7, Florida produce growers distributed a video supporting California Republican Representative Sonny Bono's Import Produce Labeling Act, which would require point-of-origin labeling at the retail display for imported produce. Copies of "The True Cost of Winter Vegetables" were sent to major media outlets and to each member of Congress.

The documentary-style video shows children working in Mexican fields and packing houses, pesticides sprayed near unprotected workers, and raw sewage running into irrigation ditches. The video was produced by a coalition of Florida growers, who claim that Mexican growers are putting them out of business. The video charges that inspection of imported vegetables is insufficient to protect consumers from food poisoning due to contamination, and that low wages and lack of legal protection for farmworkers in Mexico unfairly lower the price of Mexican vegetables.

Lee Frankel, president of the Fresh Produce Association of the Americas in Nogales, Arizona says that the video intentionally distorts facts in attacking the safety of Mexican-grown produce. Sara Delea, vice president of communications for the United Fresh Fruit and Vegetable Association, headquartered in Virginia, warns that "When we use consumer fears in marketing, the message usually backfires on everyone."

Arturo Elias, marketing director for the Mexican state of Baja California, called the video "a very foolish thing to produce when we are trying to make a free trade agreement work."

While Florida growers claim unfair competition from imports, prices for most Florida winter produce have increased since 1994. Bell peppers sold for $34.30 per cwt. in 1994 and $36.50 in 1996; cucumbers for $14 per cwt. in 1994 and for $19.30 in 1996; strawberries for $60.30 in 1994 and for $72.20 in 1996; and tomatoes for $27.50 in 1994 and for $32.40 in 1996.

Lance Jungmeyer, "Video Decries Mexican Imports," THE PACKER, April 21, 1997; Lance Jungmeyer, "Networks Show Interest in Video," THE PACKER, April 28, 1997.

AG AMBASSADOR APPOINTED

On April 18, U.S. Trade Representative (USTR) Charlene Barshefsky announced the nomination of Peter L. Scher for the post of Special Trade Ambassador for Agriculture. "Even as our exports of agricultural products hit a new record at nearly $60 billion last year, I sought to create the position of Special Trade Ambassador for Agriculture to elevate attention to an ever-increasing number of agricultural trade issues," said Barshefsky.

Scher has served as chief of staff to Commerce Secretary Mickey Kantor and before that as chief of staff and advisor to Kantor at the office of the USTR.

"U.S. Trade Representative Charlene Barshefsky Announces New Appointees at USTR," USTR PRESS RELEASE, April 18, 1997.

GRAIN TRADE NEWS

In Canada, barley producers voted by an almost two to one margin to continue the Canadian Wheat Board (CWB) as the sole marketer of export barley and domestic malting barley. The CWB is also the sole marketer for Canadian export wheat. The Canadian government plans a series of changes in the CWB,including a fixed number of farmer-elected members, and greater independencefrom the government for the CWB.

The CWB filed a complaint on April 14 with the Canadian Transportation Agency, seeking reimbursement for grain farmers for losses of $85 million dueto inadequate service by the two major railways. The CWB is also asking thatthe Canadian Pacific Railway and Canadian National Railroad be required to assign additional locomotive power to meet grain shippers' needs.

North Dakota farmers protesting allegedly unfair Canadian grain shipments to the United States met with U.S. Trade Representative Charlene Barshefsky on April 2, threatening direct action to block railroads bringing wheat from anada. Barshefsky promised to expand U.S. consultations with Canada to include issues raised by the farmers, including the volume of wheat and barley shipments to the United States, Canadian subsidies, U.S. farmers' market access to Canada, differences in pesticide costs in the two countries,and the "non-transparent way in which the Canadian Wheat Board operates."

Barshefsky responded to questions about NAFTA and GATT impact on U.S. agriculture by saying that U.S. global agricultural exports have risen 40 percent in the last four years, and that U.S. ag exports to Canada are up 26 percent over pre-NAFTA levels.

Argentina is working to bolster its wheat production and exports by introducing a mandatory premium for a new top-quality wheat grade. Argentina projects 1996-97 grain production of 55.4 million metric tons, 29 percent above the 1995-96 season and 21 percent higher than the all-time record of 1994-95.

Courtney Tower, "Wheat Board Gets Barley Vote," JOURNAL OF COMMERCE, March 31, 1997; "Single-desk Earns 62.9 Percent," THE WESTERN PRODUCER, March 27,1997; Barry Wilson, "Changes to CWB Bill Aimed to Satisfy Critics," THE WESTERN PRODUCER, April 10, 1997; Rip Watson, "Canada's Wheat Board Targets Rails," JOURNAL OF COMMERCE, April 15, 1997; "N. Dakota Farmers Want Halt to Grain From Canada," THE WESTERN PRODUCER, April 10, 1997; Jerry Hagstrom, "A Ray of Hope," AGWEEK, April 7, 1997; James Webb, "Argentina Modernizes Its Grain System," THE WESTERN PRODUCER, April 10, 1997.

FEEDER CATTLE IMPORTS LIMITED

On March 1, Texas, California, New Mexico and Arizona barred Mexican feeder cattle imports from any states not yet reaching Stage II in tuberculosis eradication. Only Sonora, Chihuahua, Coahuila and Tamaulipas can now ship feeder cattle to U.S. states with this restriction. Ten other Mexican statesare in Stage I, progressing toward Stage II. More than a million Mexicanfeeder cattle are exported to the United States during an average year. A bi-national committee with eight U.S. and eight Mexican representatives decides each Mexican state's status after a TB review team makes an assessment.

"Stage 2 Deadline Passes, Mexican Feeder Cattle Restricted," ANIMAL HEALTH MATTERS, Spring, 1997.

PERU OUT OF ANDEAN PACT

As Peru officially left the Andean Community on April 11, the future of the trade agreement between Bolivia, Colombia, Ecuador and Venezuela looked shaky. Colombia and Ecuador have both raised tariffs within the past month,and Bolivia is already an associate member of Mercosur. At the April 22-23 Andean Community summit in Bolivia, presidents of the four remaining membersdiscussed strategies for negotiation with Mercosur for mutual tariff reductions.

Peru's departure came because of its refusal to accept common external tariff agreements or the elimination of tariffs within the zone by the year 2000.[See

"Sub-Hemispheric Trade Talks," NAFTA & INTER-AMERICAN TRADE MONITOR,April 4, 1997.] Although Peru offered to phase out most of its tariffs on intra-community trade by 2002, it insisted on exemption for some sensitiveitems, particularly in the automotive parts and agricultural sectors, until 2005.

Bolivian President Gonzalo Sanchez de Lozada predicted that Peru, which isB olivia's third-largest trading partner, after the European Union and the United States, would re-enter the Andean Community. Although Peru has left the Andean Community, it wants to stay in the Andean Development Corporation (CAF), which distributed $2.3 billion among the five Andean nations in 1996.The other four Andean member nations say Peru should also withdraw from CAF,which also includes Mexico, Chile, Trinidad and Tobago, Brazil and Paraguay.

Juan Carlos Rocha, "Restructuring in the Wake of Peru's Departure,"INTERPRESS SERVICE, April 14, 1997; Juan Carlos Rocha, "Summit, Without Peru,to Re-Launch Bloc," INTERPRESS SERVICE, April 21, 1997; "Peru Dejo el Pacto Andino," EL COMERCIO, April 11, 1997; "Desintegracion Comercial," EL COMERCIO, April 11, 1997; Sally Bowen, "Andean Pact Begins to Crumble," FINANCIAL TIMES, April 23, 1997; Estrella Gutierrez, "Peru Wants to Have Its Cake and Eat It Too,"INTERPRESS SERVICE, April 14, 1997; "Peru to Leave Andean Group After Re-Entry Talks Collapse," INSIDE NAFTA, April 17, 1997

U.S. PENALIZES ARGENTINA ON IPR

In mid-April the Clinton Administration reimposed duties on Argentine imports of items worth $260 million, including chemicals, metals, and seafood, in retaliation for Argentina's failure to pass intellectual property rights legislation acceptable to the United States. Argentine sales to the United States totaled about $8 billion last year, approximately 9 percent of total exports.

Argentine Foreign Minister Guido Di Tella told U.S. Trade Representative Charlene Barshefsky that the U.S. should have taken the matter to the World Trade Organization instead of acting unilaterally. He also warned that a bill to increase protection of computer software could be delayed by a backlash over the U.S. action. Some Argentine legislators have threatened to bar companies with full or partial U.S. ownership from participating in upcoming privatizations in Argentina in retaliation for the U.S. trade action.

The U.S. action affects about half the trade for which Argentina enjoyed GSP (Generalized System of Preferences) benefits in 1995. U.S. pharmaceutical manufacturers object to provisions in Argentine patent legislation that allow a five-year transition before drug patents are fully enforceable. The U.S.pharmaceutical industry maintains that it loses $540 million annually because of Argentine patent infringements.

Dan Molinski, "Argentina Protests Tariff Action," JOURNAL OF COMMERCE, April17, 1997; "U.S. Listing of Goods to Lose GSP Benefits Spurs Anger in Argentina," INSIDE U.S. TRADE, April 18, 1997

NAFTA ENVIRONMENTAL IMPACTS

The first round of the NAFTA Commission for Environmental Cooperation (CEC)public hearings on trilateral joint action plans for prevention of transboundary atmospheric pollution and promotion of voluntary compliance and community networks were held in Mexico on March 19-20, with a second round scheduled for Vancouver, British Columbia on May 14-15 and a third round onJune 11-12 in a yet-to-be-determined U.S. city. The possibility of establishing zero-emission standards for long-range contaminants that travel throughout the continent was debated, with Mexican representatives of the CEC working group saying they would be willing to accept some level of health risk in order to promote economic development, while U.S. and Canadian representatives argued for stricter emission standards.

The working group recommended a continental fund based on the polluter-pays principle and training for pollution monitors in all three countries. The group has not yet addressed Canadian and U.S. willingness to financially assist Mexico in joint action plans.

Under the direction of Julia Carrabias, head of Mexico's Secretariat of the Environment, Natural Resources and Fisheries (Semarnap), Mexico will initiate a one-stop federal licensing procedure in May for companies seeking authorization for hazardous waste generation, water use, and air and wastewater emissions. The government plans to eventually include state and local permits, but that will take a few more years, according to Francisco Giner delos Rios, general director of environmental regulation for Semarnap. About 15,000 large companies go through the federal permitting process.

"Equity Issues Surface Again at CEC Hearings on Joint Action Plans," INTERNATIONAL ENVIRONMENT REPORTER, April 2, 1997; "Mexico to Start'One-License' Process for All Environmental Applications in May," INTERNATIONAL ENVIRONMENT REPORTER, March 5, 1997; Kevin G. Hall, "Mexico's Environment Chief Really Gets Down to Business," JOURNAL OF COMMERCE February 6, 1997

RESOURCES/EVENTS

Mexico's Second Agrarian Reform: Household and Community Responses, 1990-1994, by Alain de Janvry, Gustavo Gordillo, and Elisabeth Sadoulet. Part of series, "The Transformation of Rural Mexico," published by the Center for U.S.-Mexican Studies of the University of California at San Diego, 1997. 222 pages. 6"x9" format, paperbound. $16.00 plus shipping & handling. Presents and analyzes data from two nationwide surveys of Mexican ejidos conducted in 1990 and 1994, before and after the changes of constitutional Article 27.Order from Order Department, Center for U.S-Mexican Studies - UCSD, 9500 Gilman Drive - Dept. 0510, La Jolla CA 92093-0510 USA. Telephone 619/534-1160; fax 619/534-6447; email usmpubs@weber.ucsd.edu.

Planting Trouble in the Barzon Debtor's Movement in Mexico, by Heather L.Williams. Part of series, "Current Issues Briefs," published by the Center for U.S.-Mexican Studies of the University of California at San Diego, 1997. 53 pages. 6"x9" format, paperbound. $7.50, plus shipping & handling. Examines the origins and trajectory of the El Barzon debtor's movement from its beginnings in the Mexican countryside to development of broad coalition linking farmers, small business owners, and urban consumers, with analysis of the social and political importance of El Barzon in contemporary Mexican politics. Order from Order Department, Center for U.S-Mexican Studies - UCSD, 9500 Gilman Drive - Dept. 0510, La Jolla CA 92093-0510 USA. Telephone 619/534-1160; fax 619/534-6447; email usmpubs@weber.ucsd.edu.

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NAFTA & Inter-American Trade Monitor

Vol. 4, Number 10 May 15, 1997

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FAST TRACK SLOWING DOWN

Despite pledges of support from Senate Majority Leader Trent Lott (R-MS) and House Speaker Newt Gingrich (R-GA), approval of legislation to extend fast-track negotiating authority to the Clinton administration remains in doubt. Fast-track authority would limit Congress to a yes-or-no vote on trade agreements without the possibility of amendments. Gingrich said Republicans might allow inclusion of "trade-related" labor and environmental issues in trade agreements, but offered no definition of "trade-related," and Republicans continue to oppose consideration of agreements like the side accords to the North American Free Trade Agreement.

Gingrich said the administration would have to deliver 90 Democratic votes to pass fast-track, but administration officials say it is too soon to arrive at a vote count. The Democratic Leadership Council announced in late April that it has hired a lobbyist to head up a campaign for a "new open trade policy," including fast-track authority for the president.

The Clinton administration has not yet introduced fast-track legislation, but U.S. Trade Representative Charlene Barshefsky went to Congress at the end of April to argue in favor of fast-track authority. Barshefsky warned against allowing action on fast-track to "bog down in an endless debate over Nafta," and said fast-track is necessary to prevent Europe and Japan from gaining an advantage over the United States in the Latin American market.

House Speaker Newt Gingrich (R-GA) said on April 29 that he supports inclusion of Caribbean Basin Initiative (CBI) expansion in legislation to provide fast-track negotiating authority to President Clinton. Gingrich noted the economic impact of NAFTA on Caribbean countries, saying "I think the Caribbean nations deserve to have their most powerful neighbor work with them in a positive way." Handicapped by disagreements between U.S. retailers and the textile industry on the extent to which additional market access for CBI products should be tied to use of U.S.-made fabric, various versions of CBI parity legislation have failed to come to a vote over the past three years.

"Gingrich Says CBI Parity Could Be Included in Fast-Track Renewal," INSIDE U.S. TRADE, May 2, 1997; "Lott, Gingrich Vow Support for Fast-Track Authority This Year," INSIDE U.S. TRADE, May 2, 1997; John Maggs, "Barshefsky Makes Case in Congress for Expansion of Trade Authority," JOURNAL OF COMMERCE, May 1, 1997; Stephen Fidler and Nancy Dunne, "Slow Track to Latin Market," FINANCIAL TIMES, May 5, 1997.

CLINTON GOES SOUTH

U.S. President Bill Clinton arrived in Mexico on May 5, for a visit focusing on drug trafficking, immigration and trade. Clinton and Mexican President Ernesto Zedillo signed an "Alliance Against Drugs," and a bilateral pledge of cooperation on migration issues.

On May 8, Clinton met leaders of Central American countries and the Dominican Republic at a summit in Costa Rica, focusing on trade and economic cooperation and signing an agreement to liberalize air trade between the countries. On May 10, Clinton met the leaders of 14 Caribbean countries in Barbados, where talks also focused on drugs and trade. Responding to Caribbean concerns about U.S. efforts to end the European Union (EU) trade preference for Caribbean bananas, Clinton proposed that the EU replace its preference with tariffs on non-Caribbean bananas. While Caribbean leaders were cool to the banana proposal, they signed an agreement providing for lower U.S. tariffs on their textile and leather goods.

On May 6, as Presidents Clinton and Zedillo focused on praise of NAFTA, the Mexican Action Network on Free Trade (RMALC) presented a new book, "Mirage and Reality:" NAFTA at Three Years." The book maintains that NAFTA's "achievements" are mere "mirages," emphasizing deterioration of working conditions and salaries under NAFTA, advocating renegotiation of NAFTA based on principles of respect for human rights, sustainability, democracy, participation, and addressing the lack of symmetry between the three countries.

Police violently dispersed at least three public demonstrations in Mexico City during Clinton's visit, and massive police presence in the city's streets prevented other protests.

In the United States, labor and environmental groups called on President Clinton to use his trip to try to fix NAFTA's failures. Richard Trumka, Secretary-Treasurer of the AFL-CIO, said NAFTA has cost 420,000 U.S. jobs and pointed to a U.S. trade deficit with Mexico and Canada that has grown from $9 billion in 1993 to $39 billion in 1996. He also pointed out that the average hourly wage of Mexican workers has declined by 36 percent since NAFTA was approved in 1993.

Insisting that "NAFTA is working," U.S. Commerce Secretary William Daley, told the U.S. Chamber of Commerce in Mexico City on May 7 that NAFTA "has been a job creator, not a job drain," and said U.S. exports to Canada and Mexico support three million U.S. jobs, 300,000 of which have been created since NAFTA began.

"Clinton Mexico Visit to Tout NAFTA, Not Deal With Trade Disputes," INSIDE U.S. TRADE, May 2, 1997; M. Castillo, M. Barba, J. Valderrama, & H. Adorno, "Gritos de "!Go Home!" por el Visitante, Luto en la Columna de la Independencia y Violencia, EXCELSIOR, May 6, 1997; "Protestas, Arrestos, Despliegue de Fuerzas y Limpia de Indeseables," LA JORNADA, May 6, 1997; "Clinton Visit Puts Positive Spin on Troubled Relations," MEXICO UPDATE, May 7, 1997; "Mirage and Reality: NAFTA at Three Years," MEXICO UPDATE, May 7, 1997; "Clinton Urged to Fix NAFTA During Mexico Trip," REUTER, May 5, 1997; Arshad Mohammed, "U.S., Central American Nations Meet, Accent on Trade," REUTER, May 8, 1997; David Luhnow, "U.S. Commerce Secretary Promises Americas Free Trade Push," REUTER, May 7, 1997; Jim Lobe, "Clinton's 'Trap Trip' South," INTERPRESS SERVICE, May 4, 1997; James Bennet, "Clinton in Caribbean: No Bananas Today," NEW YORK TIMES, May 11, 1997; "Caribbean Leaders Want to Talk Nafta Trade Parity With Clinton," JOURNAL OF COMMERCE, April 29, 1997.

CORN, COCAINE AND CONASUPO

A U.S. Justice Department investigation is focusing on alleged use of Conasupo, the Mexican government's subsidized food agency, to launder drug profits during the administration of former president Carlos Salinas. At the time, Conasupo was headed by the ex-president's older brother, Raul Salinas. Carlos Hank Gonzalez, one of Mexico's wealthiest businessmen and a secretary of agriculture in the Salinas administration, and his son, Jorge Hank Rhon, are also under investigation.

Conasupo buys basic foods, such as corn, rice and beans, and distributes them to the poor at subsidized prices. Investigators are looking at Conasupo's U.S. purchasing agreements and U.S. bank accounts. Conasupo also shipped foodstuffs to the United States because the agency was active in commodities trading, and investigators are looking into whether cocaine was secreted inside some Conasupo food shipments.

A Mexican legislative panel probing Raul Salinas and Conasupo was shut down last year in what opposition legislators claim was a coverup by the governing Institutional Revolutionary Party. The legislative panel also investigated allegations that the agency was involved in fraud, contract kickbacks and the distribution of rotten foodstuffs. Mexican Attorney General Jorge Madrazo said on May 12 that he has launched a new investigation into the Conasupo allegations.

John Ward Anderson, Molly Moore and Douglas Farah, "U.S. Probes Mexico's Role in Drugs," WASHINGTON POST, May 12, 1997; Molly Moore, "Probe Urged by Mexican Opposition," WASHINGTON POST, May 13, 1997; "U.S. Justice Dept. Probing Role in Mexican Drugs," REUTER, May 10, 1997; "Mexico Looks for Money Laundering in Food Agency," REUTER, May 12, 1997.

USDA LAGS ON NAFTA

According to an internal audit by the U.S. Department of Agriculture's Office of the Inspector General (OIG), the USDA has made only six of 11 changes to regulations required to implement NAFTA. Changes yet to be made include four measures necessary to implement NAFTA's provisions on sanitary and phytosanitary measures, and two regulations that would speed importation of peanuts and honey bees.

The report, released to some congressional committees in April, also recommends changes in 16 NAFTA-related areas and recommended greater coordination among various USDA agencies including pre-meetings with each other prior to NAFTA farm-trade committee meetings. The OIG found that U.S. seed potatoes and apples were delayed in gaining access to Mexico because of lack of internal USDA coordination.

"Internal USDA Audit Cites Lags in Action on NAFTA Farm Measures," INSIDE NAFTA, April 17, 1997; "Executive Summary of USDA Audit of NAFTA Farm Provisions," INSIDE NAFTA, April 17, 1997.

FTAA TALKS PROCEED

The next hemispheric trade ministers' conference, scheduled for May 13-16 at Belo Horizonte, Brazil, will be a success, according to U.S. Trade Representative Charlene Barshefsky, if the region's trade ministers agree on three "essential recommendations:" to launch comprehensive Free Trade Agreement of the Americas (FTAA) negotiations next March at the presidential summit in Santiago, Chile; to provide technical assistance and transition measures to smaller nations so they can take advantage of the FTAA; and to allow labor, environmental and other non-governmental organizations to provide input to the FTAA process, as the non-governmental Americas Business Forum already does.

Disagreements between the United States and Mercosur over the pace of negotiations remain. The United States wants all aspects of the FTAA to be negotiated simultaneously, beginning in March 1998, with a goal of having a functioning free trade zone in place by 2005, and with partial implementation before that date.

The Mercosur position includes a three-stage process with review of conditions for investment and business development from 1998-2000; focus on customs regulations and elimination of non-tariff trade barriers from 2000-2003; and negotiation of market access and tariff reductions from 2003-2005. Mercosur wants a final accord signed in 2005, with no partial implementation before then.

Mercosur, led by Brazil in this instance, wants free trade consolidation within South America before integration with the United States. Mercosur is strengthening trade ties with other Latin American countries, with the Association of South East Asian Nations (ASEAN), and with the European Union. ASEAN Executive Secretary Dato Ajit Singh, visiting Brazil in April, suggested that the two groups of emerging or intermediate powers have a common interest in development that is not subordinated to the larger world powers. French President Jacques Chirac, touring South America in March, proposed a summit meeting between the EU and Latin America next year.

In contrast to Brazil and its Mercosur partners, Central American nations want a free-trade pact with the United States before the FTAA is implemented, according to Costa Rican Minister of Foreign Trade Jose Manuel Salazar Zirinachs. Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua want their own free trade agreement with the United States because the United States is Central America's largest trading partner, consuming half of its exports and providing half of its imports.

Scott Otteman, "Barshefsky Outlines U.S. Definition of FTAA Success in Belo Horizonte," INSIDE U.S. TRADE, May 2, 1997; "Negotiations for Hemispheric Free-Trade Zone Hit Snags," NOTISUR, May 2, 1997; Mario Osava, "Mercosur, More Than a Pawn in the Global Chess Game," INTERPRESS SERVICE, April 14, 1997; "U.S.-Central American Pact Could Come Before FTAA, Official Says," INSIDE NAFTA, April 17, 1997.

PORK IMPORTS DISCUSSED

U.S., Canadian, and Mexican pork industry officials met in Chicago on May 2 to discuss trilateral trading opportunities under NAFTA. The meeting, hosted by the U.S. National Pork Producers Council, called on Taiwan to open its markets for more pork imports. The United States Department of Commerce had eliminated U.S. duties on Canadian hogs less than three weeks earlier, ruling that Canadian hog farmers were largely unsubsidized.

The Chicago meeting included officials from the Canadian Pork Council, the Mexican Pork Council, and the Mexican National Commission for Pork Producers, as well as the U.S. National Pork Producers Council. Relatively small Canadian hog farmers, like those in the United States, are dropping out of the business as 100-sow, family-run operations are forced out by corporate producers running more than a thousand sows. Producers from all three countries asserted that criticism of their industry for the impact of pork production on the environment is misguided.

"Canadian, Mexican and U.S. Pork Producers Meet," NATIONAL PORK PRODUCERS COUNCIL PRESS RELEASE, May 2, 1997; Barry Wilson, "Hog Duty Removed," WESTERN PRODUCER, April 17, 1997; Tracy Tjaden, "Hog Farmers Told to Adapt or Fail," WESTERN PRODUCER, April 17, 1997.

MEXICO APPROVES NEW MAQUILA UNION

In mid-April the Mexican government officially recognized an independent union at a Taiwanese-owned maquiladora, Maxi-Switch Inc., in Sonora. The decision by the Sonora Labor Conciliation and Arbitration Board came two days before a scheduled hearing before the National Administrative Office (NAO) of the U.S. Labor Department, the U.S. agency created by NAFTA to hear labor complaints.

The NAO hearing, canceled after the union was recognized, was set to hear complaints that Maxi-Switch and the Mexican government had tried to suppress a union organizing drive by recognizing the government-connected Confederation of Mexican Workers (CTM) as representing Maxi-Switch workers. The complaints were filed last October by the Mexican Telephone Workers Union, which was attempting to organize workers at Maxi-Switch. The Mexican Federation of Unions of Goods and Services and the Communications Workers of America joined in the complaint.

Tim Shorrock, "Mexico Approves Union at Taiwan-Owned Firm," JOURNAL OF COMMERCE, April 18, 1997.

NAFTA TRUCKING ISSUES UNRESOLVED

Opening of the U.S.-Mexican border states to truck traffic from both countries, originally set for December 18, 1995 by NAFTA, is still on hold, delayed by the United States because of safety concerns and pressure from U.S. truck drivers and the National Association of Independent Insurers, which provide insurance for more than one-third of all large U.S. trucks. A majority of the U.S. House of Representatives opposes the border opening.

The American Trucking Association, governors of California, Arizona, New Mexico and Texas, and the American Automobile Manufacturers Association have called for speedy admission of Mexican trucks to the United States.

According to the U.S. General Accounting Office, "about 45 percent [of 25,000 Mexican trucks selected for U.S. or state inspection in 1996] were placed out of service for serious safety violations such as having substandard tires or for being unloaded unsafely." The GAO also found that the three border states most affected by Mexican truck traffic still conduct mostly limited "walk-around" inspections that don't cover braking systems or other non-obvious concerns. Trucks carry about 80 percent of the freight that moves between the United States and Mexico.

Other U.S. trucking concerns include cargo theft in Mexico, particularly in Mexico City. While hard data is not available, truckers estimate that at least a dozen trucks are hijacked daily in or near Mexico City.

To U.S. truckers, the Mexican government seems more concerned with limiting use of 53-foot trailers than with tracking hijacking. Mexican law restricts the use of 53-foot trailers to cab-over or flat-nosed tractors, but enforcement has been spotty. The Mexican trucking association is pushing for stricter enforcement of the law, which affects mostly U.S.-owned 53-foot trailers.

U.S. and Mexican officials continue to negotiate regulatory approaches for defining the small package delivery sector and for distinguishing between it and general cargo motor carriers.

"U.S., Mexico Discuss Trucking, NAFTA Transportation Problems," INSIDE U.S. TRADE, May 2, 1997; Chris Isidore & Kevin G. Hall, "Truck Opening Stuck in Park at Border," JOURNAL OF COMMERCE, March 24, 1997; "Foes of Border Opening Now a Majority in House," JOURNAL OF COMMERCE, April 16, 1997; Tom Connors, "Mexican Trucks in Poor State," JOURNAL OF COMMERCE, April 15, 1997; Kevin G. Hall, "Cargo Theft Runs Rampant," JOURNAL OF COMMERCE, March 4, 1997; Mary Sutter, "Mexican Truckers Group to 'Tail' 53-foot Trailers," JOURNAL OF COMMERCE, February 21, 1997; Margo D. Beller, "Insurer Group Opposes Mexican Truck Access," January 21, 1997; "The Latest News," CLEARINGHOUSE ON STATE INTERNATIONAL POLITICS, February, 1997; Nancy Dunne, "Plea on Nafta Trucking Delay," FINANCIAL TIMES, March 13, 1997.

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Multilateral Agreement on Investment: Potential Effects on State & Local Government, report of the Western Governors Association, 1997. 35 pp. Order from Western Governors Association, 600 17th Street, Suite 1705 South Tower, Denver, CO 80202. Phone 303/623-9378; fax 303/534-7309. Also available through www.westgov.org. Report details the potential for the proposed Multilateral Agreement on Investment to override state rules and permit individual foreign investors to challenge state laws, particularly in areas of limits on state investment incentives; state economic, land use and environmental regulations; and state policies favoring local businesses.

Summit of the Americas Center has been established at Florida International University (FIU), a public university in Miami. The SOAC is located at the Latin American and Caribbean Center of FIU, and its mission calls for promotion of the accords of the 1994 Summit of the Americas and accelerating trade expansion throughout the Americas, particularly by helping Florida to capitalize on emerging markets in Latin America. For information, contact Cathy Ashby-Mohammed at the Summit of the Americas Center, telephone 305/348-2894 or at web site http://www.americas.fiu.edu.

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'MEETING OF THE AMERICAS:' MORE THAN A TRADE MINISTERIAL

From May 12-16, Belo Horizonte, Brazil hosted the "Meeting of the Americas," a conglomerate of government trade official meetings, business group fora, non-government organization meetings, labor union meetings, political demonstrations and myriad cultural events. While the meetings of government officials were most intensively reported by some three hundred journalists, reports on other events indicate a great variety of interests in the regional integration process.

The meetings of trade ministers from all countries of the Western Hemisphere, except Cuba, to discuss plans for negotiating a Free Trade Area of the Americas (FTAA), resulted in a final declaration on May 16 to recommend to their Heads of State to launch FTAA negotiations at the Summit of the Americas scheduled for March 1998 in Santiago de Chile. Mercosur nations (Brazil, Argentina, Uruguay and Paraguay, and associate members Bolivia and Chile) agreed to U.S.-proposed phrasing for the launch of negotiations in order to assist the Clinton Administration in obtaining "fast-track" negotiating authority which precludes Congress from amending trade agreements. Brazilian President Fernando Henrique Cardoso suggested that without "fast track," the status of the FTAA was "merely imaginary" and that U.S. claims to negotiate were " desires but not proposals."

The U.S. delegation had strongly opposed the draft ministerial declaration and Ambassador Charlene Barchefsky, the U.S. Trade Representative, suggested that the U.S. delegation might "pack its bags" if the final declaration were not to its liking. Barchefsky's opposition to the draft declaration also resulted in the approval of the U.S. proposals on the compatibility of FTAA to existing regional trade agreements. One U.S. trade official believes that as a result of the approval of the U.S. proposal on the coexistence of agreements, "only to the extent that those sub-regional agreements were going to address things beyond the FTAA, would they continue to exist."

However, the contentious issue of whether to negotiate an FTAA in the three phases favored by Mercosur or to negotiate all issues simultaneously, as favored by the U.S. and its allies, was left unresolved. The issue will be debated again at a February 1998 trade ministerial meeting in Costa Rica. For Brazil and Argentine, the U.S. must agree to reduce non-tariff barriers to exports, especially agricultural exports, before other negotiations can begin. A new study by Brazil's Foreign Trade Foundation (FUNCEX) stated that U.S. trade regulations and controls affected 26% of all Brazilian exports to the U.S. in 1996, and were a major cause of Brazil's $2.6 billion trade deficit with the U.S.

Some 1912 Business Forum of the Americas participants, 1166 from Brazil, developed trade policy 225 recommendations in workshops whose topics corresponded to the 12 official FTAA Working Groups. The Market Access workshop, attended by 508 business representatives, was by a wide margin the subject of greatest interest. The Washington, DC-based International Policy Council on Agriculture, Food and Trade (IPC) organized a forum for about a hundred agribusiness representatives.

Some of the Business Forum participants lobbied to have greater input in FTAA policy formulation and negotiation. The U.S. Business Forum delegation, headed by Donald Fites, Chief Executive Officer of Caterpillar Inc., supported U.S. government efforts to begin negotiations on all issues as soon as possible. Robert C. Petterson, vice president of Caterpillar's Latin American division, suggested that while Caterpillar would prefer to operate from a U.S. manufacturing base, if U.S. government policies did not facilitate Caterpillar's ability to compete globally, then Caterpillar would relocate to countries whose policies did enable it to compete. Caterpillar officials contend that they are losing sales in Chile to Brazil because of Chile's new associate status in Mercosur.

While the "Final Joint Declaration of the FTAA Ministerial" " noted that trade ministers received with interest the contributions from the III Business Forum of the Americas," trade ministers refused to accept a labor union declaration resulting from an unofficial parallel labor and non-governmental organization forum in Belo Horizonte involving some 5000 participants. They likewise refused to confer official advisory status to a Labor Forum.

Mexico, supported by some Central American and Andean nations, argued that the International Labor Organization was the proper forum for labor matters, a contention repeated in the ministers' Joint Declaration. Thea Lee, of the American Federation of Labor-Congress of Industrial Organization's international economic section, said that the minister's rejection of labor input was "very disappointing." She suggested that since the ILO has no binding dispute settlement mechanism, labor had no means to intervene in trade agreement discussions and implementation.

The divergent interests of agribusiness and farmers were evident in various venues. Agribusiness representatives believed that trade liberalization had been macro-economically beneficial and hoped that the FTAA would contribute to further liberalization of the sector.

National agricultural sector interests were featured in many of the agribusiness debates. For example, according to Professor Marcos Sawaya Jank, of the School of Agriculture at the University of Sao Paulo, FTAA offers an opportunity for Brazil to knock down U.S. tariff and non-tariff barriers which result annually in $1.5 billion in lost sales for Brazilian agroexports to the U.S. Jank cited a $454/metric ton duty on orange juice exports, that resulted in a 40% increase in the cost of Brazilian orange juice, as an example of a barrier to Brazilian exports, and said that Brazil should demand removal of U.S barriers to agricultural exports in exchange for allowing U.S. access to the Brazilian market for automobiles, telecommunications equipment and computers.

Brazilian farm worker unions, organized as "Cry for the Land [Grito da Terra]," demonstrated in protest against agricultural trade liberalization and distributed a declaration at the Parallel Forum. According to the Declaration, trade liberalization in Brazil during the past decade has resulted in the loss of 800,000 jobs in the agriculture sector and increasing dependence on imports for Brazilian food security. On May 14th in Belo Horizonte, farmers distributed a thousand liters of milk and a thousand loaves of bread, in order to protest the disparity between the promise of agricultural trade liberalization and the estimated one fifth of Brazilians, some 32 million people, who are malnourished. Also on May 14th in Brasilia, the federal capitol, 30 members of "Cry for the Land" occupied the offices of the Ministry of Planning for 11 hours in order to draw attention to what they said was a lack of government response in their negotiations for land reforms and other measures to support family farming and rural communities.

"Encuentro de las Américas," special Spanish section of HOJE EM DIA, May 12, 1997; Kevin G. Hall, "Free-trade Summit begins today in Brazil amid doubts," JOURNAL OF COMMERCE, May 13, 1997; Bruno Blecher, "Agrobusiness propoe agenda para Alca," FOLHA DE SAO PAULO, May 13, 1997; "Declaration of Family Agriculture and Workers of the Americas," various farm worker unions, May 14, 1997; Clarissa Rossi, "FH afirma que negociaçoes para Alca sao `imaginárias'," JORNAL DO BRASIL, May 15, 1997; Maria Célia, "Productor distribuye leche en protesto," HOJE EM DIA, May 15, 1997; "Agricultores do "Grito da Terra" invadem ministério," GAZETA MERCANTIL, May 15, 1997; Scott Otteman, "Western Hemisphere Trade Chiefs Back Launch of FTAA Talks in March," INSIDE U.S. TRADE, May 20, 1997; Janice Hughes, "FTAA Ministers Reach Tough Compromise in Finals Hours in Brazil," INSIDE U.S. TRADE, May 20, 1997; "U.S. Mercosur, Agree on Relation of FTAA to Other Trade Accords," INSIDE U.S. TRADE, May 23, 1997; "Hemispheric Trade Ministers' Meeting Ends With Few Agreements on Construction of F.T.A.A.," NOTISUR, May 23, 1997.

BEYOND BELO HORIZONTE

Canada and Brazil began discussions in mid-April, with the goal of reaching a trade agreement between Canada and Mercosur, the Southern Common Market composed of Argentina, Brazil, Uruguay and Paraguay. Chile and Bolivia are associate members of Mercosur, and Peru petitioned for associate membership in Mercosur in mid-May after leaving the Andean Community trade group. Brazil is also talking with the European Union and Mexico about preferential trade. Canada already has a free trade agreement with Chile and may be exploring deals with other parts of South America as well.

Meanwhile, U.S. Commerce Secretary William Daley, visiting Chile after the Belo Horizonte meeting, said that the Clinton administration remains firmly committed to Chilean accession to NAFTA, and that the administration's fast-track legislation "may or may not include labor and environmental standards," depending on what is necessary to win passage. Fast-track authority would limit Congress to a yes-or-no vote on trade agreements without the possibility of amendments.

Chilean Foreign Minister Jose Miguel Insulza said that NAFTA and fast track are "entirely up to the Americans," reflecting his government's dissatisfaction with the pace of U.S. initiatives with Chile. Chile already has bilateral trade agreements with Canada and Mexico, the other two NAFTA members. Mexico is also negotiating a trade agreement with Mercosur, and has existing trade agreements with Bolivia, Chile, and Colombia.

Kevin G. Hall, "Regional Blocs Jockey for Power in Hemisphere," JOURNAL OF COMMERCE, May 20, 1997; Courtney Tower, "Canada, Brazil Begin Talks on Hooking Up With Mercosur," JOURNAL OF COMMERCE, April 23, 1997; "Canada Seeks Trade With South America," THE WESTERN PRODUCER, April 17, 1997; Michael Christie, "Mercosur Hails Americas Trade Talks Win Over U.S.," REUTER, May 17, 1997; Roger Atwood, "Commerce Secretary in Chile for Trade Talks," REUTER, May 17, 1997; "Bolivia, Mexico Likely to Discuss Tariff Cuts," JOURNAL OF COMMERCE, May 21, 1997.

MEXICO AG MARKETS OPENING

U.S. exports of corn, rice, eggs, chickens, turkeys and peanuts to Canada and Mexico have increased since NAFTA took effect, and Mexico agreed in early May to open its market to fresh Florida citrus, possibly as early as next season. While many U.S. grain and cattle farmers are enthusiastic about the increased Mexican market, cattle farmers remain wary of increased cattle exports from Canada to the United States and U.S. produce farmers continue to lobby for restrictions on competition from Mexico.

Mexico is the third-largest feed grain market in the world, after Japan and South Korea, and the only country where grain consumption by humans is higher than that by animals, according to Alex Jackson, director of trade relations for the U.S. Feed Grains Council. U.S. corn exports to Mexico for the market year ending September 30 are projected to reach 3.9 million metric tons, up from the 1994-95 level of 3 million metric tons but down from the record 6 million tons exported in 1995-96, during Mexico's severe drought.

Rice sales to Mexico by U.S. producers have risen from 150,000 to 200,000 metric tons before NAFTA, to 350,000 per year since NAFTA, increasing the U.S. market share from 50 percent to 90 percent. U.S. egg and poultry exports have also risen dramatically. Mexico is the second-largest market for U.S. pork products and the fourth-largest market for U.S. beef and veal.

Northwestern cherry growers welcomed Mexico's February decision to allow importation of U.S.-grown sweet cherries, and Mexico welcomed the U.S. Department of Agriculture decision allowing commercial shipments of fresh Hass avocados from Michoacan to some areas of the United States. But the Florida Farmers & Shippers Coalition recently released "The True Cost of Winter Vegetables," a video attacking conditions of production in Mexico, as part of a continuing effort to pass a country-of-origin labeling requirement for fresh vegetables and fruits.

"Mexico Agrees to Open Up Market," THE PACKER, May 12, 1997; Alan Gersten, "US Companies Say Nafta Helped Them Sell More Foodstuffs to Canada, Mexico," JOURNAL OF COMMERCE, May 5, 1997; Gene Lucht and Dan Zinkand, "NAFTA Opens Ag Markets,: IOWA FARMER TODAY, May 17, 1997; Dan Zinkand, "Mexico Poised to Become Major Feedgrains Customer," IOWA FARMER TODAY, May 17, 1997; "Joint Communique of the Agricultural Work Group of the Mexico-United States Binational Commission on Agriculture," U.S. DEPARTMENT OF AGRICULTURE, May 5, 1997; Tom Karst, "Costs and Benefits of Winter Vegetables Video Open to Debate," THE PACKER, May 12, 1997.

NAFTA STRIKE AT GM

In what may be the first NAFTA-related strike in the United States, 8,500 hourly workers at Delphi Packard, a General Motors subsidiary in Warren, Ohio, walked off the job on May 13. Among the major issues on the table were job security and the International Union of Electronic Workers' contention that the company has shifted thousands of jobs to Mexico. Delphi Packard has about 40,000 employees in Mexico.

One day later, workers returned to production lines, as union leaders agreed to a new contract guaranteeing, in the words of Local 717 President Nick Border, "Every person that is represented by this union at Delphi Packard Electric will have a guaranteed job to retire from." According to Border, any jobs that are moved to Mexico will be replaced by new work.

"8,500 in Walkout at G.M. Subsidiary," NEW YORK TIMES, May 14, 1997; David Lawder, "GM Workers Resume Output," REUTER, May 14, 1997; "Workers Voting at Delphi," ASSOCIATED PRESS, May 23, 1997.

BANANA APPEAL FILED

European Commissioner Joao de Deus Salvador

Pinheiro announced in mid-May that the European Union (EU) will appeal the World Trade Organization decision calling for an end to EU preferential banana quotas for Africa, the Caribbean and the Pacific. [See "Banana Ruling From WTO," NAFTA & INTERAMERICAN TRADE MONITOR, April 4, 1997.] Pinheiro said the WTO decision favors transnational companies that dominate the banana production of Latin American countries excluded from the EU regime, especially Guatemala and Honduras. He warns that the decision would endanger the Caribbean economy, which depends on banana trade.

TransAfrica, a Washington-based lobby group on African and Caribbean issues, dumped a ton of bananas in front of the U.S. Trade Representative's office in mid-April, protesting the U.S. efforts to overturn the EU banana quota system. TransAfrica charges that U.S. policy is driven by a preference for Cincinnati-based Chiquita Brands International, whose executives contribute heavily to both Democratic and Republican campaigns and whose top executive, Carl Lindner, spent a night in the Lincoln Bedroom as a token of thanks for his financial support of President Clinton's re-election campaign. Chiquita Brands dominates the international banana market, controlling 65 percent of the $12 billion a year world banana trade.

Further complicating the plight of Caribbean banana producers, the U.N. Food and Agricultural Organization forecasts a glut of bananas on world markets by 1999, with supplies exceeding demand by 650,000 tons. According to the FAO report, per capita banana consumption in major markets has increased over the past 10 years, but banana prices have declined.

Jorge Pina, "European Union Appeals WTO Banana Ruling," INTERPRESS SERVICE, May 15, 1997; Silvio Hernandez, "Banana Producers Suffer Through Protectionism," INTERPRESS SERVICE, April 20, 1997; Canute James, "Caribbean Leaders Express Frustration With US Moves," JOURNAL OF COMMERCE, May 13, 1997; Yvette Collymore, "Bananas and the Lincoln Bedroom," INTERPRESS SERVICE, April 16, 1997; "Banana Glut Looms in 1999," INTERPRESS SERVICE, May 7, 1997.

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Public Consultation, Commission for Environmental Cooperation, June 11-13. The Council of the Commission for Environmental Cooperation will hold its regular session at the David L. Lawrence Convention Center in Pittsburgh, with a public consultation to be held simultaneously on general environmental issues, and particularly on Long-Range Transport of Air Pollutants in North America, Voluntary Compliance with Environmental Laws in North America, and Environmental Networking between North American Communities. For information and registration, contact Commission for Environmental Cooperation, c/o Council Secretary, 393, St. Jacques West, Suite 200, Montreal (Quebec) H2Y 1N9. Telephone 514/350-4300; Fax 514/350-4314; Email: public@ccemtl.org; Website http://www.cec.org.

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BORDER INSPECTION CRITICIZED

According to a General Accounting Office (GAO) report, "Improvements Needed to Minimize Threat of Foreign Pests and Diseases," staffing shortages have resulted in shortcuts and cutbacks in inspection by the U.S. Department of Agriculture's Animal Plant Health Inspection Service (APHIS) at border entry points. At the Mexican border crossing with the heaviest passenger vehicle volume, inspectors only examined 0.1 percent of incoming cars and trucks, far below the APHIS' target of 2 percent.

The GAO report also said that in some cases federal inspectors have allowed brokers themselves to choose the samples for inspection, and that the most common inspection shortcut was the practice of "tailgate inspections," examining only the cargo stored near doors and openings of vehicles. APHIS "does not conduct any inspections at 46 northern and six southern ports of entry," and at many other ports inspectors are on duty for limited hours only. National Farmers Union President Leland Swenson characterized U.S. border inspections as "crippled due to the massive influx of imports since NAFTA," and said the lack of adequate inspections threatens the health and safety of domestic livestock and crops and the nation's food supply.

Another study, released in May by the Eastern Border Transportation Coalition of Youngstown, New York, predicts doubling or tripling of cross-border truck traffic by 2015 and "serious congestion and back-ups" at the U.S.-Canada border in two or three years. The coalition noted that northern crossings handle more than twice as much trade as the southern border and called for $8 billion in infrastructure improvements, including $6 billion for highways.

In May, Texas lawmakers approved a special overweight transportation zone at its southeastern border with Mexico, hoping to ease congestion at the Brownsville cargo crossing. The approval is limited to a three and one-half year period in the hope that a new international bridge will be built by then.

"Rising Cross-Border Trade Hampers USDA Inspections, GAO Charges," AMERICAS TRADE, May 29, 1997; Lynne McBride, "NFU Appalled by Lack of Border Inspection Under NAFTA," NATIONAL FARMERS UNION NEWS RELEASE, May 28, 1997; Rip Watson, "Study Warns of Border Gridlock as US-Canada Trade Explodes," JOURNAL OF COMMERCE, May 15, 1997; Kevin G. Hall, "Texas OKs Overweight Transport Zone," JOURNAL OF COMMERCE, May 30, 1997; "Teamsters on New GAO Study:Trade Deals Like NAFTA Threatening U.S. Food Safety," INTERNATIONAL BROTHERHOOD OF TEAMSTERS PRESS RELEASE, May 29, 1997.

CANADIAN, MEXICAN, ARGENTINE PORK, DAIRY INDUSTRIES GROWING

With low population density and high grain reserves, western Canada, especially Manitoba, is growing its hog industry. Elimination of the government freight subsidy that promoted grain exports makes feeding hogs more profitable in western Canada, which now has 43 percent of the nation's hog herd, compared to 36 percent ten years ago.

That growth directly affects U.S. pork producers, since nearly 25 percent of pigs grown on the Canadian prairie are exported to the United States. If exports of weanlings and slaughter hogs continue throughout 1997 at the same level seen during the first four months of the year, Canada will ship nearly 400,000 pigs to Iowa during the year, compared to 262,000 in 1996. Canada is also looking to export more pork to Japan, South Korea, Denmark and Taiwan.

The Mexican state of Sonora, certified in May as a hog-cholera free zone, expects to begin exporting pork to the United States in July and to sell 5,000 metric tons of pork annually to the United States within two years. Sonora exported 7,000 metric tons of pork to Japan in 1996, and expects to sell 12,000 metric tons in 1997.

Although handicapped by outdated storage, refrigeration and marketing facilities, the Mexican dairy industry expects to produce ten percent more milk in 1997 than in 1996. Since retail price controls were removed by the Mexican government on January 1, the industry is expected to grow at a moderate rate in the near future, though imports of non-fat dry milk are expected to continue.

A larger dairy herd expansion is underway in Argentina, which has added nearly 10 billion pounds of annual milk production since 1990, according to three University of Wisconsin-Madison economists. Argentina produced 20 billion pounds of milk in 1996, almost equaling Wisconsin's total.

Ed Jesse, Brad Barham and Tom Cox called the potential for major increased South American dairy competition "scary" for U.S. farmers, noting that Uruguay and Brazil are also increasing production. With milk production costs of $7 per hundred-weight or less, Argentina will compete strongly with U.S. dairy exports in the Mexican and South American markets.

Steve Marbery, "Canadian Hog Industry Looks at Expansion," FEEDSTUFFS, June 2, 1997; Joel McNair, "Argentina Eyeing Huge Dairy Growth," AGRI-VIEW, May 29, 1997; USDA Trade Office, Mexico City, HIGHLIGHTS OF WEEKLY AGRICULTURAL NEWS FROM MEXICO, "Major Revisions to Mexican Dairy Numbers," May 22, 1997; USDA Trade Office, Mexico City, HIGHLIGHTS OF WEEKLY AGRICULTURAL NEWS FROM MEXICO, "Pork Exports From Mexico to the United States on the Horizon," May 22, 1997.

CALIFORNIA, FLORIDA GROWERS CRITICIZE NAFTA

In recent testimony before the U.S. International Trade Commission, California's Western Growers Association joined the Florida Fruit & Vegetable Growers Association in criticizing NAFTA's effect on the U.S. fruit and vegetable market. David Moore, president of the Western Growers Association, said that NAFTA has not opened up the Mexican market to U.S. fruit and vegetables, and that the Mexican peso devaluation hurt U.S. growers by making Mexican produce cheaper.

Reggie Brown of the Florida Fruit & Vegetable Association testified that Mexico's lower labor costs and less stringent labor and environmental regulations, combined with increased investment and productivity since NAFTA, enable Mexican growers to unfairly compete in the U.S. market. He said that Florida had a 56 percent U.S. market share for winter tomatoes before NAFTA, and that its share has declined to 35 percent while Mexico claimed a 50 percent share in 1995-96.

In other testimony from California, Sun World International complained that NAFTA has failed to provide intellectual property protection for its plant patents. Sun World claims that its patented Sugraone grape was stolen years ago and that thousands of acres of the grape are now grown in Mexico and exported to the United States to unfairly compete with Sun World's patented variety.

Florida lime growers recently complained about increased competition from Mexican limes, in both U.S. and European markets. Lower Mexican labor costs enable growers to pack limes more carefully for European markets. Herbert Yanamura, a Florida lime grower, says that the U.S. Department of Agriculture has a "double standard of inspection" for domestic and imported limes.

Larry Waterfield, "Californians Voice NAFTA Concerns," THE PACKER, June 2, 1997; Larry Waterfield, "Florida Tells Its Story to ITC," THE PACKER, May 26, 1997; Tracy Rosselle, "Mexican Product Dictates Prices," THE PACKER, May 26, 1997.

CBI NEGOTIATION AS JOBS MOVE SOUTH

The Clinton Administration revealed its CBI plan in early June, proposing a two-stage, eight-year plan. CBI countries would have to participate in the Free Trade Area of the Americas Negotiations and implement their World Trade Organization obligations in order to qualify for the first, three-year stage of the plan, which would eliminate quotas for eligible apparel products and slash duties on others by half the difference between most favored nation tariff rates and the tariff rates enjoyed by Mexico under NAFTA. Twelve other conditions would have to be met for the second stage of the plan.

In May, four U.S. apparel industry groups split over a draft bill that would grant Caribbean Basin countries additional access to U.S. markets, legislation continuing the Caribbean Basin Initiative (CBI). Although the American Apparel Manufacturers Association (AAMA) released a draft of the "Apparel Partnership Act" on May 1, the National Retail Federation (NRF) and the U.S. association of Importers of Textiles & Apparel (USA-ITA) said the draft does not represent their position and that there is no industry consensus. A fourth group involved in industry-wide talks is the American Textile Manufacturers Institute (ATMI). The textile industry associations have not agreed on language on worker rights, or on tariff preference levels and tariff rate quotas.

Workers in the U.S. textile industry, which employs more than 825,000 people, have seen many jobs moving to lower-wage countries. In one current example, Alfred Angelo, a women's formal wear manufacturer founded in Philadelphia in 1940, plans to move most of its 270 manufacturing jobs in Philadelphia and New York to three factories in Guatemala, leaving only a sample and design department in the United States. Some Alfred Angelo operations are already in place in Guatemala and China. An April 1997 survey of three non-unionized Guatemalan factories producing for Alfred Angelo revealed violations of child labor, wage and hour laws, as well as violations of Alfred Angelo's own code of conduct for foreign vendors.

The textile industry is not the only U.S. industry to suffer from factory flight. Reacting to losses of jobs among its members, the United Auto Workers union has asked members to tell Congress how they feel about both NAFTA and planned expansions of free trade agreements in the Americas. The U.S. trade deficit with Mexico and Canada reached $39 billion last year, with $28 billion of that amount due to automobile sector trade. UAW President Stephen Yokich said "side agreements" protecting workers' rights don't work. "We don't even enforce the laws here in the U.S. that are on the books," said Yokich. "How are we going to enforce them elsewhere?"

"Administration Unveils Two-Stage, Eight-Year Plan to Enhance CBI," INSIDE U.S. TRADE, June 6, 1997; "U.S. Retailers, Importers Blast Early AAMA Draft of CBI Apparel Legislation," INSIDE U.S. TRADE, May 30, 1997; "Alfred Angelo Threatens to Close U.S. Bridal Gown Factories; Violates Code of Conduct in Guatemala," LABOR ALERTS/LABOR NEWS, May 16, 1997; "Union Brings Case of New York Factory Closing to Capitol Hill," INTERNATIONAL BROTHERHOOD OF TEAMSTERS PRESS RELEASE, 6/9/97.

FALL FOR FAST-TRACK

Clinton administration officials said on May 22 that they will delay introduction of fast-track legislation until fall. Fast-track authority would limit Congress to a yes-or-no vote on trade agreements without the possibility of amendments. Free trade advocates consider fast-track authority essential for negotiations to admit Chile to NAFTA and for negotiation of the Free Trade Agreement of the Americas. U.S. Trade Representative Charlene Barshefsky defended the administration's decision, citing debates over a balanced budget agreement between the White House and Congress and over China's Most Favored Nation (MFN) trade status that need to be resolved first.

"I think that by delaying action until the fall the president runs the risk that we will not be able to complete fast track this year or next year," Senate Finance Committee Chair William Roth (R-DE) said at a panel hearing on June 3. Senator Charles Grassley (R-IA), who chairs the Commerce Committee, had warned earlier that the administration's delay in introducing fast-track legislation greatly reduces its chances of passage this year. Grassley suggested that Congress ought to introduce its own fast-track legislation. Senate Majority Leader Trent Lott (R-MS) told U.S. Trade Representative Charlene Barshefsky that he could take up the legislation in September, although the Senate will be busy with appropriations bills at that time.

In the U.S. House of Representatives, Rep. Bob Matsui (D-CA) predicted on May 27 that the House of Representatives could move quickly on fast-track legislation in September or October.

"Barshefsky Calls for Flexible Labor, Environment Fast Track Terms," INSIDE U.S. TRADE, June 6, 1997; Jim Lobe, "Clinton's 'Fast-Track' Delay Worries Supporters," INTERPRESS SERVICE, June 4, 1997; "Key House Supporter Sees Speedy Action on Fast Track This Fall," INSIDE U.S. TRADE, May 30, 1997; "Free Trade: Fast Track Slows, Dolphin Bill Speeds Up," WEEKLY NEWS UPDATE ON THE AMERICAS, June 1, 1997; "Shapiro Gives Preview of Administration's Pro-NAFTA Debating Points," INSIDE U.S. TRADE, May 16, 1997; "Senators Say Delay of Fast Track Endangers Passage This Year," INSIDE U.S. TRADE, May 23, 1997; Donna Smith, "U.S. Lawmakers Worried by Trade Legislation Delay," REUTER, June 3, 1997.

MADE IN USA?

The U.S. Federal Trade Commission (FTC) on May 5 proposed lowering the domestic content required for a product to be labeled "Made in USA." The present rule calls for nearly 100 percent U.S. content. Under the FTC proposal, products could bear the USA label if they meet one of two tests: either 75 percent of manufacturing costs are incurred and the product was last "substantially transformed" in this country, or the product and all its components were "substantially transformed" here. The FTC will issue a final rule after the public comment period expires on August 11.

Nancy Dunne, "Made (Partly) in the USA," FINANCIAL TIMES, May 6, 1997; Bruce Ingersoll, "'Made in USA' May Take on New Meaning," WALL STREET JOURNAL, May 6, 1997.

NAFTA ENVIRONMENTAL DELAYS

A review of NAFTA-related environmental problems and policies, scheduled as part of a legally mandated review of NAFTA and its effects on the United States economy, has been delayed by governmental objections, particularly in Mexico. As a result, the environmental portion of the NAFTA review may not be completed this year.

The environmental study will focus on energy use, cattle raising and, in Mexico, raising corn. It was to be done by an advisory panel made up of experts and representatives of nongovernmental organizations, at a cost of $150,000, part of the $9 million annual budget of the commission for Environmental Cooperation. Mexican officials object to the study's design, and want substantial input and oversight over the advisory panel's work.

Meanwhile, burgeoning growth of maquiladora factories on the Mexican side of the border has increased air and water pollution and worker exposure to hazardous conditions, according to environmentalists and U.S. Senator Richard Gephardt, who visited the border earlier this year. Gephardt wrote to fellow Democrats that: "We saw 21st century technology combined with 19th century living and working conditions. . . . We drove by industrial parks where companies continue to dump their toxic wastes at night into rivers. . . ."

Anthony DePalma, "Nafta Environmental Lags May Delay Free Trade Expansion," NEW YORK TIMES, May 21, 1997; Leslie Crawford, "Hazardous Trades Bring Pollution and Health Fears Down Mexico Way," FINANCIAL TIMES, June 6, 1997.

MEXICO INVESTIGATES CFC BLACK MARKET

Catalina Moser, coordinator of the ozone protection unit of Mexico's National Ecology Institute, said on April 11 that the Federal Environmental Protection Enforcement Agency (PROFEPA) is investigating Greenpeace environmental organization's charges that there is a Mexican black market for the export of chlorofluorocarbons into the United States. CFCs are ozone-depleting substances whose use is being phased out according to targets set by the Montreal Protocol, a multilateral environmental agreement. Greenpeace maintains that some illegal CFCs found in the United States were transported in containers belonging to Monterey, Nuevo Leon-based Quimobasicos, a joint venture of U.S.-based Allied Signal and Mexico-based Cydsa.

Dora Delgado, "Mexican Authorities Investigating Black Market in CFC Exports to United States," INTERNATIONAL ENVIRONMENT REPORTER, April 16, 1997.

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CONTINUING CONFLICT ON IPR AGREEMENTS

Progress toward ratification of an intellectual property agreement reached by the United States and Ecuador three years ago is at a virtual standstill in Ecuador, partly as a result of strong opposition to the agreement by the seven indigenous peoples of Ecuador's Amazon area. The Coordination of the Indigenous Organizations of the Amazon Basin (COICA) complained in May about the presence of U.S. "bio-pirate" pharmaceutical laboratories on indigenous territories in the Amazon Basin, which consists of Bolivia, Brazil, Colombia, Ecuador, Guayana, Peru, Suriname and Venezuela. COICA technical advisor Rodrigo de la Cruz noted that "there are registered patents [in the United States] for Ayahuasca (the ceremonial drink of the Amazon peoples), 'una de gato' and 'sangre de drago' (medicinal plants), which were taken without the permission of the communities."

The U.S. government, critical of Ecuadorean delay in approving the agreement, in April placed Ecuador on a "priority warning list" for non-fulfillment of intellectual property and patent agreements. When Peter Allgeier, representing the office of the U.S. Trade Representative, visited Venezuela earlier this month, he made clear the priority that the United States places on Venezuelan passage of laws to protect intellectual property.

Computer giant Microsoft recently brought legal action in the United States and Panama against two Panamanian companies for violations of copyright and intellectual property laws of both countries. U.S. ambassador to Panama William Hughes warned that Panama could face "heavy commercial sanctions" for failure to control illegal copying and sale of computer programs, films and video games.

At a conference in Mexico City earlier this year, John Bliss, president of the U.S.-based International Anti-Counterfeiting Coalition, said that copyright violations in Mexico, primarily piracy of software, books and entertainment products, costs businesses about $500 million annually. While Mexico has passed necessary legislation to protect intellectual property rights, lack of training, corruption and lack of criminal prosecution make enforcement of the laws difficult.

Mario Gonzalez, "U.S. Patent Agreement on Virtual Hold," INTERPRESS SERVICE, May 28, 1997; "U.S. Threatens Sanctions for Violations," INTERPRESS SERVICE, June 5, 1997; "Intellectual Property Rights Seen as Insufficient, Experts Say," WORLD INTELLECTUAL PROPERTY REPORT, May, 1997; "El Mensaje Debera Ser Claro: Propiedad Intelectual Dominara Agenda de Clinton en Venezuela," EL NACIONAL, June 6, 1997.

FAST-TRACK OPPOSITION MOBILIZES

Though the Clinton administration has decided to delay introduction of fast-track legislation until fall, opponents of fast-track negotiating authority are mobilizing now. Fast-track authority would limit Congress to a yes-or-no vote on trade agreements without the possibility of amendments.

Florida Commissioner of Agriculture Bob Crawford and 14 state farm groups sent a letter to Florida's congressional delegation on May 22, urging that legislators withhold support for fast track authority until an agreement can be reached to address rules governing trade in perishable farm goods. "The time to address the major inadequacies of existing agreements is now - prior to the granting of new fast track authority for trade agreement expansions," said the letter. The letter said that U.S. producers of orange juice, beans, sweet corn, eggplant, cucumber, squash, bell peppers and tomatoes have lost considerable U.S. market share since 1990.

In June, AFL-CIO President John Sweeney and a group of union presidents told White House chief of staff Erskine Bowles and senior Administration economic advisors that they will strongly oppose any fast-track bill that does not authorize inclusion of provisions for labor rights.

U.S. Trade Representative Charlene Barshefsky said in testimony before the House International Relations Committee on June 10, that "There is no cookie-cutter approach" to labor and environmental issues. She suggested that discussions of these issues might proceed concurrently on a separate track, either before or after trade negotiations.

"Florida Farm Groups Seek New Perishable-Goods Rules Before Fast Track," AMERICASTRADE, May 29, 1997; "Union Presidents Vow to Fight Fast-Track Bill Without Labor Rules," INSIDE U.S. TRADE, June 13, 1997; "Barshefsky Seeks Flexible Treatment of Labor, Green Issues vs. Trade," AMERICASTRADE, June 12, 1997.

EU ORDERS LABELING OF GENETICALLY MODIFIED ORGANISMS

On June 18, the European Commission (the executive arm of the European Union) ordered that feed or food products sold in the European Union (EU) must be labeled to inform consumers, if they contain ingredients made from genetically modified organisms (GMOs). The new labeling requirement will take effect on July 31.

The United States and Canada are expected to challenge the labeling requirement in the World Trade Organization (WTO), but the requirement will remain in effect during the year or more that the WTO takes to decide a case.

On June 16, U.S. Trade Representative Charlene Barshefsky and U.S. Secretary of Agriculture Dan Glickman had warned EU Agriculture Commissioner Franz Fischler against proceeding with the labeling rule. Barshefsky characterized the rule as "arbitrary, politicized, and scientifically unjustified." In a June 16 news conference, Fischler said that labeling GMOs would not violate World Trade Organization rules because labeling does not create trade barriers.

Barshefsky told the Senate Agriculture Committee on June 18 that such action by the European Union would cause a major disruption in $3 to $5 billion of U.S. agricultural exports to the European Union. Barshefsky told the committee that European action could encourage other countries to impose non-science based restrictions. Testifying to the Senate Agriculture Committee, Glickman emphasized that biotechnology will provide plentiful food with less damage to the environment.

Ian Elliott, "EU to Require Labels on GMO Products," FEEDSTUFFS, June 23, 1997; "Barshefsky Warns EU of Trade War Over Genetically Modified Products," INSIDE U.S. TRADE, June 20, 1997; Heather C. Jones, "Barshefsky, Glickman Discuss Trade Issues With Ag Committee," FEEDSTUFFS, June 23, 1997.

EU APPEALS BANANA DECISION

On June 13, the European Union listed 19 possible points of appeal of the World Trade Organization ruling against the EU banana import regime. Under the EU regime, in effect since 1992, the EU reserves a substantial share of its market for banana exporters in its former colonies, limiting banana imports from Central and South America to 2.2 million metric tons per year. The United States had brought the WTO case on behalf of Chiquita Brands International Inc., a U.S.-based company and a major exporter of Latin American bananas. Four Latin American countries -- Ecuador, Guatemala, Honduras and Mexico -- joined the dispute.

In mid-June, U.S. Trade Representative Charlene Barshefsky reiterated an earlier proposal made by President Clinton for a negotiated settlement with the European Union. Under the U.S. proposal for a settlement, the EU would replace its preference for imports from former colonies with tariffs on non-Caribbean bananas. The U.S. plan would also eliminate licensing requirements contained in the present EU banana regime.

Caribbean banana producers lobbying in Washington in June argued that dismantling the EU regime would devastate their economies, increasing migration to the United States and making their countries vulnerable to international drug cartels.

"Barshefsky Suggests Banana Negotiations With EU to Help Caribbeans," INSIDE U.S. TRADE, June 13, 1997; "EU Notice of Appeal Fights Every Point of WTO Banana Panel Ruling," INSIDE U.S. TRADE, June 20, 1997; "Banana Row," THE ECONOMIST, May 30, 1997; "U.S. & Caribbean Nations Agree to Closer Cooperation on Trade & Security Issues, Despite Important Differences," ECOCENTRAL, May 21, 1997: "Banana Ruling from WTO," NAFTA & INTERAMERICAN TRADE MONITOR, April 4, 1997.

BRAZILIAN SOYBEANS

As U.S. soybean prices rose in June to a 10-year high, Cargill, Inc. announced that it would buy 200,000 metric tons - roughly 7.3 million bushels - of cheaper Brazilian soybeans. Rumors of the Cargill deal whipsawed prices of soybean futures on the Chicago Board of Trade for days. Prices of July soybean futures fell 30 cents per bushel to $8.30 on June 4, the maximum drop allowed by trading rules. Cargill did not reveal the terms of its Brazilian deal. Under the provisions of GATT, there are no duties or tariffs on Brazilian beans.

The U.S. Department of Agriculture said that U.S. processors will import 20 million bushels of soybeans this year, up from 4 million last year. The United States produces 42.7 percent of the world's soybeans, and may actually export some to Brazil this year.

Susan Miller, "Cargill Draws Farmers' Ire for Buying Cheaper Brazilian Soybeans," STAR TRIBUNE, June 21, 1997; Eugene Paul, Press Release, NATIONAL FARMERS ORGANIZATION, June, 1997.

ADM BUYS BRAZILIAN, CANADIAN GRAIN HANDLERS

U.S.-based Archer Daniels Midland Company (ADM) has agreed to buy dozens of Swiss-based Glencore Grain Holding's grain and soybean handling facilities in Brazil and Paraguay. The deal includes facilities handling 15 percent of all soybean origination in both countries. ADM's soybean crushing plants in Europe use large amounts of Brazilian soybeans.

On May 29, ADM also announced plans to buy a 45 percent stake in United Grain Growers Ltd. of Winnipeg. The agreement awaits approval by United Grain stockholders and by regulatory agencies. As part of the deal, ADM agreed not to increase its ownership share beyond 45 percent for 10 years.

ADM is the second-largest grain-handling company in North America, and United Growers is 17th. ADM operates two oilseed crushing plants, two oilseed refineries, 10 flour mills, a barley malting plant, three terminal elevators and four country elevators in Canada. United Grain, which was founded as a cooperative in 1906, operates more than 145 country elevators, 12 high-volume grain facilities and three port terminals, and is involved in crop input marketing and distribution, livestock production services and farm business communications.

Charles House, "ADM Agrees in Principle to Buy Brazilian Elevators," FEEDSTUFFS, June 9, 1997; Archer Daniels Midland to Obtain 45% Stake in United Grain Growers," MILLING & BAKING NEWS, June 3, 1997; Adrian Ewins, "United Grain Growers Links With American Partner," WESTERN PRODUCER, June 5, 1997.

CHILE-CANADA AGREEMENT DELAYED

Although Chilean and Canadian negotiators agreed on a free trade deal last year, the Chilean Senate has balked at approving the treaty. The National Renovation Party (PRN) and the Independent Democratic Union (UDI) insist that the single import tariff be reduced from 11 to eight percent by the end of June, and want a continuation of the Value Added Tax of 18 percent as well. A previous internal Chilean political agreement balanced tariff reduction with a reduction of the Value Added Tax from the 18 percent imposed in 1991 to the previous level of 15 percent. The tariff reduction is tied to Chilean agreements with both Canada and Mercosur.

Ian Elliott, "Canada Free Trade Deal Could Be in Trouble," FEEDSTUFFS, May 26, 1997; Gustavo Gonzalez, "Chile's Right-Wingers Hold Up Treaty With Canada," INTERPRESS SERVICE, June 5, 1997.

NEW CANADIAN TRADE, AGRICULTURE MINISTERS

Canadian Environmental Minister Sergio Marchi will take over as head of the Canadian Ministry of Foreign Affairs and International Trade, replacing Art Eggleton, who will become Minister of National Defense. Former parliamentary secretary for Agriculture and Agri-Food Lyle Vanclief will become Canada's new Minister of Agriculture and Agri-Food, replacing Ralph Goodale, who will now serve as Minister of Natural Resources. Announcement of the cabinet changes came in the wake of federal elections in early June.

"Canada Names New Head of Trade in Post-Election Cabinet Reshuffle," INSIDE U.S. TRADE, June 13, 1997.

MEXICO PHASING OUT DDT

Under an agreement crafted during a meeting in Pittsburgh on June 13 of the Council of the Commission for Environmental Cooperation (CEC), which is monitoring provisions of the North American Free Trade Agreement, Mexico agreed to gradually phase out DDT. Mexico will phase out 80 percent of its DDT and all of its chlordane use within five years and end all use of DDT 10 years later. The highly toxic chemicals are used to battle malaria-carrying mosquitoes, fire ants and termites in Mexico. Both DDT and chlordane are believed to be carcinogenic, and DDT is known to kill birds and other wildlife.

Use of DDT was banned in the United States in 1973, and chlordane has been unavailable for residential use in the United States since 1987, but small amounts are still sold for control of fire ants. Canada discontinued the use of DDT in 1985 and chlordane 10 years later.

Mexico's Group of 100 environmental organization claims that widespread spraying of DDT in Mexico City parks harms children. Homer Aridjis, Mexico's most prominent environmentalist and leader of the Group of 100, dismissed the argument that Mexico is too poor to ban harmful pesticides, and expressed skepticism over the likelihood that the ban will be enforced. In an interview with Reuter, Maria Estela Gonzalez de Villarreal, Mexico City president of the Green Ecologist Party of Mexico, asked "How is it possible that they've given us a term of 10 more years to continue dying?"

The three CEC members also pledged to coordinate a plan to make public any release of toxic chemicals into the atmosphere or waterways.

Dan Trotta, "Mexico's DDT Ban Too Little, Too Late - Ecologists," REUTER, June 15, 1997; Mexico to Phase Out Chlordane, DDT," ASSOCIATED PRESS, June 13, 1997.

FOREST SUBSIDY BIDS SCHEDULED

On June 3 , the Mexican Secretariat of Environment, Natural Resources and Fisheries (Semarnap) published rules for companies seeking government subsidies under a plan to create commercial forestry plantations. Semarnap officials say the subsidies will help to reduce reliance on imported U.S. timber and paper products. Companies can be subsidized for up to 65 percent of their investment for planted acres.

In April, opposition politicians and Greenpeace activists accused Congress of caving in to transnational corporate pressure in its speedy approval of the forestry law. Supporting its charges, the opposition released a letter from the International Paper Company to the office of Mexican President Ernesto Zedillo, which stated its interest in investing in the country and urged the government to implement tax incentives and create a state agency to promote planting trees appropriate for logging. The firm said it had already identified suitable land in Chiapas, Oaxaca, Tabasco and Veracruz. Calling the law an attack on communal property, the opposition noted that it does not protect indigenous communities from pressure to sell or lease their land. Earlier, the Secretary of the Environment had said that the indigenous rights question had no logical part in the debate and urged quick ratification of the law.

Kevin G. Hall, "Mexico Issues Rules for Gaining Forest Subsidies," JOURNAL OF COMMERCE, June 5, 1997; Diego Cevallos, "Greenpeace and Opposition Slam New Forests Law," INTERPRESS SERVICE, April 28, 1997; "Indigenous Territory and Natural Resources," MEXICO UPDATE, April 3, 1997.

RESOURCES/EVENTS

Espejismo y Realidad: El TLCAN Tres Anos Despues, Red Mexicana de Accion Frente al Libre Comercio. 1997. Red Mexicana de Accion Frente al Libre Comercio, Godard, 20, Col. Guadalupe Victoria, 07790, Mexico, D.F. 203 pp. Includes sector-by-sector social and economic analysis of impact of NAFTA on Mexico during its first three years, and concludes with recommendations for renegotiation of NAFTA.

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AG EXPORT NEWS

* On July 1, the Mexican Trade Ministry activated a safeguard provided by NAFTA and set a quota on imports of streaky bacon from the United States. Bacon imports of up to 3,605 metric tons will enter the country at a tariff of 6 percent, and any imports over that amount will pay a 10 percent tariff.

* The North Dakota Wheat Commission and the National Sunflower Association will jointly promote increased use of U.S. hard red spring wheat and confectionery sunflower in Mexico, as Grupo Industrial Bimbo, Mexico's largest baker, introduces two new products: honey nut bread and multi-grain bread.

* Chilean farmers will begin to export beef to Japan in a pilot program during the second half of 1997. Chile can produce the high-fat beef preferred in Japan, and its herd is free of hoof-and-mouth disease and meets Japanese sanitary requirements.

* Brazil exported 5,129 metric tons of whole chickens to Russia in January, more than double the amount shipped in December 1996, according to the Sao Paulo Chicken Producers Association. Brazil is the second-largest chicken exporter in the world and Russia is the largest importer, but Brazil began exports to Russia only in July 1996.

* On June 24, the U.S. Department of Agriculture ended a 65-year-old ban on Argentine beef, opening the door for Argentine exports of fresh, chilled or frozen beef to the United States. The United States is already Argentina's largest market for cooked beef exports. Argentina has eradicated foot-and-mouth disease, and has been given a quota of 20,000 metric tons of fresh beef this year, effective after a 60-day Congressional review period.

* On June 25, Mexico imposed anti-dumping tariffs on imports of U.S. corn syrup, ranging from $63 to $175 per metric ton. In 1996, Mexico imported 350,000 metric tons of corn syrup, while stockpiling 300,000 metric tons of locally produced sugar. The U.S.-based Corn Refiners Association charged that the Mexican action was based on "false allegations from the Mexican Sugar Chamber," and said the Mexican government had "turned its back on the North American Free Trade Agreement."

"Mexico Applies U.S. Bacon Import Quota Tariff," REUTER, July 1, 1997; "Wheat, Sunflower Groups Target Mexico," MILLING & BAKING NEWS, June 24, 1997; "Brazil Chicken Exports to Russia Double in January," AGWEEK, June 30, 1997; "Chile Farmers Evaluate Exporting Beef to Japan," AGWEEK, June 30, 1997; "U.S. Announces Removal of 65-Year Ban on Argentine Fresh Beef Exports," AMERICASTRADE, June 26, 1997; "Argentina Has OK to Ship Beef to the United States," AGWEEK, June 30, 1997; "Mexico Imposes Syrup Tariff," FINANCIAL TIMES, June 26, 1997; "Corn Refiners Say Mexico 'Turned Its Back' on NAFTA," MILLING & BAKING NEWS, July 1, 1997.

NAFTA CRITICIZED, PRAISED

"The Failed Experiment: NAFTA at Three Years," a report released in late June by a coalition of labor and environmental groups and think tanks, including Public Citizen's Global Trade Watch, the Economic Policy Institute, Sierra Club and others charges that NAFTA has encouraged U.S. industrial relocation to Mexico and depressed U.S. wages and living standards by diminishing bargaining power of U.S. workers. The study blames NAFTA for a quadrupling of U.S. trade deficits with Mexico and Canada and the loss of 420,000 jobs since the trade agreement went into effect on January 1, 1994.

While acknowledging growing trade deficits, the Clinton Administration blames them on the Mexican peso crisis of 1994 and a stagnant Canadian economy. The administration maintains that rising export sales attributed to NAFTA have created 311,000 jobs in the United States since NAFTA took effect. The Clinton Administration is expected to release a three-year report on NAFTA, required by law, some time this month.

Predictably, the U.S. Chamber of Commerce praised NAFTA in a June 23 press release as a "huge success." A report produced by Washington economist Sherman Robinson and UCLA economist Raul Hinojosa called NAFTA's effect on the U.S. economy "negligible," finding a "near zero net impact" during it first three years.

"Economists Review NAFTA's Impact," ASSOCIATED PRESS, June, 1997; Michelle Mittelstadt, "Labor, Environmentalists Slam NAFTA," ASSOCIATED PRESS, June 26, 1997.

MEXICAN VOTERS REJECT PRI, NAFTA

In a stunning defeat for President Ernesto Zedillo's ruling Institutional Revolutionary Party (PRI), leftist Democratic Revolutionary Party (PRD) leader Cuauhtemoc Cardenas won the position of mayor of Mexico City and the PRI lost control of the lower house of the Mexican Congress. Neither PRI nor PRD nor the rightist National Action Party (PAN) will hold a majority in the 500-member lower house of Congress.

Cardenas, whose defeat in the 1988 presidential race was widely believed to be due to fraud by the PRI, is now positioned to challenge the PRI's candidate for the presidency in the year 2000. Cardenas has been a long-time critic of the government's neoliberal policies and a staunch opponent of the North American Free Trade Agreement.

"Triumph for Electoral Democracy in Mexico!" MEXICO UPDATE, July 7, 1997; Sam Dillon, "The Happy Warrior," NEW YORK TIMES, July 8, 1997; Julia Preston, "Mexico's Governing Party Loses Control of Congress, Ending 7-Decade Monopoly," NEW YORK TIMES, July 8, 1997; Craig Torres, Dianne Solis and Joel Millman, "Mexicans Hand Major Electoral Defeats to Ruling Party," WALL STREET JOURNAL, July 7, 1997.

U.S.-CANADIAN, CHILEAN SALMON DISPUTES

With fish stubbornly refusing to remain within national boundaries, Canadian and U.S. fishing boats continue to compete for five species of salmon, while their governments have been unable to reach an agreement on sharing the salmon run. As talks broke down in late June, both sides blamed the other for inflexibility in negotiations, while saying they would begin more aggressive fishing in July. A 1985 treaty dividing the salmon catch expired in 1992.

Canadians say the average annual salmon catch runs to 65 million fish for southeast Alaska, 30 million in British Columbia, 5 million in Washington, and 300,000 in Oregon. Indigenous people in Canada and the United States also have constitutional guarantees of access to salmon.

Canada has asked for binding arbitration of the dispute, but the United States rejects this approach. Both sides agree that U.S. boats have overfished salmon from Canadian rivers for years. In 1996, a New Zealand mediator called for U.S. restraint, but the United States rejected his report.

Meanwhile, U.S. salmon harvesters on the Atlantic coast in June filed anti-dumping and countervailing duty petititons with the U.S. Commerce Department against Chilean imports of fresh or chilled Atlantic salmon. The U.S. Coalition for Fair Atlantic Salmon Trade charges that Chilean imports are unfairly subsidized and sold into the U.S. market at an average of 40 percent below fair market value. The Chilean salmon industry maintains that its price advantage stems from a milk coastal climate, ideal water termperatures and lower labor and production costs.

"Canada Calls for Binding Dispute Settlement Following U.S. Rejection of Final Offer," CANADIAN DEPARTMENT OF FOREIGN AFFAIRS AND TRADE, June 26, 1997; Courtney Tower, "US-Canadian Negotiations on Pacific Salmon Run Aground," JOURNAL OF COMMERCE, June 30, 1997; "Salmon War on Two Fronts," THE ECONOMIST, June 28, 1997; "U.S. Salmon Coalition Files AD/CVD Case Against Chilean Counterparts," AMERICASTRADE, June 26, 1997.

PERU BACK IN ANDEAN COMMUNITY

After withdrawing from the Andean Community in May, Peru returned in June, to cheers from the Peruvian business community and a warm welcome by its Andean partners: Bolivia, Colombia, Ecuador and Venezuela. The Peruvian government had insisted on a seven-year time frame for lifting tariffs on imports from its Andean partners, but the other Andean partners had refused to delay for more than four years. Peru's withdrawal was never formalized by a parliamentary decision. Lima will continue to be the headquarters of the Andean Community.

Under the agreement for Peru's return, Peru will gradually return to the free trade zone over a seven year period and will receive most-favored-nation treatment, meaning that it will automatically receive any advantage that any of its partners concedes to a third-party country. Andean Community foreign ministers met on June 25 in Quito, Ecuador to hammer out agreements on Peru's future in the organization and a schedule for the economic integration of the member nations.

Mercosur (Argentina, Brazil, Paraguay and Uruguay) and the Andean Community continue to negotiate outstanding differences over a possible free-trade area between the two blocs, while Chile pushes for a closer relationship with Mercosur. In June, Chilean President Eduardo Frei called for closer coordination between his country, now an associate member of Mercosur, and the rest of the trade bloc in negotiations on a Free Trade Area of the Americas. Frei emphasized that the five countries share a common interest in giving priority to negotiations on agricutlural products, textiles and manufactures, while the United States is more concerned with investment, financial services and intellectual property.

Abraham Lama, "Peru is Back," INTERPRESS SERVICE, June 26, 1997; "Andean Community Urges Unity," JOURNAL OF COMMERCE, June 26, 1997; "Andean Nations Seek Ministerial to Break Deadlocks With Mercosur," AMERICASTRADE, June 26, 1997; "Chilean President Proposes Joint Front With Mercosur in FTAA Talks," AMERICASTRADE, June 26, 1997.

DOMOS QUITS CUBA

Grupo Domos, the Mexican company whose investment in the Cuban telephone system made it the largest foreign investor in Cuba, has given up its stake in the telephone company and withdrawn from Cuba. Anti-Cuba groups in the United States, as well as some U.S. officials, credit U.S. sanctions against companies doing business in Cuba for forcing the Grupo Domos withdrawal, as the Cuban telephone system once was owned by U.S.-based ITT Corporation.

Top Domos officials, shareholders, and members of their families have been denied visas to visit or study in the United States and Domos has been threatened with lawsuits under the U.S. Helms-Burton law, which allows suits against foreign companies that use any property in Cuba that was once owned by U.S. citizens or corporations. An Italian company, Stet, remains invested in the Cuban telecommunications system, and is engaged in negotiations with ITT Corporation to compensate the U.S. company for some \$130 million in outstanding claims.

John S. Kavulich, president of the New-York-based U.S.-Cuba Trade and Economic Council, says that Grupo Domos had other problems, including a lack of assets to back up their investment commitment. The Domos investment was made prior to the Mexican peso crisis of December 1994.

Larry Rohter, "Mexican Conglomerate Abandons Cuba Phone Venture," NEW YORK TIMES, June 30, 1997.

CHILE RATIFIES CANADA TRADE DEAL

The Chilean Senate finally approved a trade pact with Canada on July 1, eliminating tariffs on about 80 percent of bilateral trade immediately and phasing out the rest over 18 years. Trade between Chile and Canada currently totals about \$670 million a year. Canada is Chile's second-biggest investor, with \$8 billion invested, mostly in the mining sector.

Chilean opposition to the trade pact came mostly from the agricultural sector, where grain farmers are still angry about the Mercosur pact signed last year, which they fear will open them to competition from Argentina and Brazil. In a concession to agriculture, tariffs on a range of agricultural products ranging from cheese to eggs to meat will be the last to come down in the Canada-Chile pact. The tariff on wheat flour, Chile's main import from Canada, will remain in place until 2014.

The Chilean pact with Canada is the first Chilean trade agreement to include labor and environmental provisions. Chile also plans to complete a free trade agreement with Mexico by November, according to Foreign Minister Jose Miguel Insulza.

Roger Atwood, "Chile Ratifies Trade Deal With Canada," REUTER, July 2, 1997; "Chile Sees Free Trade Deal With Mexico," REUTER, July 3, 1997; Gustavo Gonzalez, "Accord With Canada Sets Several Firsts," INTERPRESS SERVICE, July 3, 1997.

AG TRADE NEGOTIATIONS

In June, U.S. Secretary of Agriculture Dan Glickman appointed a task force on agricultural trade negotiations. The task force is charged with developing policies and strategies for trade negotiations set to begin in 2000 within the World Trade Organization (WTO).

Other agricultural issues are under negotiation at the WTO talks on harmonization of rules of origin. Countries disagree on whether coffee originates in the country where it is grown or in the country where it is roasted and on whether wine is made in the country where the grapes are processed or where they are grown.

U.S. and Canadian negotiations over sugar exports continue, in an effort to avoid a formal Canadian complaint under NAFTA about the U.S. re-export program. The re-export program lets U.S. companies buy cheap sugar outside a U.S. tariff-rate quota and then export the sugar-containing products into Canada, where they compete with products containing higher-priced sugar. The net result is to increase U.S. exports of sugar-containing products to Canada. U.S. and Canadian officials are negotiating greater Canadian access to the U.S. quota for refined sugar as a way of settling the dispute.

At the same time that Canada and the United States are discussing sugar exports, negotiators from the two countries are talking about their grain trade. While the United States has no legal authority to limit Canadian wheat exports since a tariff-rate quota expired in 1995, Canadian officials predict exports "very close" to the 1.5 million ton mark set by the expired quota. Because more Canadian grain is moving by train directly to U.S. milling facilities this year, fewer problems with congestion at U.S. grain elevators are expected. Other issues under discussion include end-use certificates, grading and standards, and harmonization of pesticide registration.

"New Task Force to Set U.S. Goals for WTO Agricultural Negotiations," INSIDE U.S. TRADE, June 27, 1997; "U.S. Presses for Rules of Origin Work to be Handled in WTO," INSIDE U.S. TRADE, June 27, 1997; "U.S., Canada to Explore Solution to Dispute Over Sugar Exports," INSIDE U.S. TRADE, June 27, 1997; "U.S. to Increase Offer of Canadian Access to Refined Sugar Quota," INSIDE U.S. TRADE, July 1, 1997.

NAFTA & Inter-American Trade Monitor is produced by the Institute for Agriculture and Trade Policy, Mark Ritchie, President. Edited by Mary C. Turck. Electronic mail versions are available free of charge for subscribers. For information about fax subscriptions contact: IATP, 2105 1st Ave. S., Minneapolis, MN 55404. Phone: 612-870-0453; fax: 612-870-4846; e-mail: iatp@iatp.org. The Spanish version of this news bulletin, El Monitor de NAFTA y Comercio Interamericano, and a searchable archive of all back issues is available at: http://www.newsbulletin.org To subscribe/unsubscribe to the email version of this news bulletin, send email to: listserv@iatp.org. Leave the subject blank. In the body of the message type: subscribe nafta_monitor

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MEXICAN MAQUILA WORKERS FIRED

Eleven workers at a General Motors plant in Reynoso, Mexico in the state of Tamaulipas were fired on June 23, and the company has fired or gotten letters of resignation signed by 12 more since that time. Workers also reported that plant entrances and emergency exits have now been locked during work shifts.

The firings followed a June 12 wildcat strike by about 400 workers, who take home about $40 per week and received $32 this year from the legally mandated 1996 profit-sharing distribution. The wildcat strike ended when management agreed to pay workers $88 in cash and food stamps and to investigate the profit-sharing payments. All the workers on the committee appointed prior to the strike to look into profit-sharing were among those fired.

"Maquila Update," WEEKLY NEWS UPDATE ON THE AMERICAS, July 6, 1997.

CENTRAL AMERICAN, CARIBBEAN AGREEMENTS

Meeting in mid-July the Central American Common Market (CACM) nations (Guatemala, Honduras, El Salvador, Nicaragua and Costa Rica) agreed to expand and strengthen their organization to foster regional free trade. The CACM will seek a free-trade agreement with Panama by the end of 1997, as Panama completes work on a bilateral, free-trade agreement with Chile.

Trade within Central America fell to a low of $413 million in 1986, but rebounded to $1.1 billion in 1994 and to $1.6 billion in 1996.

The 14-member Caribbean Community (CARICOM), meeting in early July, agreed to work toward construction of a common market by 1999 and to accept Haiti as its 15th member. Until now, CARICOM has included only former British and Dutch colonies in the Caribbean. Members agreed to consider the Dominican Republic's application for membership later this year, and to defer the Virgin Islands' request to 1998.

CARICOM leaders also agreed to eliminate remaining nontariff barriers this year and to fully implement a Common External Tariff by January 1, 1998. The members also agreed to permit free movement of capital and services among CARICOM states.

Kevin G. Hall, "Central America Looks to Reinvent Itself," JOURNAL OF COMMERCE, July 16, 1997; Johanna Tuckman, "Central Americans Start to Act Together," FINANCIAL TIMES, July 9, 1997; "Caribbean Community Reaches Landmark Agreements at Presidential Summit," ECOCENTRAL, July 10, 1997; Silvio Hernandez, "Summit Cleans House, Boosts Integration," INTERPRESS SERVICE, July 14, 1997.

CBI PARITY AND THE BUDGET BILL

The House of Representatives passed a Caribbean Basin Initiative (CBI) parity measure as part of the omnibus reconciliation tax bill. The CBI parity proposal would expand the CBI duty-free trade program to phase in NAFTA-equivalent trade benefits for apparel, shoes and petroleum, enabling CBI countries to compete with Mexico in these economic sectors. CBI nations argue that they are handicapped by the lower import duties enjoyed by Mexico under NAFTA, despite increasing their total share of U.S. apparel imports from 19 percent to 23 percent since NAFTA passage three years ago. The provision passed by the house authorizes CBI parity for only one year.

The Senate bill does not contain a parallel provision, since the Senate Parliamentarian ruled that inclusion of a CBI parity provision would violate the Senate's so-called Byrd rule, which says a measure does not belong in a budget bill if its budgetary effects are merely incidental to policy changes. Thirteen Senators warned that they would reconsider their support for the budget bill if CBI parity provisions remained in it. Seven environmental groups also wrote an open letter to House and Senate conferees, opposing CBI parity on the grounds that it would give NAFTA benefits to Caribbean nations without requiring them to comply with NAFTA environmental provisions.

"NAFTA in Caribbean?" LABOR ALERTS, July 9, 1997; "CBI Parity May Be Struck From Budget Bill as Violating Senate Rules," INSIDE U.S. TRADE, July 18, 1997; "Delete NAFTA Parity for CBI Nations," ENVIRONMENTAL GROUPS' LETTER IN OPPOSITION TO NAFTA PARITY, July 10, 1997.

NAFTA: WHERE'S THE BEEF?

According to a report by the U.S. International Trade Commission, U.S. beef growers have virtually taken over the Mexican import market since the North American Free Trade Agreement took effect three years ago. Under NAFTA, Mexican duties on U.S. beef and cattle imports, which formerly ranged from 15 percent to 25 percent, were eliminated. U.S. growers gained a competitive advantage over other countries, whose growers still had to pay the duties.

U.S. beef shipments to Mexico increased from 104 million pounds in 1993 to 201 million pounds in 1994. They dropped to 85 million pounds in 1995, following Mexico's peso devaluation, but recovered to 164 million pounds in 1996. During the same time, shipments of beef to the United States from Canada increased, with U.S. imports of fresh, chilled, or frozen Canadian beef rising from 329 million pounds in 1992 to 580 million pounds in 1996. Increasing beef exports came as the price of cattle dropped 39 percent from 1993 to 1996.

U.S. imports of live Canadian cattle increased from fewer than one million animals annually during 1992-94 to 1.3 million in 1996.

In July, Canadian producers and government agencies established lines of credit with two Mexican banks to assist in financing exports of Canadian breeding cattle, semen and embryos to Mexican farmers trying to rebuild herds after years of drought. Pastures were damaged by the three-year drought in northern Mexico, and thousands of cattle died of starvation and dehydration.

D'Arce McMillan, "Wanted: Mexican Cattle Buyers," WESTERN PRODUCER, July 10, 1997; "Cattle Industry Seeing Improvement," MEXICAN WEEKLY HIGHLIGHTS AND HOT BITES, July 10, 1997; Stephanie Nall, "NAFTA Pact Puts Plenty of U.S. Beef on Mexican Tables," JOURNAL OF COMMERCE, July 11, 1997.

HELMS-BURTON BROUHAHA IN CONGRESS

As U.S. President Bill Clinton ordered a third six-month suspension of a key element of the Helms-Burton law penalizing companies that trade with Cuba, Congressional opponents introduced the "Libertad Enforcement Act," which would repeal the president's authority to waive Title III of Helms-Burton. Title III would allow U.S. parties to sue foreign companies for damages resulting from the use of confiscated U.S. property in Cuba.

U.S. Undersecretary of State for Economic, Business and Agricultural Affairs Stuart Eizenstat said that progress has been made in obtaining cooperation of U.S. allies to pressure Cuba for improvement of human rights. Eizenstat pointed to the European Union's announced position tying increased economic activity with Cuba to improvements in Cuban worker rights and steps to a democratic transition, and also to recent Argentine, Nicaraguan and Salvadoran statements calling for democracy in Cuba.

Eizenstat said the administration is working for changes that would also allow Title IV of Helms-Burton to be waived. Title IV mandates denial of entry visas to foreign executives of companies that traffic in former U.S. property in Cuba. House International Relations Chair Ben Gilman (R-NY) says that the administration is not now fully enforcing Title IV, because of European opposition to the provision. The United States has excluded 23 foreign company executives under Title IV.

"House Poised to Retaliate Against Helms-Burton Title III Suspension," INSIDE U.S. TRADE, July 18, 1997; Richard Lawrence, "Clinton Again Puts Off Any Action Against Cuba," JOURNAL OF COMMERCE, July 17, 1997.

AGRARIAN REFORMER ASSASSINATED IN CHIAPAS

The assassination of Alberto Alonso Salmeron in the community of Aranza, municipality of Paracho, Michoacan on July 10 is one of the most recent in a series of continuing violent attacks on campesino organizers and organizations in rural Mexico. Alberto Alonso Salmeron was president of the "Juchari Uinapecua" Society of Paracho, a member of the National Coordination of UNORCA (National Union of Autonomous Campesino Organizations), a leader in the Mexican Network of Forestry Organizations and part of the National Coordinator of the Network of Indigenous Peoples and Organizations. His body, showing signs of having been beaten, dragged and shot three times in the back, was found in a cell of the local jail. He had been repeatedly threatened with death for his political involvement.

Among other recent incidents:

* Between the 8th and 10th of July, campesinos from the Agrarian Reform Law communities Francisco Villa and Emiliano Zapata in the municipality of Huerta, state of Jalisco, were violently dislodged by more than 200 judicial police, according to the local Indigenous Campesino Organization. The police used tear gas and beat children, women and old people, arresting 18 campesinos during the operation. Several reportedly suffered injuries before being released on bail.

* A group of armed campesinos, members of the Popular Campesino Union Francisco Villa, retreated to the mountains after their blockade of the road between the community of Nueva Palestina and the estate of Liquidambar was ended by more than 600 police officers and 200 soldiers. Military helicopters hovered as shots were exchanged between the campesinos and the Central American laborers now working on the estate, which has been claimed by the campesinos since 1994. The estate is owned by a German citizen, Lauren Huckler, who divided it into eight parts and put them in the names of his wife and children to avoid application of the agrarian reform laws.

* On July 18, state police dislodged 800 campesinos from dozens of families belonging to the Campesino Organization Emiliano Zapata (OCEZ) who for the past two years have occupied 2,500 hectares of land in the municipality of Venustiano Carranza. OCEZ told the press that police and soldiers descended on their community between 6 and 7 a.m., shooting from trucks and from a helicopter, as most of the campesinos worked in the fields. As the campesinos fled from the gunshots, they left behind their farm tools and 23 head of cattle recently acquired with a credit from the Regional Fund of Venustiano Carranza. After residents fled, the police forces robbed and burned 30 homes. Two young people, 16-year-old Benjamin Perez Vazquez and 10-year-old Julio Perez Vazquez, could not be found after the action.

A July 3 communique from the Zapatista Army of National Liberation (EZLN) characterizes the situation of Indian and rural residents of the south and southeast of Mexico as "an authentic state of siege," and says that, "The militarization in indigenous zones makes normal life impossible. There can be no planting, walking, meeting, conduct of commerce, washing of clothes. ..."

Ernesto Ladron de Guevara, Open Letter, UNION NACIONAL DE ORGANIZACIONES REGIONALES AUTONOMAS CAMPESINAS, July 11, 1997; "Violento Desalojo de Campesinos en Jalisco, LA LIGA MEXICANA POR LA DEFENSA DE LOS DERECHOS HUMANOS, July 16, 1997; Angeles Mariscal, "Tiroteo en un Desalojo de Campesinos en Finca de Chiapas," LA JORNADA, July 9, 1997; Elio Henriquez, "Desalojan a Campesinos de la OCEZ en Venustiano Carranza," LA JORNADA, July 19, 1997; "Desalojo y Quema de Casas en Chiapas," LA LIGA MEXICANA POR LA DEFENSA DE LOS DERECHOS HUMANOS, July 18, 1997; "Sounds of Silence," EZLN COMMUNIQUE, July 3, 1997.

U.S. NAFTA REPORT RELEASED

Ten days after the legally stipulated deadline, the Clinton administration on July 10 sent to Congress its report assessing the first three years of NAFTA, required by Section 512(a) of the NAFTA implementing legislation. To one's surprise, the report presented a generally positive picture of NAFTA, though the International Trade Commission said that it is too early to assess the overall effect of NAFTA.

According to the report, U.S. agricultural exports to Mexico increased from $3.6 billion in 1993 to $5.4 billion in 1996, accounting for 75 percent of Mexican agricultural imports. U.S. agricultural exports to Canada increased from $5.3 billion in 1993 to $6.2 billion in 1996. The United States is the world's largest agricultural exporter, with more than $60 billion in exports of agricultural goods during 1996. Canada and Mexico are the world's second and third largest buyers of U.S. agricultural exports.

U.S. agricultural imports from Mexico grew from $2.7 billion in 1993 to $3.8 billion in 1996. The report concluded that NAFTA has had "a positive effect overall on U.S. agriculture."

Large U.S. agricultural groups released a report prepared by Virginia- based consulting firm, PROMAR International, which concluded that NAFTA's influence on agricultural trade has been generally positive. Among the 26 groups sponsoring the report were the National Pork Producers Council, the International Dairy Foods Association, Cargill, Inc., ConAgra, the National Grain and Feed Association, and the American Farm Bureau Federation.

The U.S. Labor Department reported 125,000 layoffs due to NAFTA, while White House spokesperson Mike McCurry claimed that "on balance there have been more jobs created." The Brookings Institution echoed the complaints of the AFL-CIO about failure of the U.S. National Administrative Office to act firmly and effectively to protect the rights of workers in Mexico.

AFL-CIO President John Sweeney said that the real problem with NAFTA "is that it represents precisely the wrong development strategy . . . reward[ing] and encourag[ing] companies that abandon their U.S. production facilities in order to take advantage of low wages and lax enforcement of labor and environmental standards in Mexico." The AFL-CIO said the report grossly underestimates the impact of NAFTA on labor. Jeffrey Faux, president of the Economic Policy Institute, estimates that more than 400,000 jobs have been lost due to NAFTA.

A report prepared by University of California-Los Angeles economist Raul Hinojosa for Hispanic Congressional representatives said that job losses caused by NAFTA fall disproportionately on Latinos, African Americans and women. The 14 lawmakers, led by Rep. Esteban Torres (D-CA), said in a letter to President Clinton that, while the net job loss under NAFTA is small, the government has not done enough to aid the low-income, low- skill workers whose jobs are most likely to be shipped across the border. Torres and three other signers of the letter originally voted for NAFTA passage, making their current criticism particularly significant. They said they will not support expansion of hemispheric free trade unless provisions are made to protect labor and the environment.

The North American Development Bank (NADBANK) also came in for criticism of its slowness in making loans for environmental projects. Although NADBANK already has capital of $1.5 billion and will soon increase its capital to $2.25 billion, it has made only three loans for a total of $2.98 million. Part of the reason for the paucity of loans is the requirement that NADBANK act on strictly commercial terms, which makes many projects ineligible for loans because they will not generate enough income to repay loans.

According to the report, Mexico has reduced tariffs on U.S. imports by an average of 7.1 percent, compared with a 1.4 percent reduction in U.S. tariffs on Mexican imports. While the NAFTA report showed exports to Mexico up by nearly 37 percent over the three-year period, it also acknowledged that intra-company trade, especially in the motor vehicle an electronics industries, accounts for a significant portion of this amount.

"The Failed Experiment: NAFTA at Three Years," a report released in late June by a coalition of labor and environmental groups and think tanks, including Public Citizen's Global Trade Watch, the Economic Policy Institute, Sierra Club and others charges that NAFTA has encouraged U.S. industrial relocation to Mexico and depressed U.S. wages and living standards by diminishing bargaining power of U.S. workers. The study blames NAFTA for a quadrupling of U.S. trade deficits with Mexico and Canada and the loss of 420,000 jobs since the trade agreement went into effect on January 1, 1994.

The administration said it will wait until fall to issue another mandated report, which will identify countries that are the best candidates for future free-trade area negotiations. According to White House spokesperson McCurry, there has been no Congressional outcry against delay of this report.

"Study on the Operation and Effects of the North American Free Trade Agreement," THE WHITE HOUSE, July 10, 1997; "Administration Delays NAFTA Report Showing Net Economic Benefit," INSIDE U.S. TRADE, July 4, 1997; Nora Claudia Lustig, "NAFTA: Setting the Record Straight," THE BROOKINGS INSTITUTION REPORT, June, 1997; Nancy Dunne, "Modest U.S. Gains Seen From NAFTA," JOURNAL OF COMMERCE, July 12-13, 1997; "3-year-old Nafta Gets a Good Report Card," JOURNAL OF COMMERCE, July 14, 1997; "U.S. Agricultural Export Experience With NAFTA Partners," PROMAR INTERNATIONAL; "Clinton NAFTA Report Blasted as 'Misleading' by AFL-CIO, Other Critics," INSIDE U.S. TRADE, July 18, 1997; Abid Aslam, "Clinton Says NAFTA is a Winner," INTERPRESS SERVICE, July 11, 1997; Paul Blustein, "Hispanic Lawmakers Fault NAFTA's Effects," WASHINGTON POST, July 16, 1997; Peter Zirnite, "U.S. Hispanic Community Hit by NAFTA," INTERPRESS SERVICE, July 17, 1997; Michelle Mittelstadt, "Labor, Environmentalists Slam NAFTA," ASSOCIATED PRESS, June 26, 1997.

RESOURCES/EVENTS

FTAA Web Sites: The Summit of the Americas Center of Florida International University sponsors a web site on the Free Trade Area of the Americas at http://Americas.fiu.edu. The Costa Rican government will cooperate with the Summit Center by publishing information on http:// costa-rica.ftaa-summit.org.

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NAFTA'S IMPACT ON MEXICAN AGRICULTURE

According to Mexican non-governmental organizations, including the Independent Farm Workers' and Campesinos Central (CIOAC), the Authentic Labor Front (FAT), and the Mexican Network for Action on Free Trade Agreement (RMALC) and 90 other organizations, NAFTA's first three years have had a dramatic and deleterious effect on agriculture in Mexico. The organizations will present a formal proposal for renegotiation and revision of NAFTA to the newly-elected Mexican Congress in September.

The proposal for revising NAFTA will affect practically every chapter of the accord, according to organizers, seeking to eliminate inequities and establish economic "integration with social justice." In the agricultural sector, the proposal will include exclusion of basic grains from NAFTA and an agreement on national food security, as well as protection for the rights of migratory farm workers and changes in immigration laws.

During the three years that NAFTA has been in force, Mexican producers of basic grains and oil seeds have been net losers, with imports of corn (maize) growing by 19 percent. Corn imports have increased in value to an average of $1.99 billion during the 1993-96 period, representing an increase of 45.4 percent over the average imports in 1989-93.

Some three million Mexican farmers are engaged in producing basic grains. Mexican producers have a competitive disadvantage, since production of a ton of corn in Mexico requires 17.8 worker-days, while in the United States, production of a ton of corn requires only 1.2 hours of human labor. In Mexico there are two tractors for every 50 farm workers, while in the United States there are 1.5 tractors per worker.

In addition, Mexican products that have a competitive advantage in U.S. markets, such as tomatoes and avocados, have experienced protectionist attacks from the United States during the past two years. Although the total value of fresh vegetable and horticultural exports, including coffee and tomatoes, rose to $1.952 billion in 1996, the value of Mexican imports of basic grains was $3.65 billion.

Patricia Munoz Rios, "El Agro Mexicano, Gran Perdedor por el Tratado de Libre Comercio," LA JORNADA, July 14, 1997; Angelica Enciso, "Hace Tres Anos . . ." LA JORNADA, July 14, 1997.

FAST TRACK TO ???

As President Clinton continues to insist on his administration's commitment to free trade, Congressional leaders seem increasingly reluctant to move on fast-track trade agreement negotiating authorization. Fast-track authority would limit Congress to a yes-or-no vote on trade agreements without the possibility of amendments, and with severely limited Congressional floor debate.

House Minority Leader Richard Gephardt, (D-MO), and his deputy, Minority Whip David Bonior (D-MI), and ranking Republicans House Speaker Newt Gingrich and Majority Leader Dick Armey all missed a July 24 White House meeting called to discuss Clinton's request for fast track authority.

Many Congressional Democrats are holding out for inclusion of protection for labor and the environment in any new trade agreements, maintaining that the side agreements added on to NAFTA have proven ineffective in protecting labor or the environment. Many Republicans and business leaders are just as adamant that labor and the environment are topics not properly included in trade agreements, and argue that the NAFTA side agreements unduly restrict business action. Saying that Hispanic-Americans suffer disproportionate NAFTA-related job losses, the Congressional Hispanic Caucus announced in July that it will oppose fast-track legislation unless enforcement of the NAFTA side agreements is strengthened and stronger agreements are included as part of any future trade pacts.

The Clinton administration plans to introduce its fast-track legislation in September and President Clinton has appointed Jason Berman of the Recording Industry Association of America to lead the administration's fast-track campaign. Victoria Radd, chief of staff to White House Chief of Staff Erskine Bowles, will join Berman in coordinating the campaign.

John Maggs, "Key Lawmakers Skip 'Fast-Track' Meet Today," JOURNAL OF COMMERCE, July 24, 1997; Abid Aslam, "Clinton on Fast Track to Nowhere?" INTERPRESS SERVICE, July 25, 1997; "Regional Integration: News in Brief," NOTISUR, August 1, 1997; "Clinton Unveils New Fast-Track Team, Meets With House Dems," INSIDE U.S. TRADE, July 25, 1997.

CANADIAN GRAIN IMPORTS IN QUESTION

With both U.S. and Canadian wheat production increasing, Senator Byron Dorgan of North Dakota has called for the United States to close its border to Canadian wheat or to target Canada's other foreign wheat customers with subsidized U.S. wheat. Dorgan charges that the Canadian Wheat Board is violating trade agreements by dumping wheat on the U.S. market. Canada exported 63 million bushels of wheat to the United States during the market year that ended in May. Officials at the Canadian Wheat Board (CWB) said Dorgan's proposals would violate international trade agreements.

With wheat production up, Canadian wheat exports may increase this year. Glenn Lennox, wheat market analyst for Agriculture Canada, forecasts wheat exports of 14.7 million metric tons, up from 12.9 million last year, and durum exports of four million tons, up from 3.3 million last year. CWB officials noted that rail transportation difficulties limited last year's exports.

U.S. agriculture secretary Dan Glickman said that the biggest U.S. winter wheat crop in five years will also boost U.S. exports, and expressed concern over a House appropriations committee proposal to cut funding for the Export Enhancement Program (EEP) from the administration's proposed $500 million to $205 million. The Senate agricultural appropriations subcommittee allocated only $150 million for EEP. The United States has not used EEP since July 1995, and agreed to limit EEP to a maximum of $500 million under existing free trade agreements.

"Canada-U.S. Wheat War Heats Up," AG WEEK, August 4, 1997; "Glickman Wants Aggressive U.S. Wheat Exports," THE WESTERN PRODUCER, July 17, 1997; "U.S. Wheat Yields Hit Record Levels," THE WESTERN PRODUCER, July 17, 1997; Adrian Ewins, "American Senator's Threats Not Worthy of Attention: Vanclief," THE WESTERN PRODUCER, July 17, 1997; Adrian Ewins, "Grain Exports Increase," THE WESTERN PRODUCER, July 17, 1997; "Canadian Official Says Dorgan Trade Proposal is Illegal," AG WEEK, July 28, 1997; "Clinton's EEP Funding Request Cut in Congress," AGRINEWS, July 24, 1997.

MEXICO NEGOTIATES TRADE PACTS

As Mexico tries to diversify its trade, 80 percent of which is now conducted with the United States, separate trade accords with the European Union (EU) and Mexico's Northern Triangle neighbors in Central America are nearing completion.

Mexican Foreign Minister Jose Gurria said on July 17 that two years of negotiation on a political and trade accord with the EU have succeeded, and that the pact should be signed by September. The EU accounts for about 20 percent of global trade, including about $11.27 billion in trade with Mexico in 1996. In 1996, the EU provided 8.7 percent of Mexico's imports and purchased 3.7 percent of its exports.

Negotiations between Mexico and the Northern Triangle countries of Honduras, Guatemala and El Salvador, on-going since 1996, encountered opposition from business associations in the latter three countries in July. The Honduran Council of Private Enterprise (COHEP) led the attack, announcing that it would oppose any free trade agreement with Mexico that did not include substantial Mexican concessions to allow Central American businesses to compete with Mexican imports. COHEP president Juan Bendeck said on July 10, that Mexico should allow rapid opening of its market to Northern Triangle agricultural exports, particularly beef and sugar, while accepting slow Northern Triangle tariff reductions over a five to ten year period. "If we throw open our border," said Bendeck, "it would be like sending a lightweight boxer into the ring to fight against heavyweight champion Mike Tyson. We would be knocked out in the first round."

Guatemalan and Salvadoran business associations also warned their governments to make provisions for gradual opening of local markets to allow local industries time to modernize and become competitive. Central American shoemakers, Salvadoran textile producers, and Guatemalan agricultural producers all have asked for specific concessions.

Government negotiating teams predict that an agreement will be reached by late 1997. Honduran President Carlos Roberto Reina acknowledged the arguments of COHEP, but insisted that negotiations continue despite "the asymmetry that exists between the Mexican and Honduran economies." According to Reina, "In the age of globalization, we cannot continue with protective, captive markets."

Diego Cevallos, "Trade Pact Ready for Signing," INTERPRESS SERVICE, July 17, 1997; "Northern-Triangle Business Associations Oppose Rapid Negotiation of Free-Trade Accord With Mexico," ECOCENTRAL, July 24, 1997.

CHILE ATTACKS U.S. PROTECTIONISM

The U.S. Department of Commerce is investigating claims by the U.S. Coalition for Fair Salmon Trade (FAST) that Chilean salmon fillets unfairly compete with U.S.-raised dressed salmon. Chile is now the top supplier of fresh Atlantic salmon to the United States, followed by Canada. In 1996, Chile shipped 27.2 million pounds of farm-raised salmon fillets worth $63.5 million to the United States. Canada shipped more non-fillet salmon to the United States than did Chile.

The U.S. salmon industry maintains that Chilean producers are over-producing salmon and dumping it in the U.S. market below cost, and that the Chileans may also benefit from government transportation subsidies. Chile argues that its salmon is preferred because it is shipped as ready-to-cook fillets, and that this should count as a different product and a different market from U.S. dressed salmon, essentially a gutted and bled carcass. The U.S. International Trade Commission voted unanimously in late July to treat both cuts as the same and made a preliminary finding of injury to U.S. salmon farmers, sending the case to the Department of Commerce for a full-fledged investigation.

In early July, Felipe Lamarca, president of the Chilean Manufacturers' Association, attacked U.S. restrictions on the import of Chilean timber products and salmon, calling recent U.S. actions a threat to Chilean sovereignty. Chilean Foreign Minister Jose Miguel Insulza warned that the government might lodge a formal complaint with the World Trade Organization.

The dispute began in early June, when a federal court in California imposed a ban on the import of woodchips and logs from Chile, New Zealand and Siberia, beginning in 1998, citing plant health concerns. At about the same time, port authorities in Portland, Oregon blocked entry of eight containers of Chilean wood products that were not subject to the court ruling, but later allowed them in. Chilean wood exports totaled $1.8 billion in 1996, $233 million of which went to the United States.

Other Latin American countries also have trade disputes with the United States recently. Argentina has suffered sanctions for failing to pass laws conforming with U.S. standards for protection of pharmaceutical patents. Colombia has been decertified for failure to meet U.S. standards on fighting drug trafficking, resulting in threatened economic and trade sanctions, though these have not yet been imposed. Colombian flowers now pay a 76 percent tariff after accusations of dumping flower exports. Ecuador has suffered restrictions on banana exports, and Brazil is threatened with restrictions on textile imports, orange juice and other agricultural products.

Kevin G. Hall, "Chilean Salmon Farmers Whacked," JOURNAL OF COMMERCE, July 30, 1997; Kevin G. Hall, "When is a Cut of Salmon Not a Cut of Salmon?" JOURNAL OF COMMERCE, July 18, 1997; Kevin G. Hall, "Salmon Spawns U.S.-Chile Row," July 18, 1997; Gustavo Gonzalez, "Business Sector Accuses U.S. of Playing Dirty," INTERPRESS SERVICE, July 9, 1997; Gustavo Gonzalez, "U.S. Protectionism Undermines FTAA," INTERPRESS SERVICE, July 15, 1997; "Drug Certification," CONNECTION TO THE AMERICAS, April, 1997.

CANADIAN SALMON, MEXICAN TUNA

The heated dispute between U.S. and Canadian salmon fishermen in the Pacific continues, though Canadian fishermen lifted a blockade that held an Alaskan ferry hostage at Prince Rupert in British Columbia for nearly three days in July. Canadians object to U.S. fishermen taking a larger proportion of the Pacific salmon catch than the proportion of fish that spawn in U.S. waters. The state of Alaska confirmed in late July that its fishermen were taking six times their normal catch of Canadian salmon. Talks between the two countries on extension or revision of a 1985 agreement broke down in June. The United States has rejected Canadian requests to submit the dispute to binding arbitration.

On July 30, the U.S. Senate voted 99-0 to overturn an embargo on tuna from countries whose fishing industries use encircling nets that frequently catch and kill dolphins swimming with the tuna. The Senate's Dolphin Conservation Act would not allow tuna cans to be labeled "dolphin safe" until 1999, after completion of a study showing the encircling nets' impact. The House of Representatives voted against the embargo in the spring and is expected to accept the Senate's bill. Mexican tuna fishermen, whose industry uses the large encircling nets, hailed the Senate vote, which was also endorsed by the World Wildlife Fund, the Environmental Defense Fund, and Greenpeace, but opposed by Defenders of Wildlife.

WEEKLY NEWS UPDATE ON THE AMERICAS, August 3, 1997; "Mexican Fishermen Hail Senate Vote on Tuna Ban," NEW YORK TIMES, July 31, 1997; Robert Matas and Ross Howard, "Anderson Becomes Protest Target," THE GLOBE AND MAIL, July 22, 1997; Ross Howard, "Ottawa Faces Same Plight as B.C. Fishermen," THE GLOBE AND MAIL, July 22, 1997; Courtney Tower, "Canadian Fishing Fleet's Blockade of U.S. Ferry Re-energizes Negotiations," JOURNAL OF COMMERCE, July 23, 1997.

NAFTA POLLUTION REPORT ISSUED

According to "Taking Stock: North American Pollutant Releases and Transfers," a report released by the Commission for Environmental Cooperation on July 29, the United States is the largest North American polluter. The Commission for Environmental Cooperation, based in Montreal, was established by the North American Free Trade Agreement. Its report was based on 1994 data provided by member governments. Mexico has not yet implemented a full pollutant reporting plan.

The chemical industry proved the largest polluter, with 28 of the top 50 polluting companies. Air emissions accounted for 48 percent of reported pollution, followed by underground injection and discharges to surface waters. The United States led in air pollution and underground injection of pollutants, but Canada reported the most discharges of liquid waste into lakes and rivers, due in large part to wastewater from pulp and paper mills, metal smelters and chemical factories.

Courtney Tower, "Like U.S., Canada Faces Pollution Problem," JOURNAL OF COMMERCE, July 30, 1997; NAFTA Environmental Commission Issues Report on Pollutant Releases and Transfers in North America, CEC PRESS RELEASE, July 29, 1997.

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AGRICULTURAL GENES, HORMONES AT ISSUE

In a July 30 letter to U.S. Trade Representative Charlene Barshefsky and U.S. Agriculture Secretary Dan Glickman, EU Agriculture Commissioner Franz Fischler said that U.S. companies would not be required to segregate products containing genetically modified organisms (GMOs). Instead, the European Union will require GMO labeling, in order to give EU consumers "clear, honest and neutral" information about the presence of GMOs. If scientific testing can demonstrate the presence of GMOs, the product must be labeled as "contains material of GMO origin." A "may contain" GMO label will be required for products which cannot be certified as GMO-free. Producers may voluntarily label products as "GMO- free."

In Canada, GMOs made the news this growing season when 60,000 bags of Limagrain's LG 3315 and LG 3295 canola seed had to be recalled. The recall was ordered because the two varieties of genetically altered Roundup Ready canola contained the wrong gene. The Canadian government suspended the varieties after discovering a unregistered gene. Monsanto, the patent-holder of the genetically altered variety, made settlements with farmers who had to destroy fields that had already been planted.

Hormone treatment of beef and dairy animals is also raising trade issues. The EU still maintains its ban on imports of hormone-treated beef, pending an appeal of a World Trade Organization ruling upholding U.S. and Canadian complaints that the EU ban is illegal and unjustified. The U.S. contends that growth-promoting hormones in animals are not dangerous to consumers. One EU official observed that the ruling "suggests you can't ban something until you can show people are dying from it."

Canadian dairy farmers are resisting government approval of another hormone. Recombinant bovine somatotropin (BST) is used in the United States to increase milk production, but has not been approved for use in Canada. The European Union has imposed a moratorium on its use until the next century. The Dairy Farmers of Canada, the national lobby group for milk producers, said on July 14 that it wants the government to withhold approval until BST safety is confirmed by international food safety and health organizations such as the World Health Organization and the Codex Alimentarius Commission.

Canadian National Farmers Union Region 3 coordinator Peter Dowling noted that "Farmers don't want the synthetic hormone, consumers don't want it, and processors don't want it. Only Monsanto wants it approved and Health Canada officials must not forget that their job is to safeguard the health of Canadians and not the profits of Monsanto."

"EU Commission Formally Decides Against Mandatory Segregation of GMOs," INSIDE U.S. TRADE, August 1, 1997; Neil Buckley, "Brussels to Appeal Over Hormones," FINANCIAL TIMES, July 2, 1997; Ian Elliott, "Canadian Farmers Want Proof on BST," FEEDSTUFFS, July 28, 1997; "rBGH is Back," UNION FARMER, July 1997; Barry Wilson, "Go Slow on BST, Gov't Told," THE WESTERN PRODUCER, July 31, 1997; Nancy Dunne, "WTO Confirms Hormone Ruling," FINANCIAL TIMES, August 19, 1997.

FOOD SAFETY CONCERNS

The Citizens Trade Campaign, a coalition of environmental, labor, family farm, consumer and religious organizations, sponsored "National Food Safety Day" on August 9, charging that NAFTA threatens the health of U.S. consumers. The Campaign called for shoppers to oppose any more free trade agreements, saying that raw food imports have jumped by as much as 45 percent since NAFTA's 1993 beginning and that only a tiny percentage of imports is ever examined for disease or pesticides. The Food and Drug Administration reported that the 39.9 percent of imported fruits tested in 1995 and 28.7 percent of imported vegetables tested the same year showed residues of DDT, Malathion, and other pesticides.

In the spring of 1997, a hepatitis outbreak linked to strawberries cut sales by as much as 35 percent. California strawberry growers responded by advertising that the berries involved were actually Mexican-grown strawberries, frozen and packaged in California. California produce growers publicized stringent California laws on field sanitation.

The U.S. Food and Drug Administration has considered establishing a mandatory Hazard Analysis and Critical Control Point program for the fresh produce industry, but decided not to do so, because there has not been enough research on HAACP and because the industry generally uses good management practices. Jasper Hempel, vice president of government affairs for the Western Growers Association, said that 80 percent of contamination occurs during distribution and handling of produce and that only three percent is field-related.

U.S.-grown fruits were recently hit with a Brazilian quarantine, due to insect pests rather than consumer safety concerns. After a shipment of California peaches and nectarines was found to contain spider mites, it was ordered destroyed, resulting in more than $85,000 in damages. In late July, Brazilian officials ordered methyl bromide fumigation of all U.S. exports, which effectively eliminates shipment of plums to Brazil, since plums cannot be fumigated.

Jim Offner, "Panic Sheds Positive Light," THE PACKER, August 11, 1997; "Consumer and Trade Groups Stage August 9 National Food Safety Day," CITIZENS TRADE CAMPAIGN PRESS RELEASE, August 8, 1997; Emily Redmond, "FDA Mandate Not Likely," THE PACKER, August 4, 1997; Stephanie Fite, "Quarantine May Cut U.S. Exports," THE PACKER, July 21, 1997.

LOBBYING FOR FAST-TRACK

The Clinton administration plans to introduce its long-awaited fast-track legislation during the week of September 8, according to White House fast-track coordinator Jay Berman. After hearings by the Ways & Means Committee, a vote by the full House of Representatives could come at the end of September or early October. Fast-track authority would limit Congress to a yes-or-no vote on trade agreements without the possibility of amendments, and with severely limited Congressional floor debate.

Clinton administration efforts on behalf of fast-track will be backed up by private lobbying. Top U.S. corporate executives -- Donald Fites of Caterpillar, Inc., Philip Condit of The Boeing Company, John Pepper, Jr. of The Procter & Gamble Company, Joseph Gorman of TRW Inc., Robert Eaton of Chrysler Corporation and John Smith, Jr. of General Motors -- have sent out a letter attempting to raise a minimum of $3 million for lobbying in favor of new trade agreements, including "direct lobbying in Washington, a 50-state grassroots campaign, and a media program of advertising and public relations directed at key, targeted congressional districts." The executives each pledged $100,000 to kick off the effort and asked for pledges of $100,000, $50,000, $25,000 or "other" to be faxed back to The Business Roundtable. According to the business executives' letter, lobbying is needed because "[o]rganized labor, human rights groups, protectionists, isolationists and some environmental organizations are questioning the benefits of trade and investment to the United States."

The administration is still seeking a way to protect labor interests without including labor standards in fast-track legislation. In one approach, worker retraining initiatives may be proposed simultaneously with the fast-track legislation. At an August 6 press conference, U.S. Trade Representative Charlene Barshefsky refused to be specific about the administration's proposal regarding labor and environmental issues, but stressed that the administration would seek "the broadest possible support" for fast-track. On August 1, Barshefsky credited free trade agreements with helping to reduce the U.S. unemployment rate to a 24- year record low of 4.8 percent.

Republicans in Congress, who generally support fast track and free trade agreements, insist that labor and environmental provisions must be excluded from future trade agreements unless they are directly related to trade.

Democratic Representative Richard Gephardt, who is the minority leader of the U.S. House of Representatives, and a probable candidate for his party's presidential nomination in the year 2000, is a long-time NAFTA critic and insists that any future trade agreements must have labor and environmental protections that are stronger than those of NAFTA. Gephardt arrived in Santiago, Chile on August 13 on the first leg of a fact-finding mission that will also take him to Argentina and Brazil.

Together with the fast-track bill, the administration will also submit to Congress a report required under Section 108 of NAFTA, identifying countries that are candidates for free trade agreements. Chile will be included on the list, and the administration might also seek inclusion of the Multilateral Agreement on Investment, which is currently under negotiation.

John Maggs, "Fast-Track Czar Says 'Do It Already,'" JOURNAL OF COMMERCE, August 12, 1997; "Administration Considering New Policies to Win Passage of Fast Track," INSIDE U.S. TRADE, August 1, 1997; "CEOs Pledge for 'Free Trade' Campaign," WEEKLY NEWS UPDATE ON THE AMERICAS, August 10, 1997; John Maggs, "Clinton Priority: Fast-Track Authority," JOURNAL OF COMMERCE, August 7, 1997; "Barshefsky Hints at Solution to Fast Track Labor-Environment Fight," INSIDE U.S. TRADE, August 8, 1997; "Business Group Prepares Broad $3 Million Campaign to Win Fast Track," INSIDE U.S. TRADE, August 8, 1997; "Republican Fast Track Stand May Be Political Handicap, Dunn Says," INSIDE U.S. TRADE, August 8, 1997; Leslie Crawford, "Gephardt Heads for Santiago Trade Talks," FINANCIAL TIMES, August 13, 1997.

INDIGENOUS PEOPLE FIGHT IPR

The patent and intellectual property rights (IPR) agreement signed by Ecuador and the United States in 1993 is up for revision in the Ecuadorean Congress, which rejected the signed agreement when faced with claims from indigenous people and environmentalists.

Indigenous people accuse international corporations of bio-piracy -- taking biological resources nurtured by indigenous people for generations and patenting these materials without permission from or payment to the communities. For example, a pharmaceutical laboratory in the United States patented without permission the ayahuasca, a ceremonial indigenous hallucinogenic drink made from a liana extract. Environmentalists and advocates of indigenous rights object that international patent laws recognize only the intellectual property rights of individuals and companies, not those belonging to entire communities.

Instead of enacting the patent and intellectual property rights agreement, the Ecuadorean Congress passed a bio-diversity protection law. Now the United States has threatened to apply trade sanctions in September if the bilateral dispute over interpretations of the Convention on Biodiversity and the Trade-Related Intellectual Property Rights Agreement is not resolved.

Rodrigo de la Cruz, Secretary General of the Coordination of Indigenous Organizations of the Amazon Basin (COICA), said the Ecuadorean government is carrying out revision "through gritted teeth," because "the authorities are not very convinced of the importance of protecting biodiversity." COICA includes indigenous people of Bolivia, Brazil, Colombia, Ecuador, Guayana, Peru, Suriname, and Venezuela. COICA leaders say that intellectual property rights agreements have been used to steal cultural and biological goods from indigenous peoples.

In Brazil, local Roman Catholic church officials, the Indigenous Missionary Council and the Indigenous Nations' Union of Acre brought a case against a non-governmental organization, Selva Viva, to the public prosecutor's office. Selva Viva, founded by Swiss native Ruediger Von Renighaus, is accused of selling knowledge about roots, shells, and seeds obtained from indigenous peoples of the northeastern Brazilian state of Acre to foreign pharmaceutical companies. The prosecution is based on an Acre state law protecting biodiversity and imposing penalties on foreigners who claim rights to Amazonian forests. A similar bill is before the national Brazilian Senate.

The United States said in July that the proposed Free Trade Area of the Americas should include an intellectual property rights agreement that would contain the highest levels of IPR agreement found in any regional accords.

Mario Gonzalez, "Controversial Patent Agreement with U.S. Up for Revision," INTERPRESS SERVICE, August 7, 1997; Mario Osava, "Crackdown on Eco-Pirates," INTERPRESS SERVICE, August 14, 1997; "U.S. Outlines Plan for Hemispheric Intellectual Property Regime," INSIDE U.S. TRADE, July 25, 1997.

NAFTA-CBI PARITY

At the last minute, NAFTA-CBI parity provisions were struck from the U.S. congressional budget bill passed in late July. The NAFTA-CBI parity proposal would expand the CBI duty-free trade program to phase in NAFTA-equivalent trade benefits for apparel, shoes and petroleum, enabling CBI countries to compete with Mexico in these economic sectors. The parity provisions were killed by Republicans after the Clinton administration refused Republican proposals for labor and liability reforms for Amtrak. The parity provisions would cost an estimated $217 million a year.

Peter King, chair of the Caribbean Textile and Apparel Institute, noted that growth in Caribbean Basin exports to the United States have been "far outstripped by the pace of expansion of Mexican exports." During January-May 1997, the 23 Caribbean Basin countries exported $2.6 billion in apparel to the United States, up 28 percent from the same period in 1996. During the same time, Mexican apparel exports were valued at $1.8 billion, up 47 percent from 1996, and Mexico replaced China as the largest exporter of textiles and apparel to the United States.

Though industry representatives had agreed on a structure for NAFTA parity, individual companies continued throughout the budget debate to lobby individual members of Congress for modifications that would benefit their businesses. The American Manufacturers Association supported the bill, under which a large share of the benefits would have gone to the three or four largest U.S. apparel companies.

Though House Ways & Means trade subcommittee Chair Phil Crane (R-IL) suggested that a bill to extend NAFTA parity to Caribbean Basin Initiative countries could be attached to legislation extending fast-track negotiating authority, most Washington observers thought the strategy was unlikely to succeed. Neither fast-track nor parity has solid Congressional support, and combining the two weak proposals is unlikely to strengthen either.

"Crane Says NAFTA Parity Could Be Attached to Fast-Track Legislation," INSIDE U.S. TRADE, August 1, 1997; William Roberts and John Maggs, "NAFTA Parity-Amtrak Swap: Why It Never Came to be," JOURNAL OF COMMERCE, July 31, 1997; Canute James, "Caribbean Basin Garment Makers Criticize Killing of NAFTA Parity," JOURNAL OF COMMERCE, July 31, 1997; "NAFTA Parity Cut from Conferee Tax Package, But Makes Clinton List," INSIDE U.S. TRADE, July 25, 1997; Mary Sutter, "Mexico Fears Losses to Caribbean in Battle for U.S. Textile Market," JOURNAL OF COMMERCE, July 22, 1997; John Maggs, "Apparel Firms Could Reap Windfall From NAFTA Parity," JOURNAL OF COMMERCE, July 18, 1997.

U.S. TO REVIEW CANADIAN WHEAT IMPORTS

The U.S. Commerce Department agreed in early August to study whether Canadian wheat is being dumped into the U.S. market, but has made no decision on whether to self-initiate a dumping case. Commerce Secretary William Daley warned on August 7 that "we don't approach either the information gathering or obviously the investigatory process lightly."

U.S. Trade Representative Charlene Barshefsky said on August 6 that the United States would not try to block Canadian wheat imports just because they are increasing. The United States would act only if evidence shows dumping -- either selling wheat in the United States below the cost of production or selling wheat in the United States for a lower price than it would bring in Canada. But, said Barshefsky, the U.S. Trade Representative is working for better access for U.S. grain to the Canadian market.

While the issue is usually discussed in terms of the amount of Canadian wheat imports, the real complaint is about durum wheat, used for making pasta. U.S. pasta makers, including Kraft Foods Inc., want the Canadian wheat shipments to keep coming. The U.S. Department of Agriculture projects a U.S. durum wheat crop of 81 million bushels this year, down 31 percent from last year's 116 bushel crop, partly as a result of U.S. farmers planting former wheat fields to corn and soybeans. Durum prices on the Minneapolis Grain Exchange averaged $6.01 a bushel in July, compared to $5.29 a bushel in July 1995 and $4.32 a bushel in July 1994. The U.S. durum production projected for this year will meet only 70 percent of U.S. market demand for durum.

"Commerce Agrees to Examine Whether Canada Is Dumping Wheat," INSIDE U.S. TRADE, August 7, 1997; Stephanie Nall and Courtney Tower, "Canadian Wheat Dumping Charged," JOURNAL OF COMMERCE, August 7, 1997; Roger Runningen, "Kraft, Pasta Makers: No Import Restrictions," AGWEEK, August 11, 1997; "Imports of Canadian Wheat Subject of Washington Meetings," MILLING & BAKING NEWS, August 12, 1997; Ian Elliott, "U.S. Ponders Ways to Reduce Influx of Canadian Grain," FEEDSTUFFS, August 11, 1997.

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FAST TRACK AND FTAA

As President Clinton prepared to take his fast-track plan to Congress on September 8, both supporters and opponents marshaled their arguments. Fast-track authority would limit Congress to a yes-or-no vote on trade agreements without the possibility of amendments, and with severely limited Congressional floor debate. Congressional Republicans oppose inclusion of protection for labor and the environment in trade agreements. Congressional Democrats generally support consideration of labor and environmental issues, but the Clinton administration has wavered on including labor and environmental protection in free trade talks with Chile and the rest of the nations of the Americas.

While the Clinton Administration points to record low unemployment in the United States in support of its claim that NAFTA and free trade are good for workers, organized labor in the United States opposes fast-track legislation and the new trade agreements, saying that NAFTA has sent U.S. jobs across the border into Mexico and driven down manufacturing wages in this country by allowing factory owners to threaten to relocate. John Sweeney, president of the AFL-CIO, says they will oppose any fast-track or trade agreement that "does not include environmental protections, human rights protections and labor standards." Teamsters General President Ron Carey says his union opposes any form of fast-track legislation.

Representative David Bonior (D-MI), the minority whip in the House of Representatives, is a leader in the anti-fast-track bloc. Bonior maintains that NAFTA trade has cost more jobs than it has created. He cites a 1996 Cornell University study, commissioned by the U.S. Department of Labor, which showed that 62 percent of U.S. companies surveyed have used the threat of moving jobs to Mexico to hold down wages in their U.S. plants.

Public Citizen, a non-governmental organization leading a campaign against fast-track, charges that increased imports of meat and produce have allowed more food with dangerous pesticide residues or bacteria to enter the United States, and that diminished border inspection rates have allowed increased drug trafficking.

Members of the Rio Group of Latin American countries meeting in Asuncion, Paraguay in late August seemed to reject inclusion of labor and environmental provisions in the proposed Free Trade Agreement of the Americas. The Rio Group said that "these issues must be dealt with exclusively at the corresponding multilateral forums: the International Labor Organization for labor . . . the World Trade Organization for the links between the environment and international trade." Rio Group members include Mexico, Chile, Brazil, Argentina and other Latin American countries.

Earlier, in July meetings of the FTAA vice ministerial Preparatory Committee in Costa Rica, the Clinton Administration agreed not to press for a commitment by Western Hemisphere nations not to raise tariffs or non-tariff barriers during the FTAA negotiations. Three U.S. trade associations had called for a "standstill" agreement to be in effect until the FTAA talks' planned conclusion in 2005.

Meanwhile, Chilean Interior Minister Eduardo Aninat said in a newspaper interview in August that Chile and the United States might soon sign a bilateral trade agreement. U.S. Senator and Democratic minority leader Richard Gephardt, visiting Chile in mid-August, said a bilateral agreement could provide safeguards for the environment and for labor. Chile was invited to join NAFTA in 1994, but has been prevented from doing so by the Clinton Administration's lack of fast-track negotiating authority.

John Maggs, "Latin Leaders Make It Clear to Clinton: Keep Social Issues Out of Trade Talks," JOURNAL OF COMMERCE, August 27, 1997; Tim Shorrock & John Maggs, "Labor Wants to Sidetrack Fast-Track," JOURNAL OF COMMERCE, August 25, 1997; "U.S. Will Not Seek Standstill Agreement for FTAA Negotiations," INSIDE U.S. TRADE, August 22, 1997; Larry Waterfield, "Proposal Would Speed Accords," THE PACKER, August 18, 1997; "Fighting Fast Track," PRESS RELEASE - PUBLIC CITIZEN, August 24, 1997; "Chile-US Trade Pact Nears Signing," INTERPRESS SERVICE, August 21, 1997.

GASOLINE COMPLIANCE

In August, the U.S. Environmental Protection Agency lowered clean gasoline standards to comply with the World Trade Organization ruling that judged U.S. rules to discriminate against non-U.S. refiners. The old rules required foreign refiners to meet a different standard for gasoline quality than domestic refiners. The U.S. Clean Air Act required U.S. refiners to sell gasoline that was at least as clean as that which it produced in 1990, but required foreign suppliers to sell gasoline that was as clean as the average of U.S. production in 1990. The new rule will allow foreign refiners to petition for an individual standard reflecting its exports to the U.S. in 1990.

Environmentalists attacked the WTO ruling, which came in response to complaints by Venezuela and Brazil, as proof that the WTO would weaken U.S. environmental laws. The United States took 15 months to comply with the ruling.

"U.S. Meets Terms of Gasoline Ruling," FINANCIAL TIMES, August 21, 1997; John Maggs, "White House Alters Rules on Imported Gasoline," JOURNAL OF COMMERCE, August 21, 1997.

ARGENTINE BEEF ARRIVES

As beef shipments to the United States began on August 25, Argentine Agriculture Secretary Felipe Sola cautioned that beef exporters might have difficulty in filling Argentina's new 20,000 metric ton U.S. import quota by the end of 1997. The entry into the U.S. market came after a 70-year ban, based on the presence of foot-and-mouth disease in Argentine cattle. The areas of the country from which beef may be exported to the United States have been certified as free of foot-and- mouth disease.

A U.S. Department of Agriculture attache in Buenos Aires predicted that Argentina will export 450,000 metric tons of beef worldwide in 1998, up from a projected 430,000 for 1997. The official also predicted increased Argentine exports to Russia, Africa and the Middle East. A USDA economic analysis published in the Federal Register on June 26 predicted that U.S. beef producers would lose about $40 million yearly because of Argentine imports, while U.S. consumers would save about $90 million. Most Argentine beef is grass fed and will be imported as "grinding" meat.

"Argentina Sees Filling Beef Order a Challenge," JOURNAL OF COMMERCE, August 27, 1997; "Argentina 1998 Beef Exports Seen Up 5 Percent From '97," AGWEEK, August 25, 1997; Heather Bourbeau and Nancy Dunne, "Argentine Beef Beats 70-Year Ban," FINANCIAL TIMES, August 27, 1997; Ryan Taylor, "Beef Competition Heats Up on the Southern Horizon," AGWEEK, July 25, 1997.

HEMISPHERIC TRADE NOTES

* Argentina and Chile expect to sign a mining treaty by the end of October, allowing Chilean and international investors to explore and exploit the Argentine Andes and to export minerals through Chile. Copper and gold deposits are already under exploration by two Canadian companies. Argentine opening to foreign investment in recent years has led to a mining boom and increased export revenues. 1995 exports of $70 million were 40 percent higher than exports in 1994.

* The Caribbean Community (Caricom) and the Dominican Republic have begun negotiations on a free trade treaty, according to a senior Caricom official, and expect to implement an agreement covering trade in all products, services and investments by the end of 1997. The Dominican Republic expects to export coffee, cocoa, tobacco and apparel to Caricom, while Caricom will export petroleum products, light industrial products and processed food to the Dominican Republic. Caricom, which includes Antigua, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts, St. Lucia, St. Vincent, Suriname and Trinidad and Tobago, has a population of 13 million, while the Dominican Republic has a population of 7.5 million.

* The United States dropped trade restraints on Honduran wool exports, in a decision by the U.S. Committee for the Implementation of Textile Agreements (CITA) shortly before a ruling on the wool dispute by the Textile Monitoring Body of the World Trade Organization. The dispute began in 1995, when the United States government tried to curb wool product imports from seven nontraditional suppliers, including Honduras. In April 1995, the United States issued a "call," a formal notification that a country's exports are damaging U.S. industry and that trade restraints will be imposed. According to Troy H. Cribb, deputy assistant secretary for the U.S. Department of Commerce's Textiles, Apparel and Consumer Goods Industries section, the U.S. decision to rescind the 1995 "call" was made after data showed U.S. production of women's and girls' wool coats, jackets and blazers had risen by 11 percent in 1996, compared to 1995.

* U.S.-Central American trade may reach a record $18 billion in 1997, a 20 percent increase over 1996. Apparel is still the region's largest export to the United States, while the United States exports oil and paper products, motor vehicles and apparel to Central America.

* The economy ministers of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua met with the Taiwanese economy minister in Honduras at the end of July to discuss Taiwan's proposal for a free-trade accord. After China threatened that the Central American countries would "pay a price" for supporting Taiwan's efforts to regain U.N. recognition, Central American governments reacted with anger to what some called "communist imperialism" and drew closer to Taiwan.

Kevin G. Hall, "Chile, Argentina Near Mining Treaty," JOURNAL OF COMMERCE, August 15, 1997; "Caricom, Dominican Republic Negotiate to Boost Trade Volume," JOURNAL OF COMMERCE, August 20, 1997; Paula L. Green, "U.S. Drops Attempt to Curb Imports of Honduran Wool," August 27, 1997; Richard Lawrence, "Trade Doors Swing Open to U.S. Goods," JOURNAL OF COMMERCE, August 26, 1997; "Central American Countries Fortify Ties With Taiwan, Causing Diplomatic Row With China," ECOCENTRAL, August 14, 1997.

U.S., EU CONTINUE TALKING BANANAS

As the World Trade Organization appellate panel heard final arguments, the United States and the European Union continued to discuss ways to modify the EU banana trade regime to comply with the World Trade Organization ruling that ordered the EU to abandon some of the preferences it now extends to Caribbean bananas. The appellate panel is expected to decide the EU appeal by September 11.

One U.S. suggestion was EU aid to Caribbean nations in the form of "deficiency payments" to make up for the income lost when the banana trade regime is ended. Some EU officials said it is "astonishing" for the United States to demand that they discontinue trade preferences to Caribbean nations and then suggest that they give those nations aid. The officials noted that the Caribbean countries hurt by the change are a lot closer geographically to the United States than to Europe.

In an August 20 letter to the editor published in the Journal of Commerce, ambassadors of the 13 nations of the Caribbean Community and Common Market (Caricom) warned that failure to protect their seven percent share of the EU market would "create major economic and social dislocations throughout our region, one of the most troubling of which would be the loss of many of our nationals, who would be forced to emigrate in search of work." The ambassadors also noted that the banana- producing countries can only buy the manufactured goods produced by their non-banana-producing neighbors if the producers remain economically viable.

"U.S. Informally Floats Idea for Settlement of Banana Dispute With EU," INSIDE U.S. TRADE, August 1, 1997; Letter to the Editor, "Slipping Up on Caribbean Banana Policy," JOURNAL OF COMMERCE, August 20, 1997.

NAFTA TIME

Mexico's Energy Secretariat announced on August 13 that Mexican regions will change to what the United States calls Daylight Savings Time, in order to align its time zones with Canada and the United States, effective next April. Time differences have created trade problems at the border, particularly for border cities like El Paso-Ciudad Juarez.

"Mexico Energy Agency Plans to Shift Country Over to Nafta Time Zones," JOURNAL OF COMMERCE, August 14, 1997.

MEXICAN ECONOMY TAKING OFF?.

During the second quarter of 1997, Mexico's gross domestic product grew by 8.8 percent, according to government figures. The figure represents a 7.7 percent increase in the services sector over the same quarter in 1996, a strong 11.2 percent in the industrial sector, and a 10.4 percent increase in the agricultural sector. The quarter's growth is the fastest in 16 years. The peso has remained steady throughout 1997, standing at 7.77 to the dollar on August 18. Mexico's main stock index has risen nearly 50 percent during the year, but closed down by one percent on August 17, with nervousness over the murder of Alejandro Ortiz, an advisor to Serfin bank and the brother of Mexican Finance Minister Guillermo Ortiz offsetting the good macroeconomic news.

"Mexico's Economy Took Off in 2nd Quarter," REUTER, August 19, 1997; Craig Torres, "Mexican Growth is Fastest in 16 Years as GDP in Second Quarter Soared 8.8%," WALL STREET JOURNAL, August 19, 1997; Julia Preston, "Mexico Grows 8.8% in Quarter, Reinforcing Optimism," NEW YORK TIMES, August 19, 1997.

RESOURCES/EVENTS

The MAI - A "Bill of Rights" for Multinational Corporations? Conference at Humphrey Institute of Public Affairs, University of Minnesota, Minneapolis Minnesota. September 17, 2:00 p.m. Supporters and opponents of the proposed Multilateral Agreement on Investment (MAI), which is designed to make it easier for corporations to move capital from one country to another, will discuss the implications of MAI. For information, contact Antonia Juhasz at 202/265-3263; fax 202/263-3647; email juhasza@rtk.net.

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FAST TRACK FOREVER?.

On September 16, President Clinton finally brought his long-delayed fast-track proposal to Congress. Fast-track authority would limit Congress to a yes-or-no vote on trade agreements without the possibility of amendments, and with severely limited Congressional floor debate. Appearing with Vice President Gore at a caucus of House Democrats, Clinton promised more consultations with congress and said workers rights and environmental protection would be negotiating objectives to be pursued through the World Trade Organization (WTO). Administration officials promised that the president would use his executive authority to negotiate separate side agreements on labor and the environment.

Rep. Richard Gephardt (D-MO) vehemently objected to the Clinton proposal as soon as the president left the September 16 caucus, and the AFL-CIO labor organization announced an initial commitment of $1 million for television and radio commercials opposing fast-track.

Public Citizen, a non-governmental organization that opposes fast-track, pointed out that the proposal would allow trade pacts to include only provisions that eliminate other countries' labor and environmental rules that could keep out U.S. products. The president's proposal relegates coverage of labor and environmental issues to the WTO, without taking cognizance of the December 1996 WTO ministerial declaration announcing that the WTO will not deal with labor and trade, or of the WTO environmental working group's focus on eliminating environmental laws that limit trade.

At least 27 House Democrats, including House Minority Whip David Bonior (D-MI) have signed on to a letter to be sent to President Clinton arguing that food safety provisions of NAFTA are insufficient and should be renegotiated and that any future fast-track request must "include strong food safety provisions." The letter also calls for increased funding for border inspections and for instituting an aggressive country-of-origin labeling campaign.

On another front, Representatives Ron Klink (D-PA) and Cliff Stearns (R- FL) called on House colleagues to demand clarification of the application of fast-track negotiating authority to the Multilateral Agreement on Investment (MAI), calling the MAI a "dangerous treaty."

In contrast, on September 10, policy analyst I.M. Destler of the Institute for International Economics recommended making fast-track permanent.

"Make Fast-Track Authority Permanent, New Study Says," AMERICASTRADE, September 4, 1997; "Anti-Fast-Track Lobby to Warn of Trade Pacts' Threat to Food Safety," AMERICASTRADE, September 4, 1997; "Senate Democrats Prompt Delay of Fast-Track Bill Until Next Week," INSIDE U.S. TRADE, September 12, 1997; "Crane Says Next Week Last Chance for Getting Fast Track This Year," INSIDE U.S. TRADE, September 12, 1997; Jim Lobe, "Clinton Uncertain on 'Fast Track' Push," INTERPRESS SERVICE, September 10, 1997; John Maggs, "Clinton Aides Urge Delay on Fast Track," JOURNAL OF COMMERCE, September 9, 1997; John Maggs, "Clinton Submits Scaled-Back Trade Bill," JOURNAL OF COMMERCE, September 17, 1997; Mike Dolan and Lori Wallach, "Administration's Fast Track Proposal," PRESS RELEASE, September 16, 1997; Bob Davis and Greg Hitt, "Clinton Asks for Trade Pact Authority, Avoiding Labor, Environmental Issues," WALL STREET JOURNAL, September 17, 1997.

DAIRY DISPUTE ON FAST TRACK?.

After losing a challenge to Canadian dairy tariffs before a NAFTA dispute resolution panel in 1996, U.S. dairy producers are pushing the Clinton administration to mount a new challenge to the export- subsidizing effect of Canada's milk pricing system. U.S. dairy industry representatives have filed a Section 301 petition charging that Canada is violating its World Trade Organization commitments in regard to export subsidies, and say that they expect the U.S. Trade Representative (USTR) to accept their petition by the end of October. The petition also charges that Canada has failed to comply with its market access commitments for fluid milk.

Although industry groups said they were not linking USTR action on their petition to support for fast-track negotiating authority, the timing of the petition gives the Clinton administration a chance to win friends as it seeks passage of fast-track legislation. U.S. dairy farmers have seen dairy exports to Mexico cut by more than half since NAFTA took effect, and find themselves effectively locked out of the Canadian market.

In Canada, a two-tiered pricing system put into effect two years ago allows food producers to buy milk more cheaply if it is used to make products for export. Dairy products sold for domestic consumption are priced higher, and all sales are pooled so that producers receive a single, intermediate price.

In theory, Canada allows imports of fluid milk, but it maintains that the quota for fluid milk is entirely used by visitors or Canadians returning from shopping trips to the United States. U.S. dairy interests say that no records are kept to substantiate this claim and that, in any event, the U.S. dairy industry could get about $1.4 billion in sales if it were allowed to freely enter the Canadian market.

Ian Elliott, "Dairy Industry Looks to Challenge Canadian Policy," FEEDSTUFFS, September 15, 1997; "Dairy Industry Says USTR Will Support 301 Petition Against Canada," INSIDE U.S. TRADE, September 12, 1997; "NAFTA Fails to Deliver for U.S. Dairy Farmers," FUMMC MILK MATTERS, August 31, 1997; Peter Moroton, "New Dairy War on Horizon," THE FINANCIAL POST, September 4, 1997.

APPLE DISPUTE WITH MEXICO

The Mexican government imposed a 101 percent "compensatory" tariff on imports of U.S.-grown Red Delicious and Golden Delicious apples on September 1, allegedly in response to dumping by U.S. apple exporters. The tariff doubles the price of the imported apples in Mexico, at the height of the Mexican apple harvest.

U.S. growers sent 5.51 million cartons to Mexico last year, and Mexico is now Washington State's top apple market. Mexican growers are expected to increase production from 17.5 million cartons last year to 19.5 million this year. Mexican apples are sold from September through December, while U.S. exports to Mexico begin to peak in January. The main complaint of Mexican apple growers seems to be that a significant volume of imported apples avoided any tariffs because of false invoices that understated the true value of shipments.

U.S. Senators Slade Gorton (R-WA) and Patty Murray (D-WA) and Rep. Richard Hastings (R-WA) called for immediate action by U.S. Trade Representative Charlene Barshefsky to force the Mexican government to suspend the anti-dumping duty, with Gorton warning that the apple case could pose a "threat to the entire free trade movement and to the President's request for fast track authority."

"Northwest Senators Tie Action on Mexican Apple Duties to Fast Track," INSIDE U.S. TRADE, September 12, 1997; Stephanie Nall, JOURNAL OF COMMERCE, September 11, 1997; Paul Conley, "Apple 'Dumping' Doubles Prices," THE PACKER, September 8, 1997; Daniel Dombey, "U.S. Apple Exports Cause Row," FINANCIAL TIMES, September 2, 1997; Tom Karst, "U.S. Apple Industry Leaders Fight to Reverse Mexican Tariff," THE PACKER, September 8, 1997.

ONE SUGAR DISPUTE SETTLED, ANOTHER HEATS UP

In return for guaranteed access to the U.S. market for refined sugar and for sugar-containing products, Canada agreed not to challenge the U.S. sugar re-export program, through which U.S. companies import cheap world sugar to use in sugar-containing export products. The world price for sugar is about half the protected U.S. price.

In the deal reached at the end of August, Canada will get guaranteed access for a minimum of 10,300 metric tons of refined sugar and may compete for the remaining U.S. quota of 7,500 tons from anywhere in the world. Canada can also export to the United States 59,520 metric tons of sugar-containing products, 92 percent of the U.S. global quota.

The World Trade Organization permitted U.S. restriction of sugar imports, effective on January 1, 1996, when the United States imposed global TRQs on refined sugar imports in excess of 22,000 metric tons. Prior to that time, Canada had sold the United States between 35,000 and 40,000 metric tons of sugar yearly.

On September 4, U.S. Trade Representative Charlene Barshefsky announced that the United States would initiate dispute settlement procedures in the World Trade Organization, challenging a Mexican anti-dumping action against U.S. exports of high fructose corn syrup (HFCS). U.S. HFCS producers argue that the Mexican sugar industry does not have legal standing to request anti-dumping penalties, because sugar and HFCS are not "like products."

Mexico's Commerce Department (SECOFI) ruled in June that U.S. HFCS would have to pay preliminary dumping margins ranging from $63 to $175 per ton, in order to keep the HFCS price above that of domestically-produced cane sugar. U.S. exports of HFCS to Mexico were 190,610 metric tons in 1996, almost triple the 1995 level of 67,423 metric tons. The preliminary margins apply to Archer Daniels Midland Co., Cargill, Inc., A.E. Staley Manufacturing Co., and CPC International, Inc. The Mexican HFCS industry consists of two joint ventures between Mexican companies and U.S. firms related to ADM, A.E. Staley, and CPC. The Mexican cane sugar industry, which produced 4.7 million metric tons in 1996, employs 380,000 people, most of whom live in rural areas.

Mexican Agriculture Secretary Francisco Labastida Ochoa said in July that U.S. exports of HFCS are damaging the Mexican sugar industry, particularly since NAFTA allows the United States to sell an unlimited amount of HFCS to Mexico, but limits Mexican sugar exports to the United States to 25,000 tons. Deputy U.S. Trade Representative Jeffrey M. Lang told the August meeting of the American Sugar Alliance in Montana that Mexican access to the U.S. sugar market "is governed by the NAFTA side letter, and that is going to continue to be the U.S. government policy on this issue." The side letter agrees to more restrictive Mexican access to the U.S. sugar market than the original terms of NAFTA.

Courtney Tower, "U.S. Sugar Program Won't be Challenged by Canada," JOURNAL OF COMMERCE, September 3, 1997; "A Deal is a Deal," AGWEEK, August 11, 1997; "Corn Refiners Reject Mexican Justification of Preliminary Ad Margins," INSIDE U.S. TRADE, July 11, 1997; "Mexico Says U.S. Corn Syrup Exports Unfair," JOURNAL OF COMMERCE, July 23, 1997; Courtney Tower, "U.S. Sugar Imports a Canadian Concern," JOURNAL OF COMMERCE, August 28, 1997; Barry Wilson, "Tiff With U.S. Over Sugar May Heat Up," WESTERN PRODUCER, August 21, 1997; "USTR Requests WTO Consultations With Mexico on HFCS Dumping Action," INSIDE U.S. TRADE, September 12, 1997; Diego Cevallos, "Relations Sour Over Sugar," INTERPRESS SERVICE, September 10, 1997. "U.S., Canada Settle Long- Standing Dispute Over Sugar Market Access," INSIDE U.S. TRADE, September 5, 1997.

ECUADOR, IPR

After a series of top level meetings and after the Ecuadoran Congress had repealed legislation under which former Ecuadoran representatives of multinationals could seek compensation claims, the United States dropped a threat to impose economic sanctions against Ecuador over its failure to ratify an intellectual property agreement signed in 1993.

"EE.UU. No Sancionara a Ecuador," EL UNIVERSO, September 2, 1997; "Patentes No Necesitan Convenio," HOY, September 2, 1997; Justine Newsome, "US Sanctions Threat Lifted," FINANCIAL TIMES, September 2, 1997.

NAFTA ENVIRONMENTAL REPORT

The North American Commission for Environmental Cooperation (NACEC), the environmental watchdog agency created by NAFTA, issued a report on continental pollutant pathways in early Septembe r, and urged the United States, Mexico and Canada to coordinate regulatory efforts and to establish joint targets and timetables for air pollution reduction in North America. This is important because national industries resist imposition of pollution controls, arguing that they will lose competitive advantage and that pollution is actually coming from elsewhere. For example, the pollutants emitted in Los Angeles and San Diego contribute to high levels of air pollution in Tijuana.

NACEC also called for a review of pending restructuring of member nations' electricity markets and of pesticide-related standards.

Kevin G. Hall, "NAFTA Panel Urges Uniform Approach to Environment," JOURNAL OF COMMERCE, September 4, 1997; "NAFTA Urged to Seek Unified Approach on Environment," INTERPRESS SERVICE, September 5, 1997.

SALMON WAR

The government of British Columbia filed suit in a Seattle court, seeking damages for overfishing of salmon by U.S. boats. The lawsuit alleges that the Pacific Salmon Treaty's basic principles of conservation and equity of harvest are violated by intensive U.S. fishing of Canada-bound salmon, and says that the U.S. government has ignored the terms of a 1985 treaty governing the catch of migrating salmon stocks from Alaska to Washington.

Anthony DePalma, "In Salmon War, a New Broadside as British Columbia Sues the U.S.," NEW YORK TIMES, September 9, 1997; Scott Morrison, "U.S. Sued in Salmon War," FINANCIAL TIMES, September 10, 1997.

CANADA EASES BARLEY IMPORTS

Canadian Agriculture and Agri-Food Minister Lyle Vanclief, Wheat Board Minister Ralph Goodale, and International Trade Minister Sergio Marchi announced on September 8 that Canada will suspend the application of its tariff-rate quotas (TRQ) for barley and barley products imported from the United States. Vanclief characterized the TRQs as an administrative burden on Canadian importers and said eliminating them would improve open, fair, two-way trade.

Wheat Board Minister Goodale noted that Canada's grain exports to the United States in 1996-97 are greater than exports in 1995-96, but still lag far below the record levels of 1993-94. U.S. sales to Canada are at an all-time record level in 1996-97.

Agriculture and Agri-Food Canada, "Canada Suspends Tariff Quotas on U.S. Barley and Barley Product Imports," PRESS RELEASE, September 8, 1997.

CANADIAN WHEAT HARVESTS, PRICES FALL

According to government projections, Canadian wheat production is likely to drop by as much as 23 percent this year, due both to 10 percent lower planting and to a drought in central Canada. Canada produced five percent of the world's wheat last year, with its wheat exports making up 21 percent of the global total. Wheat producers in the European Union, Australia and Argentina also expect lower harvests this year.

Despite lower production, the Canadian Wheat Board has set lower initial payments for producers, reflecting a drop from $2.25 a bushel for wheat in Saskatchewan last year to $2.20 a bushel this year. CWB minister Ralph Goodale said that the payments will be increased "as soon as the trends are solid enough" to show higher prices, but not before October.

U.S. grain growers still maintain that Canada is dumping wheat, especially durum wheat, on the U.S. market. Canadians reply that U.S. growers can supply only about 70 percent of U.S. mills' demand for durum, and that no formal restraint on Canadian grain exports to the United States is in effect. Canadian Agriculture Minister Lyle Vanclief pointed out that U.S. wheat exports to Canada are higher this year than in many years, totaling nearly four times the volume of wheat shipped into Canada last year.

Scott Morrison, "Canadian Wheat Output Set to Fall," FINANCIAL TIMES, August 27, 1997; Adrian Ewins, "Goodale Has Wait-and-See Approach to Grain Prices," THE WESTERN PRODUCER, August 14, 1997; Ian Elliott, "U.S. Ponders Ways to Reduce Influx of Canadian Grain," FEEDSTUFFS, August 11, 1997; "Canadian Wheat Production Seen 27 Percent Lower in 1997 to '98," AGWEEK, August 18, 1997.

MEXICAN TEXTILE EXPORTS INCREASE

While Chinese textile exports to the United States grew by almost 60 percent during the first six months of 1997, compared to the same time period in 1996, China still remained second to Mexico, which increased its textile exports by 40 percent over the same period in 1996. Mexico passed China to become the largest U.S. textile and apparel supplier in 1996, aided by the favorable trade status it enjoys under NAFTA. Overall U.S. textile imports increased by 22 percent during the first six months of the year, showing increases for ten consecutive months.

Paula L. Green, "U.S. Boosts Imports of China Textiles 60%," JOURNAL OF COMMERCE, August 25, 1997.

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FOOD SAFETY AND IMPORTS

Guatemalan raspberries, Mexican strawberries, scallions and cantaloupes, and Peruvian carrots have all been implicated in food-borne illnesses of thousands of people in the United States over the past two years. The U.S. Center for Disease Control and Prevention in Atlanta (CDC) says reported cases are only the tip of the iceberg, with the actual number of people sickened by domestic and foreign foods ranging in the tens of millions each year. Worldwide, food-borne illnesses are also under-reported, with governments sometimes intentionally under-reporting illnesses to protect trade, according to a World Health Organization (WHO) report issued in August.

In 1994, the CDC warned that "As trade and economic developments like NAFTA take place, the globalization of food supplies is likely to have an increasing impact on food-borne illnesses." Part of the problem comes from increasing imports and decreasing resources for inspection. U.S. Food and Drug Administration (FDA) inspectors sampled 17,000 food items in 1996, less than one percent of 2.2 million food shipments. That's double the 1.1 million food shipments that arrived in 1992, when inspectors tested 30,000 samples.

Elisa Elliot of the U.S. Food and Drug Administration told a September 10 U.S. produce industry meeting that the percentage of food-borne illnesses caused by produce rose from two percent during the 1973-1987 period to five to eight percent during the 1988-1991 period, including six produce-related deaths in the latter period and none before then.

E coli, salmonella, and cyclospora also adapt and change to create new forms of pathogens, some of which are found in items not previously known for contamination, such as a lettuce mix in Connecticut and Illinois in 1996. Polluted water used to grow crops, lack of health safeguards during processing, and lack of immunity to viruses and bacteria rarely encountered in the United States make imported produce particularly problematic for consumers.

Guatemalan raspberries imported in 1996 and 1997 were apparently contaminated by cyclospora in the water used to spray and irrigate them. Thousands of Guatemalans also fall ill every spring when the spring rains wash down from the highlands. Cyclospora survives even chlorine rinses.

Back in 1993, the FDA asked for legislative authorization to bar all food imports from any country with an inferior food-safety system. It has never received that authority, though the Clinton administration says it will now ask for increased powers for the FDA. The Washington-based Community Nutrition Institute charges that the language of the administration's proposal may actually weaken the current language of the Food, Drug and Cosmetic Act.

As free-trade proponents in the United States and other countries push for greater globalization of food markets, the United States, too, has exported contaminated food. Contaminated radish seeds exported from Oregon to Japan sickened people in Japan who ate radish sprouts last March, and South Korea claimed in September that it had found E. coli bacteria in a shipment of frozen beef from the United States.

Countries accused of exporting contaminated food often claim that the charges have more to do with domestic resistance to trade competition than with health. Guatemalan exporter Gabriel Biguria, for example, said "We find a tremendous possibility that people in California are using [the connection of Guatemalan raspberries to cyclospora] as a very dangerous tool for protectionism. Protectionist forces find bugs or whatever to protect their market. It's a commercial war."

While the United States is the object of allegations of protectionism due to SPS standards, it is charging that other countries refuse U.S. exports due to unfounded SPS concerns. Canadian dairy farmers, as well as many U.S. consumers, are skeptical about the safety of rBST, which was approved for use in the United States more than three years ago but is still under study in Canada. The United States and Canada both oppose European Union (EU) requirements that crops grown from genetically- modified seeds be labeled to ensure "a fundamental consumer right to informed choice."

Both Canada and the United States challenged the EU ban on beef treated with growth hormones, and a

World Trade Organization panel ruled in August that the EU restriction was not science-based, but amounted to "a disguised restriction on trade." The EU will appeal the WTO ruling.

The United States has also accused Chile of overly restrictive phytosanitary regulations in guarding against the Karnal bunt wheat fungus, and questions whether Chile requires domestic poultry producers to meet the strict sanitary standards imposed on imported poultry.

EU Farm Commissioner Franz Fischler told a food safety conference in England in September that the Codex Alimentarius and the International Office of Epizootics (OIE) have been "paralyzed" because of the WTO reliance on their documents. He noted that many countries are reluctant to adopt texts that may become legally binding, and that it has become legally difficult to justify sanitary and phytosanitary (SPS) regulations that are more stringent than those recommended by the Codex. Fischler warned that when the WTO's SPS agreement comes up for review and negotiation next year, the role of Codex and OIE must be reviewed to avoid "imposing unreasonable requirements on developing countries or preventing developed countries from maintaining a high level of health protection."

The U.S.-based Community Nutrition Institute warns that Codex standards set a "global floor for risk management policies and practices . . ." but that the World Trade Organization is now taking the position that Codex standards "are ceilings on the ability of governments to discharge their public obligations to manage risks at level acceptable to the citizen in countries ascribing to WTO disciplines." Nonetheless, the U.S. Food and Drug Administration has proposed review of Codex standards in order to determine which of those standards it can adopt.

Legislation to require country-of-origin labeling of imported produce has been introduced in both the U.S. Senate and House of Representatives. The Imported Produce Labeling Act is backed by the U.S. produce industry, and has been given impetus by concerns over safety of imported produce.

Chuck Harvey, "Initiatives, Legislation Discussed," THE PACKER, September 29, 1997; Brad Addington, "Grower-shipper to Recall Strawberries in 16 States," THE PACKER, September 29, 1997; Larry Waterfield, "Meeting Puts Food Safety in Spotlight," THE PACKER, September 15, 1997; Luby Montano-Laurel, "Marketers See Opportunity," THE PACKER, September 15, 1997; Ian Elliott, "Fischler Calls for Overhaul of SPS Accord at WTO," FEEDSTUFFS, September 15, 1997; Tom Burfield, "Bill Gathers Limited Support," THE PACKER, September 8, 1997; "Dairy Farmers Want Reassurance About rBST," COUNTRY LIFE, September, 1997; Anne Fitzgerald, "Debate Rages on Biotech Seeds," DES MOINES REGISTER, September 5, 1997; "Beef Ruling a Win for Canada: WTO Panel Says European Ban a Disguised Restriction on Trade," VANCOUVER SUN, August 26, 1997; Ian Elliott, "Foodborne Illnesses Said to be Under- Reported," FEEDSTUFFS, August 18, 1997; "Public Trust in Food Science Eroded by Dairy Hormone Case: Authors," WESTERN PRODUCER, August 21, 1997; Barry Wilson, "Health Studies Botched: Book," WESTERN PRODUCER, August 21, 1997; Leila Corcoran, "Consumers Risk Growing Number of Superbugs," REUTER, August 25, 1997; Jeff Gerth and Tim Weiner, "Imports Swamp U.S. Food Safety Efforts," NEW YORK TIMES, September 29, 1997; Gillian Handyside, "Luxembourg Says Will Resist End to Gene Maize Ban," REUTER, September 23, 1997; Peter Cook, "Genetically Modified Food Fads," THE GLOBE AND MAIL, September 24, 1997; "EU's Fischler Says All GMO Food Must be Labeled," REUTER, September 19, 1997; Rod Leonard, Jake Caldwell, "FDA Proposal to Adopt Codex Standards," COMMUNITY NUTRITION INSTITUTE MEMORANDUM, September 26, 1997; Rod Leonard, "FDA Food Safety Initiative," COMMUNITY NUTRITION INSTITUTE MEMORANDUM, September 25, 1997; "WTO Praises Chile's Trade Regime, Sees Problems With Regional Deals," INSIDE U.S. TRADE," September 26, 1997.

EUROPE, ASIA AND LATIN AMERICA NEGOTIATE

As the United States Congress considers the expansion of trade agreements, the rest of the hemisphere is moving forward in reaching trade agreements within the hemisphere and with Europe as well. The European Union and Mercosur expect to sign a free trade agreement in 1999, according to Manuel Marin, the EU commissioner working on the pact. Mercosur diplomats responded to Marin's comments at the Mercosur Economic Summit in Sao Paulo in early September by saying that the agreement may be delayed by disagreements over agriculture issues. Trade between Mercosur's four members - Argentina, Brazil, Paraguay and Uruguay - and the EU reached $40 billion last year, exceeding trade between Mercosur and the United States.

Canada is also considering becoming an associate member of the Mercosur trading bloc, Canadian Trade Minister Sergio Marchi said at the meeting. Chile and Bolivia are already associate members.

Mexico and the nations of Central America have agreed to complete bilateral and trilateral treaties by 1998, eventually working toward a regional free-trade zone, as Mexican-Central American trade increases steadily.

While Asian countries have not been as aggressive in seeking free-trade agreements, Asian investors have shown increasing interest in investment in Latin America. Late year South Korean firms announced plans to invest more than $1.5 billion in Latin America through 1999.

U.S. Trade Representative Charlene Barshefsky, lobbying for passage of fast-track legislation in Congress, pointed out that 20 trade agreements have been negotiated in the Western Hemisphere during the past four years, all without U.S. participation. NAFTA is the only one of the 30 trade accords now in effect in the hemisphere to which the U.S. is a signatory.

"Central American & Mexican Foreign Ministers Reaffirm Commitment to Forge Subregional Free-Trade Zone," ECOCENTRAL, September 4, 1997; Matt Moffett and Helene Cooper, "In Backyard of the U.S., Europe Gains Ground in Trade, Diplomacy," WALL STREET JOURNAL, September 18, 1997; Kevin G. Hall, "South Africa, Brazil Building Strong Trading Ties," JOURNAL OF COMMERCE, September 16, 1997; Kevin G. Hall, "Canada Outlines Possible Trade Deal With Mercosur, Citing Chile as Example," JOURNAL OF COMMERCE, September 12, 1997; Kevin G. Hall, "Mercosur Officials Shrug Off Fast Track," JOURNAL OF COMMERCE, September 12, 1997; Gordon Platt, "Asian Companies Target Latin America for Expansion of Manufacturing Plants," JOURNAL OF COMMERCE, September 3, 1997; Geoff Dyer, "EU-Mercosur Pact 'Set for 1999,'" FINANCIAL TIMES, September 15, 1997; "LatAm Leaders to Meet in Brazil at 'Mini Davos,'" REUTERS, September 8, 1997; "Asian Investors Bullish on Latin America," INTERPRESS SERVICE, September 24, 1997; "Barshefsky Warns of Fallout From Failure to Pass Fast Track," INSIDE U.S. TRADE, September 26, 1997.

BANANA RULING FROM WTO

The World Trade Organization, as expected, finalized its ruling against the European Union's banana import regime at the September 25 meeting of the Dispute Settlement Body. Procedurally, the ruling confirmed the WTO decision appealed by the EU in May. The next move is 30 days after the September 25 meeting, when the WTO will ask the EU how it will comply with the ruling. But then the EU has up to 15 months to come up with a compliance plan.

The EU banana regime consists of import quotas and license requirements imposed in 1993 and based on its commitments to protect former colonies under the Lome Convention trade agreement with 70 African, Caribbean and Pacific countries. This included limits on Latin American exports and restriction of most export licenses for Latin American bananas to European companies, cutting out U.S.-based Chiquita Brands, Dole Fresh Fruit, and Del Monte Fresh Produce. Ecuador, Mexico, Guatemala, Honduras and the United States joined in the case against the EU.

While some EU countries are ready to dismantle the banana regime, others insist on keeping the preferences and paying compensation to the complainants. The United States opposes compensation, insisting on dismantling of the banana regime. The Caribbean Banana Exporters Association said that the collapse of the banana trade in the Windward Islands would produce instability across the Caribbean Basin. The United States has proposed a three-year, $3 million program to promote diversification of the Windward Island countries' economies. Officials of the Caribbean Community (Caricom) complain that the amount of funding is too small and that much of the proposed funding would go to U.S. consulting firms who would advise on diversification.

"EU Accepts Banana Ruling But Reveals Little About Future Response," INSIDE U.S. TRADE, September 26, 1997; "Europe Ponders Threat to Its Banana Regime," JOURNAL OF COMMERCE, September 10, 1997; Neil Buckley, "Euro-MPs Urge Support for Banana Producers," FINANCIAL TIMES, September 17, 1997; Emma Tucker, "Firm US Line on Banana Trade," FINANCIAL TIMES, September 12, 1997; "U.S. Seeks Talks on Eu Banana Regime as WTO Confirms U.S. Win," INSIDE U.S. TRADE, September 12, 1997; "Clinton Administration Provides Aid to Caribbean Banana Producers," INSIDE U.S. TRADE, September 19, 1997; Paul Conley, "Ruling Awaited on Banana Exports, THE PACKER, September 8, 1997; Neil Buckley, Canute James, and Nancy Dunne, "EU Split on Response to WTO Banana Ruling," FINANCIAL TIMES, September 10, 1997; "Ecuador: Banana Sector Glad But Uncertain," INTERPRESS SERVICE, September 9, 1997.

HELMS-BURTON DEADLINE NEARS

Unless the United States and the European Union settle their differences on the U.S. economic embargo of Cuba by October 15, the EU may resume its suspended challenge to the provisions of the U.S. Helms-Burton law before the World Trade Organization. Specific EU objections center on the law's provision authorizing civil lawsuits against foreign firms investing in property in Cuba that was once owned by U.S. citizens or corporations and denying U.S. visas to executives of such foreign firms and their families. The EU also objects to the application of sanctions to companies trading with Iran or Libya.

The EU wants a waiver of the visa restriction for EU business executives, which would have to be approved by Congress. In return, the EU has offered to negotiate new international rules governing acquisition of expropriated property. The United States has made a counter-proposal for creation of a list of "problem states," including Cuba, in which all future investments would be banned. In addition, the United States wants expropriated properties to be registered in the Multilateral Agreement on Investments, and defined disciplines to be triggered if any "dealings" in properties on the list occurs.

EU External Relations Commissioner Leon Brittan traveled to Washington in late September to meet with U.S. legislators, including House International Relations Committee Chair Ben Gilman (R-NY), but the meetings brought the opposing sides no closer to resolution.

Richard Lawrence, "EU, US Remain at Odds Over Cuba Embargo Policy," JOURNAL OF COMMERCE, September 25, 1997; "U.S. Expected to Propose Specific Solution to Helms-Burton Fight," INSIDE U.S. TRADE, September 19, 1997; "Congressmen Reject Brittan Appeal to Soften Stance on Helms- Burton," INSIDE U.S. TRADE, September 26, 1997.

FAST-TRACK LEGISLATIVE MANEUVERING

As the Clinton Administration attempted to rally support for fast-track negotiating authority, business and labor launched conflicting campaigns. "We are committed to waging this campaign [against fast-track] for as long as it takes with as many resources as we have," pledged AFL-CIO President John Sweeney. Chile's leading trade union federation said it would join with U.S. unions in opposing fast-track at a meeting of North and South American trade unionists scheduled for November in Santiago. A business coalition called America Leads on Trade said it had raised 75 percent of its goal of $3 million for lobbying efforts in support of fast-track. Fast-track authority would limit Congress to a yes-or-no vote on trade agreements without the possibility of amendments, and with severely limited Congressional floor debate.

Meanwhile, Republicans in Congress began maneuvering to link fast-track to other initiatives they want to get past the White House, including a school voucher pilot program for District of Columbia students and a ban on statistical sampling measures in the year 2000 census. Deputy U.S. Trade Representative Jeff Lang said that expanded trade benefits for Caribbean countries, also known as NAFTA parity benefits, will also be tied to fast-track legislation. And members of the House Agriculture Committee warned the Clinton Administration that the United States must address outstanding agricultural disputes, such as the dispute with Canada over grain imports and the dispute with Mexico over high-fructose corn syrup exports, before fast-track is approved.

"Albright Says Fast Track Vital to Broad U.S. Foreign Policy Goals," INSIDE U.S. TRADE, September 19, 1997; "Business Group, Labor Unions Launch Campaigns in Fast-Track Debate," INSIDE U.S. TRADE, September 19, 1997; "Lang Outlines Conditions for Granting NAFTA Parity Benefits," INSIDE U.S. TRADE, September 19, 1997; "Roth Promises Markup of NAFTA Parity Bill for Caribbean Countries," INSIDE U.S. TRADE, September 19, 1997; Allison Mitchell, "House Seeks Leverage for Favored Measures," NEW YORK TIMES, September 24, 1997; Gustavo Gonzalez, "Chile-U.S.: Unions to Wage Fight Against Fast-Track," INTERPRESS SERVICE, September 18, 1997; "House Panel Calls for Work on Farm Disputes to Support Fast Track," INSIDE U.S. TRADE, September 26, 1997.

RESOURCES/EVENTS

NAFTA's Broken Promises: Fast Track to Unsafe Food, Public Citizen's Global Trade Watch report, September 24, 1997. $10.00. Order from PC Publications Division, 202-588-1000. Analyzes government data and medical and academic sources to document how imported food is more likely to be contaminated than U.S.-grown food, U.S. food imports are rising while U.S. inspections of imported food decline; increased imports from Canada and Mexico under NAFTA have overwhelmed border inspectors; food-borne illness is rising globally and in the United States.

Writing the Constitution of a Single Global Economy, Michelle Sforza, Scott Nova, Mark Weisbrot. Published as a Preamble Briefing Paper by The Preamble Collaborative/The Preamble Center for Public Policy. May 20, 1997. 19 pp. Order from The Preamble Collaborative, 1737 21st Street N.W., Washington, D.C. 20009. Telephone 202/265-3263; fax 202/265-3647; e-mail: preamble@rtk.net; http://www.rtk.net/preamble. Subtitled "A Concise Guide to the Multilateral Agreement on Investment - Supporters' and Opponents' Views," this briefing paper summarizes key MAI provisions, gives proponents' views, opponents' views, and counterarguments, as well as summarizing the history and context of MAI negotiations.

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CLINTON'S VISIT TO SOUTH AMERICA

Visiting Argentina, Brazil and Venezuela in October, U.S. President Clinton attempted to assure South American allies that the United States is firmly committed to the Free Trade Area of the Americas (FTAA) and to closer ties and increasing trade with all of Latin America. Despite his visit, Brazil and Argentina and their Mercosur allies (Brazil, Uruguay, Paraguay and Chile, an associate member of the trade group) remain skeptical of his ability to deliver, given internal U.S. opposition to fast-track trade legislation. Brazilian and Argentine leaders met in advance of Clinton's visit to coordinate their messages and ensure that both countries emphasized the importance of Mercosur.

Clinton assured Brazilians that his advocacy of FTAA was not aimed at weakening Mercosur. Mercosur's total annual trade has increased from $5.1 billion in 1991 to more than $16 billion in 1997, and the European Union is its primary trading partner. Visiting Argentina in May, French President Jacques Chirac declared that "Latin America's future does not lie on a North-South axis, but in Europe." Mercosur's principal economic partner is the European Union, with which it is currently negotiating a trade accord.

Brazilian business leaders endorse their government's go-slow attitude toward FTAA. The president of the Brazilian Association of Toy Makers, Synesio Batista, said during the Clinton visit that businesses "don't want a U.S. economic invasion, at least not until we are in a position to compete."

"We're not ready for it yet, and we don't want it forced upon us," agreed Roberto Macedo, president of the Electronics Manufacturing Association of Brazil.

While Clinton voiced support for Mercosur, skeptics noted that the "gifts" offered by the United States have increased conflict among Mercosur members. During his visit to Argentina, Clinton conferred "major non-NATO ally status" on Argentina, a move opposed by Chile as potentially upsetting the regional strategic balance. The status, which is already held by Egypt, Israel, and Japan, makes it easier for Argentina to get weapons from the United States. U.S. General Wesley Clark, chief of the U.S. army Southern Command, said in early October that Argentina is the United States' "top ally" in Latin America. The United States also has offered F-16 fighter planes to Chile, which has a long history of military tension with Argentina.

In Brazil, Clinton signed agreements on cooperation in education, nuclear energy, space exploration, family health care, and the environment. In Venezuela, agreements on energy, the environment, and fighting the drug trade were signed. Venezuela is the largest oil supplier for the United States.

Trade disputes, including U.S. drug manufacturers' demands that Argentina upgrade its patent protections, U.S. investors' dissatisfaction with their treatment in privatization of port facilities, and U.S. optical fiber and cable manufacturers' desire for an opening of Brazilian markets, may have been topics of discussion during Clinton's visit, but no breakthroughs in these areas were announced.

While Clinton did not visit any Latin American country during his first term in office, he has visited Mexico, Central America and the Caribbean earlier this year, and will go to Chile in April 1998 for the FTAA summit.

Marcela Valente, "Mercosur Bloc Resists 'Dissolving' into FTAA," INTERPRESS SERVICE, October 13, 1997; Marcela Valente, "Clinton Will Feel at Home," INTERPRESS SERVICE, October 14, 1997; Mario Osava, "Clinton Exercises His 'Power of Seduction,'" INTERPRESS SERVICE, October 15, 1997; Anthony Faiola, "Businesses Fear Dropped Barriers Could Damage Recovering Economy," THE WASHINGTON POST, October 16, 1997; "Clinton Tour Does Venezuela, Brazil, Argentina, Haiti," WEEKLY NEWS UPDATE ON THE AMERICAS, October 19, 1997; "U.S. President Bill Clinton Pushes Trade on Latin America Trip," NOTISUR, October 17, 1997; Kevin G. Hall, "Brazil, Argentina Want Single Policy for Trade With U.S.," JOURNAL OF COMMERCE, October 15, 1997; James Bennet, "Clintons Present Their Act to an Admiring Argentina," NEW YORK TIMES, October 17, 1997; Andrea Campbell, "U.S. Hails Argentina Role as Ally," FINANCIAL TIMES, October 17, 1997; "Free Trade Gets Boost in Brazil," THE GLOBE AND MAIL, October 15, 1997; "Clinton, on Latin Trip, Pledges Effort to Pass Fast Track This Year," INSIDE U.S. TRADE, October 17, 1997; John Maggs, "For U.S., Argentina, Smiles Hide the Conflict," JOURNAL OF COMMERCE, October 14, 1997; Mark Suzman, "Clinton Set on Fast-Track for Trade Deals," FINANCIAL TIMES, October 20, 1997.

LEGISLATIVE MANEUVERING ON FAST TRACK

Special Counselor to the President Jay Berman said that there will be a vote on renewal of fast-track negotiating authority in the House of Representatives, despite lack of Democratic support. Berman said that Republicans have traditionally provided about 75 percent of the support for trade legislation. After initially saying that a fast-track vote should be postponed until 1998, House Republican leaders promised in late October that they would schedule a fast-track vote by November 7.

Under fast-track, trade agreements would be voted up or down by Congress, but could not be amended.

While trade bills have traditionally been voted on first in the House of Representatives, Senate Minority Leader Trent Lott (R-MI) predicted that a Senate vote on fast-track could come sooner than the House vote. Minority Leader Tom Daschle (D-SD) continued efforts to block a vote until Republicans agree to debate campaign finance reform.

President Clinton is expected to propose a $90 million-a-year program to aid those with trade-related job losses, in an appeal for more support for fast-track. The worker retraining measure had been promised prior to passage of NAFTA in 1994. Strong opposition to fast-track has been mounted by labor, including the United Steelworkers of America, the Teamsters, and the United Auto Workers. George Becker, United Steelworkers president, warned that, with current trade practices, "we're on the long haul to deindustrialize America."

"Berman Predicts House Will Vote on Fast Track Despite Uncertainty," INSIDE U.S. TRADE, October 17, 1997; John Maggs, "GOP Mulls Postponing Fast-Track Vote to '98," JOURNAL OF COMMERCE, October 22, 1997; Peter Baker and Helen Dewar, "In Reversal, Clinton to Push 'Fast Track' in Senate Initially," WASHINGTON POST, October 22, 1997; John Maggs, "Trying to Save Fast Track, Clinton Offers Job Program," JOURNAL OF COMMERCE, October 27, 1997; Tim Shorrock, "Union's Rank and File Put Up Steely Opposition to Fast Track," JOURNAL OF COMMERCE, October 27, 1997; Greg Hitt and Bob Davis, WALL STREET JOURNAL, October 30, 1997.

TRICK, NO TREAT

U.S. vintners share the concerns of tomato growers in Florida and cattle ranchers in California: the government failed to keep the promises it made in 1993 to win their industries' support for NAFTA. According to Public Citizen's Global Trade Watch, more than 20 deals and promises made to industries and members of Congress in exchange for support of NAFTA were not kept. Lori Wallach, director of Global Trade Watch, noted that "many in Congress learned during NAFTA that Clinton serves up only phantom pork."

Another study, released by the Institute for Policy Studies on October 23, shows that companies who are members of America Leads on Trade, a corporate lobby organization pushing for passage of fast-track, have laid off 13,000 workers as a result of NAFTA. "Many made specific promises not to cut jobs under NAFTA," according to Sara Anderson of the Institute for Policy Studies. The companies studied include General Electric, Allied Signal, AMO Group and Sara Lee Corporation, each of which laid off more than 1,000 workers due to imports or competition from Canada or Mexico.

The numbers in the study are based on claims to the U.S. Labor Department for special retraining benefits available under a provision of NAFTA. Marc Greenberg, a spokesperson for Allied Signal, said the study distorts the number of layoffs caused by NAFTA.

John Maggs, "Think Tank: Pro-Nafta Firms Cut 13,000 Jobs," JOURNAL OF COMMERCE, October 23, 1997; Greg Hitt, "To California Vintners, Promised a Rose Garden, Fast-Track Bill is Wreathed in Grapes of Wrath," WALL STREET JOURNAL, October 6, 1997; "Trick, No Treat Analyzes More Than 20 Deals for NAFTA Votes," PUBLIC CITIZEN, October, 1997; Ramon G. McLeod, "Fast Track Backers Derided, Study Finds Firms Laid Off Thousands Because of NAFTA," SAN FRANCISCO CHRONICLE, October 23, 1997.

PRODUCE TRADE PICTURE MIXED

As politicians and produce industry representatives line up behind various proposals for food safety guidelines, skirmishes between produce growers in Canada, Mexico and the United States continue.

-- Tomato growers in Mexico and Florida reached agreement on a floor price of $5.17 per 25-pound carton of Mexican tomatoes a year ago. Now Florida wants an increase in the floor price, and Mexico wants a decrease for the summer months.

-- The U.S. Department of Agriculture (USDA) imposed a new minimum diameter requirement for tomatoes in a proposed rule published October 6 in the Federal Register. The Mexican commerce agency promptly protested, saying that U.S. officials gave inadequate notice to Mexican officials and growers, and the USDA extended the comment period by 20 days.

-- Maine potato growers charge that Canadian potato imports are unfairly subsidized, and have asked the U.S. International Trade Commission to protect them against the imports.

-- California table grape growers are working for repeal of a Mexican labeling law that limits their access to Mexican markets. Other producers express concern that Mexican labeling standards for packaged foods are confusing.

-- Mexico imposed a 101 percent compensatory tariff on U.S. apples on September 1, doubling the price of U.S. apples in Mexico. Mexico charges unfair dumping practices, which U.S. producers deny.

U.S. growers, some of whom were initially optimistic about expanded export markets under NAFTA, have seen mixed results, and have differing priorities. For example, Florida tomato growers have pushed for a seasonal designation of their winter tomato production, while Washington apple growers have resisted seasonal designation, fearing that it might be turned against their product by other countries. While California Table Grape Commission president Bruce Obbink says that "NAFTA has worked very well for us," California avocado growers vehemently oppose the allowance of Mexican avocado imports into the northeastern United States.

Tracy Rosselle, "Floor Price Getting Favorable Reviews," THE PACKER, October 13, 1997; Paul Conley, "Dispute With Mexico Enters Its Sixth Week," THE PACKER, October 13, 1997; Larry Waterfield, "Industry Ready for Scrutiny," THE PACKER, October 13, 1997; Tracy Rosselle, "NAFTA Fails to Dissolve Disputes," THE PACKER, October 13, 1997; Mary Sutter, "Exporters Still Trying to Decipher Mexico's Rules for Labels on Food," October 23, 1997; Tracy Rosselle, "Export Opportunities Fail to Meet Expectations," THE PACKER, October 20, 1997; Kevin G. Hall, "Legal Action Sought in U.S.-Mexico Apple Spat," JOURNAL OF COMMERCE, September 29, 1997; Kevin G. Hall, "Mexico Slams Nafta Clause on Tomatoes," JOURNAL OF COMMERCE, October 23, 1997.

DUTCH STALL BANANA DECISION

On October 16, the European Union announced that it will comply with the September 25 World Trade Organization ruling that the EU system regulation banana imports violates international trade rules. But a Dutch national court ruling by judges in The Hague forbids the Dutch from cooperating in the EU compliance, overruling the Dutch government's position. The Dutch government is appealing its national court decision.

Because the EU requires unanimity among member states, the Dutch court decision will delay implementation of any EU compliance measures. While the EU said it will comply, it also said that it will continue to respect its obligations to African, Caribbean and Pacific nations under the LomÈ Convention.

Ecuadorean president Fabian AlarcÛn warned in October that he would not accept compensation in lieu of changes to the EU banana import rules, and EU sources indicated that they did not see compensation as a "long- term solution" to compliance.

Gordon Cramb, "Dutch to Appeal After Court Overrules EU Trade Accord," FINANCIAL TIMES, October 23, 1997; "EU Says It Intends to Comply With WTO Ruling on Banana Regime," INSIDE U.S. TRADE, October 17, 1997; Neil Buckley, "Bananas: 'EU Must Comply,'" FINANCIAL TIMES, October 20, 1997; Mario Gonzalez, "New Debate Over EU's Decision on Bananas," INTERPRESS SERVICE, September 29, 1997.

BEEF, PORK TRADE DEVELOPMENTS

Japan, the largest market for U.S. beef exports, expressed concern about reports of contaminated U.S. beef, and a South Korean meat purchasing agent recommended a ban on Nebraska beef after E. coli bacteria were found in an 18.18 metric ton shipment from an Iowa Beef Processors (IBP) plant in Nebraska. Taiwan also ordered bacteria checks on imported U.S. beef in early October. IBP reported a 28 percent drop in earning s during the third quarter. Beef generates about 80 percent of IBP's income, with pork representing the rest.

IBP, Cargill, ConAgra, and National Beef controlled 87 percent of the U.S. beef slaughter market in 1996, up from 67 percent in 1987. Cargill and IBP control approximately 66 percent of the slaughter market in Canada. As packers' profits have reached record levels, U.S. cattle producers' share of the retail beef dollar has fallen from 64¢ in 1979 to 44¢ in 1997. A newly-formed cattle producers' cooperative, U.S. Premium Beef, agreed in September to buy half of Farmland National Beef Packing Co., which kills eight percent of U.S.-fed cattle. The beef producers' cooperative was formed in 1996, with producers representing 850,000 head of cattle.

Argentina and Canada have dropped trade barriers to each other's pork and beef, with Canada following the lead of the United States in dropping the ban on Argentine beef because of the eradication of hoof and mouth disease in Argentina and Argentina allowing Canadian pork imports. Argentine beef will compete for the small portion of Canada's low-tariff import quota that is not already allocated to Australia and New Zealand. Or Argentina may pay an over-quota duty of 28 percent, which could still leave its beef competitively priced.

Canadian pork processors note that millions of hogs are now exported to the United States, where larger U.S. processors operate more profitably because of lower costs. The Canadian Meat Council estimates that 3,400 Canadian meat processing jobs were lost in 1996, due to exports of 3 million head of hogs to the United States.

Courtney Tower, "Argentina, Canada in Accord," JOURNAL OF COMMERCE, October 3, 1997; "Canada Hogs Moving South," AGWEEK, September 29, 1997; "Four Firms Control U.S. Meat Packing Industry," UNION FARMER, September, 1997; "Two Firms Control Canadian Meat Packing Industry," UNION FARMER, September, 1997; Barbara Duckworth, "American Beef Co-op Gains 50 Percent of Packing Company," WESTERN PRODUCER, October 2, 1997; Adrian Ewins, "Health Issues Erased in Argentine Trade," WESTERN PRODUCER, October 9, 1997; "Japan Traders Worried About Consumer Fears," WESTERN PRODUCER, October 9, 1997; Scott Kilman, "IBP's Quarterly Profit Dropped 28% Amid Safety Worries Involving Beef," WALL STREET JOURNAL, October 28, 1997.

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AG TRADE PERFORMANCE UNDER NAFTA

According to a September 3 U.S. Department of Agriculture (USDA) report, U.S. agricultural imports from Mexico and Canada increased more than U.S. agricultural exports to Mexico and Canada during the three years of NAFTA. According to the report, "During 1993-1996, U.S. agricultural trade to Mexico and Canada rose from $8.9 billion to $11.6 billion. U.S. agricultural imports from the two NAFTA partners grew from $7.3 billion to $10.5 billion." Thus, U.S. agricultural imports from the two NAFTA countries increased by $3.2 billion, while U.S. exports to Canada and Mexico grew by only $2.7 billion.

The USDA's analysis attributes only a little more than 20 percent of the increase in U.S. agricultural exports to Canada and Mexico to NAFTA, and says that a little less than 20 percent of the increased agricultural imports are due to NAFTA, leaving a net NAFTA effect on U.S. agricultural trade of a negative $100 million.

Worldwide U.S. agricultural exports totaled about $60 billion in 1996 - about one-quarter of U.S. agricultural production. Some exports have boomed since NAFTA took effect in January 1994, including fresh Mexican tomato imports, which rose from 376,034 metric tons in 1994 to 685,681 metric tons in 1996. A 32 percent increase in Mexican exports of seven key vegetables over this period coincided with a per capita decline in fresh vegetable consumption in the United States. In 1997, 38 percent of the fruit and 12 percent of the vegetables consumed in the United States come from abroad.

USDA analysis shows a minimal positive impact on U.S. wheat, soybean and hog exports due to NAFTA. Most of the NAFTA-related agricultural trade increase has come from large U.S. affiliates in Canada and Mexico, including Kraft Foods, PepsiCo, Heinz, ConAgra, Cargill, Ralston Purina, ADM, Kelloggs, Tyson Foods, and Simplot.

Despite the USDA analysis, USDA officials continue to push for approval of fast-track legislation, touting trade agreements as essential to the health of U.S. agriculture. USDA under-secretary of agriculture for farm and foreign agricultural services August Schumacher Jr., told a congressional subcommittee that fast-track is essential to agricultural trade negotiations within the World Trade Organization.

Meanwhile, Bank of America agricultural economist Vernon Crowder predicted on September 18 that gross cash farm income in the United States will fall nearly one percent to $215 billion from the record high of $217 billion in 1996.

Alan Guebert, "USDA Report: Three Years Hence, NAFTA is a Disasta," FARM AND FOOD FILE, October 5, 1997; Curt Anderson, ASSOCIATED PRESS, September 13, 1997; "U.S. Net Farm Income for '97 Expected to Dip," AMERICAN AGRICULTURE, October 2, 1997; Tracy Rosselle, "NAFTA's Record Under Scrutiny," THE PACKER, October 6, 1997; John Maggs, "Don't Blame Free Trade for Food Imports, Experts Say," JOURNAL OF COMMERCE, October 6, 1997; "U.S. Official Says Fast Track Key to Global Farm Talks," USIS GENEVA DAILY BULLETIN, September 23, 1997.

FAST-TRACK AND CBI DEVELOPMENTS

The Clinton administration won two early victories in its quest for approval of fast-track legislation, as the House Ways & Means Committee and the Senate Finance Committee both approved fast-track proposals during early October. However, only four of the committee's 16 Democrats joined 20 Republicans in the 24-14 vote, signaling a tough fight in the full House.

On October 9, by voice vote, the House Ways & Means Committee approved a bill to give Caribbean and Central American nations access to the U.S. market comparable to that enjoyed by Canada and Mexico under NAFTA. The bill would allow NAFTA parity treatment for textiles and apparel for a 14-month period.

The Senate Finance Committee had already approved similar legislation, though the Senate bill does not offer benefits for goods that use regional fabric instead of U.S. fabric and yarn. The Senate bill would benefit mainly U.S.-based textile manufacturers operating in the Caribbean Basin area.

President Clinton set out on October 13 on a week-long swing through Venezuela, Brazil and Argentina, where he will speak in favor of free trade as "an opportunity to bring the Americas together again."

"Ways & Means Approves NAFTA Parity Bill for Caribbean Nations," INSIDE U.S. TRADE, October 10, 1997; "Senate Finance Approves Narrow NAFTA Parity Bill for CBI Countries," INSIDE U.S. TRADE, October 3, 1997; John Maggs, "Senate Panel OKs Fast-Track Compromise," JOURNAL OF COMMERCE, October 2, 1997; "Senate Finance Committee Passes Compromise Version of Fast Track," INSIDE U.S. TRADE, October 3, 1997; Bob Davis, "Fast Track Clears House Panel, But Fight Looms," WALL STREET JOURNAL, October 9, 1997; James Bennet, "In Venezuela, Clinton Promotes Hemisphere Trade Zone," NEW YORK TIMES, October 13, 1997.

GLOBAL WHEAT TRADE

While Canada and the United States remain at loggerheads over Canadian wheat exports, Canada has reached an interim agreement on European Union (EU) market access for Canadian durum wheat. The EU Cereals Management Committee recommended a lowering of the vitreous kernel content requirement (related to protein content), which would provide access for more grades of Canadian durum at the lowest tariff rate. The vitreous kernel content requirement was characterized by Canadians as "a non- tariff barrier that favors U.S. durum," and they threatened to challenge the requirement before the World Trade Organization.

EU imports of durum from all countries over the past three years averaged 950,000 metric tons per year, with Canadian durum exports to the EU averaging 625,000 metric tons per year. The change is expected to take effect for the 1997-98 crop.

Canada is also looking to increase wheat exports to the Philippines, which grows no wheat but imported 2.1 million metric tons in 1996. Canadian wheat exports to the Philippines rose from an average of 147,000 metric tons per year over the past ten years to 283,700 metric tons in 1996-97. Canada was able to take a larger market share after the United States stopped using the Export Enhancement Program (EEP) to boost wheat sales to the Philippines.

Carl Schwensen, executive vice-president of the U.S. National Association of Wheat Growers, said his group will push for at least $205 million in appropriations for EEP in fiscal year 1998, claiming that U.S. wheat "exports are declining, but imports are rising." Tim Galvin, acting administrator of USDA's foreign agricultural service, said in September that there was little chance that EEP subsidy of wheat exports would be reinstated at any time soon.

U.S. Representative Bob Smith (R-OR), chair of the House Agriculture Committee, claimed in late September that Canada had agreed to keep wheat exports within the levels included in a Memorandum of Understanding that expired in September 1995. Canadian trade officials said they have not accepted any limits on Canadian wheat exports into the United States this year, but estimate that exports will be approximately 1.5 million metric tons.

U.S. Agriculture Secretary Dan Glickman announced in October that Chile is opening its market to U.S. wheat originating from areas certified free of Karnal bunt. Glickman called the admission of U.S. wheat into Chile "a tremendous trade success."

"Interim Solution on Market Access for Canadian Durum Wheat Reached with the EU," AGRICULTURE AND AGRI-FOOD CANADA PRESS RELEASE, October 8, 1997; Adrian Ewins, "Canada Tries Negotiating with EU to Allow More Duty-Free Durum," THE WESTERN PRODUCER, October 2, 1997; Dwayne Klassen, "Canada Eyes More Wheat to Philippines," JOURNAL OF COMMERCE, September 17, 1997; "Canada to Pursue Opportunity to Sell Wheat to Philippines," AGWEEK, September 22, 1997; "Chile Opens Market to U.S. Wheat," USDA PRESS RELEASE, October 6, 1997; Lynne O'Donnell, "Wheat Ban Seen as a Problem for China's WTO Hopes," REUTER, October 9, 1997; Heather C. Jones, "Smith Contends Canada Violated Promise on Wheat," FEEDSTUFFS, September 29, 1997; "U.S. Wheat Growers Want $205 Million for Subsidy," THE WESTERN PRODUCER, September 18, 1997; "U.S. Export Subsidy Unlikely," THE WESTERN PRODUCER, September 18, 1997; Ian Elliott, "Canada Downplays Wheat Export Dispute," FEEDSTUFFS, October 6, 1997.

U.S. FARMERS RESIST METHYL BROMIDE RESTRICTIONS

Rep. Dan Miller (R-FL) and Rep. Gary Condit (D-CA) introduced legislation in early October to extend a scheduled U.S. phaseout deadline for methyl bromide. The U.S. Environmental Protection Agency requires a complete phaseout by 2001.

Under the Montreal Protocol, an international treaty governing reduction in use of methyl bromide, developed nations were given until 2005 to eliminate the use of methyl bromide, a reported ozone depleter that is used as a fumigant against insects, disease and weeds on more than 60 crops, including strawberries, cherries, grapes, sweet potatoes and almonds. Methyl bromide also poses a health threat to nearby workers and residents when fumes escape the plastic-covered fields. Growers claim there is no economically viable alternative to methyl bromide.

Other industrialized nations must implement a 25 percent reduction in methyl bromide use by 1999, a 50 percent cut by 2001, and a 70 percent cut by 2003, with complete elimination in 2005. The target date for elimination was moved from 2010 to 2005 at the September meeting of the Montreal Protocol, which also imposed the first deadline on developing nations, requiring them to eliminate use of methyl bromide by 2015. The United States accounts for approximately 40 percent of global methyl bromide use. The Great Lakes Chemical Company and Albemarle, two of the three corporations producing 75 percent of the world's methyl bromide are based in the United States, while the third, the Dead Sea Bromide Group, is based in Israel.

Stephanie Fite, "Growers Lobby Legislators for Extended Phaseout," THE PACKER, August 4, 1997; "Montreal Protocol Sets International Phaseout for Methyl Bromide But Fails to Agree to Rapid Ban," AGNET, September 28, 1997; "U.S. Lawmakers Seek Methyl Bromide Ban Delay," October 7, 1997; Joshua Karliner and Alba Morales, "The Barons of Bromide," MULTINATIONAL MONITOR, July/August 1997; Dave Swenson, "Industry Upset Over Advance in Schedule," THE PACKER, October 6, 1997.

CANADA-MEXICO TIFF

After complaining of widespread corruption in Mexico, Canadian Ambassador Marc Perron tendered his resignation and prepared to return to Ottawa. Perron was quoted in an interview with Milenio, a Mexican magazine, as saying he had never seen the level of corruption that exists in Mexico and that the Mexican government's war on drugs is a sham.

Business and political leaders in Canada and Mexico have recently had difficulty with a half-billion dollar contract providing for Bombardier, a Canadian company, to provide subway cars for Mexico City. Bombardier appeared to win the contract, then to lose it. Bombardier had purchased a previously government-owned rail car plant in 1991, but since then has lost two Mexican subway contracts to Mexican-Spanish coalitions with connections to Mexican government officials. Two-way trade between Canada and Mexico has risen by 59 percent since NAFTA went into effect, to about $5.3 billion a year.

Anthony DePalma, "A Canadian Charge of Graft in Mexico Sets Off a Tempest," NEW YORK TIMES, October 8, 1997; "Canadian Envoy to Mexico Resigns," FINANCIAL TIMES, October 7, 1997.

PLANTS CLOSE, MOVE SOUTH

* Kid Duds, a manufacturer of children's clothes in Cannon Falls, Minnesota since 1947, is closing or downsizing its Cannon Falls plant, along with other plants in Alabama and Kentucky and moving most manufacturing to contractors in Mexico. "We are selling our product to Wal-Mart and Target," said Jeff Heinrich, chief financial officer of Kid Duds, "and you just can't be price-competitive and pay people $7 or $8 an hour." Jean Lillemoen, a shipping manager at the Cannon Falls plant, said salaries in Mexico are about 55 cents an hour. According to Heinrich, most clothes are now made in Asia, Latin America, Haiti or Malaysia.

* Fruit of the Loom closed its plant in Russell County, Kentucky, where it has been the largest employer since its opening in the early 1980s. The Fruit of the Loom workforce has dropped from 3,200 to 1,500, and has now been eliminated, leaving employees seeking work in a county with an 8.4 percent unemployment rate. Fruit of the Loom has transferred jobs to overseas plants, while making a profit of $151 million in 1996 on sales of $2.4 billion.

* Nissan will invest $800m in its Mexican plant over the next three years, while shifting all production of its Sentra car from the United States to Mexico. The Smyrna, Tennessee plant that has been producing Sentras will begin making a new sports utility vehicle in 1999. The change will increase Mexican production from a planned 172,000 this year to 330,000 in 2001.

"Fruit of the Loom Ends Operation in Kentucky," JOURNAL OF COMMERCE, October 8, 1997; Jon Trevin, "Kid Duds Dumps Jobs; NAFTA Gets the Blame," STAR TRIBUNE, October 9, 1997; Michiyo Nakamoto, "Nissan to Invest $800m in Mexico," FINANCIAL TIMES, October 10, 1997.

IPR AND CUBAN CIGARS

Although the United States is generally in the forefront of moves to extend international legal protection of intellectual property rights, a U.S. company is now charged with violation of a Cuban trade mark. The U.S.-based General Cigar Corporation announced plans to market a "Cohiba" cigar, which is the brand name of a Cuban cigar distributed by Habanos S.A. Cohibas are the most prestigious of all Cuban cigars. The Cuban company cannot market cigars in the United States because of U.S. trade sanctions against Cuba. Cuba has complained to the U.S. office for trade marks and patents.

Dalia Acosta, "Feud with US Over Cigar Brand," INTERPRESS SERVICE, October 1, 1997.

FOOD SAFETY PROPOSAL

On October 2, President Bill Clinton proposed tighter safety controls for U.S. food imports, directing government officials to work with U.S. farmers to develop guidelines covering the growing, processing, shipping and sale of foreign fruits and vegetables. Once the guidelines have been approved, the United States will send food safety inspectors to other countries to examine food production and processing. Countries not measuring up to the new standards will not be allowed to export fruit and vegetables to the United States. U.S. farmers would also have to comply with the new guidelines. President Clinton said he would ask for $24 million to enforce the guidelines abroad, but no new enforcement mechanisms or funding would be put in place within the United States.

Vegetable imports have risen about 20 percent a year and fruit imports about 5 percent a year for most of the 1990s, now accounting for more than a third of fruit and 12 percent of vegetables sold in the United States. Last year only 235 U.S. border inspectors were assigned to examine and sample the food imports and accompanying paperwork, according to William Hubbard of the Food and Drug Administration.

U.S. producer growers generally welcomed the Clinton plan to reduce safety risks in fresh produce by tighter controls on imports. Tom Stenzel, president of United Fresh Fruit and Vegetable Associations said the proposal "may or may not be necessary," but said U.S. growers would have no problem. "It's not about the certification of farms. It does not have a compliance element [in the United States]," Stenzel said, "It does not have an enforcement element."

Larry Waterfield, "Industry Ready for Scrutiny," THE PACKER, October 13, 1997; Paul Conley, "Industry Plans to Cooperate," THE PACKER, October 13, 1997; Nancy Dunne, "Clinton Urges Tighter Food Curbs," FINANCIAL TIMES, October 3, 1997; "Clinton Increases Foreign Fruit, Veggie Inspections," AGRINEWS, October 9, 1997; Terence Hunt, "U.S. Would Inspect Foreign Farms to Ensure Safety," AGWEEK, October 6, 1997; Paul Conley, "Clinton Calls for Foreign Inspections," THE PACKER, October 6, 1997; Heather C. Jones, "Clinton Seeks Increased Import Authority for FDA," FEEDSTUFFS, October 6, 1997.

RESOURCES/EVENTS

USTR's Strategic Plan for FY1997-FY2002. The U.S. Trade Representative's Strategic Plan, submitted to Congress, can also be found on the USTR's Web Page at WWW.USTR.Gov.

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Clinton's Visit To South America

Visiting Argentina, Brazil and Venezuela in October, U.S. President Clinton attempted to assure South American allies that the United States is firmly committed to the Free Trade Area of the Americas (FTAA) and to closer ties and increasing trade with all of Latin America. Despite his visit, Brazil and Argentina and their Mercosur allies (Brazil, Uruguay, Paraguay and Chile, an associate member of the trade group) remain skeptical of his ability to deliver, given internal U.S. opposition to fast-track trade legislation. Brazilian and Argentine leaders met in advance of Clinton's visit to coordinate their messages and ensure that both countries emphasized the importance of Mercosur.

Clinton assured Brazilians that his advocacy of FTAA was not aimed at weakening Mercosur. Mercosur's total annual trade has increased from $5.1 billion in 1991 to more than $16 billion in 1997, and the European Union is its primary trading partner. Visiting Argentina in May, French President Jacques Chirac declared that "Latin America's future does not lie on a North-South axis, but in Europe." Mercosur's principal economic partner is the European Union, with which it is currently negotiating a trade accord.

Brazilian business leaders endorse their government's go-slow attitude toward FTAA. The president of the Brazilian Association of Toy Makers, Synesio Batista, said during the Clinton visit that businesses "don't want a U.S. economic invasion, at least not until we are in a position to compete."

"We're not ready for it yet, and we don't want it forced upon us," agreed Roberto Macedo, president of the Electronics Manufacturing Association of Brazil.

While Clinton voiced support for Mercosur, skeptics noted that the "gifts" offered by the United States have increased conflict among Mercosur members. During his visit to Argentina, Clinton conferred "major non-NATO ally status" on Argentina, a move opposed by Chile as potentially upsetting the regional strategic balance. The status, which is already held by Egypt, Israel, and Japan, makes it easier for Argentina to get weapons from the United States. U.S. General Wesley Clark, chief of the U.S. army Southern Command, said in early October that Argentina is the United States' "top ally" in Latin America. The United States also has offered F-16 fighter planes to Chile, which has a long history of military tension with Argentina.

In Brazil, Clinton signed agreements on cooperation in education, nuclear energy, space exploration, family health care, and the environment. In Venezuela, agreements on energy, the environment, and fighting the drug trade were signed. Venezuela is the largest oil supplier for the United States.

Trade disputes, including U.S. drug manufacturers' demands that Argentina upgrade its patent protections, U.S. investors' dissatisfaction with their treatment in privatization of port facilities, and U.S. optical fiber and cable manufacturers' desire for an opening of Brazilian markets, may have been topics of discussion during Clinton's visit, but no breakthroughs in these areas were announced.

While Clinton did not visit any Latin American country during his first term in office, he has visited Mexico, Central America and the Caribbean earlier this year, and will go to Chile in April 1998 for the FTAA summit.

Marcela Valente, "Mercosur Bloc Resists 'Dissolving' into FTAA," INTERPRESS SERVICE, October 13, 1997; Marcela Valente, "Clinton Will Feel at Home," INTERPRESS SERVICE, October 14, 1997; Mario Osava, "Clinton Exercises His 'Power of Seduction,'" INTERPRESS SERVICE, October 15, 1997; Anthony Faiola, "Businesses Fear Dropped Barriers Could Damage Recovering Economy," THE WASHINGTON POST, October 16, 1997; "Clinton Tour Does Venezuela, Brazil, Argentina, Haiti," WEEKLY NEWS UPDATE ON THE AMERICAS, October 19, 1997; "U.S. President Bill Clinton Pushes Trade on Latin America Trip," NOTISUR, October 17, 1997; Kevin G. Hall, "Brazil, Argentina Want Single Policy for Trade With U.S.," JOURNAL OF COMMERCE, October 15, 1997; James Bennet, "Clintons Present Their Act to an Admiring Argentina," NEW YORK TIMES, October 17, 1997; Andrea Campbell, "U.S. Hails Argentina Role as Ally," FINANCIAL TIMES, October 17, 1997; "Free Trade Gets Boost in Brazil," THE GLOBE AND MAIL, October 15, 1997; "Clinton, on Latin Trip, Pledges Effort to Pass Fast Track This Year," INSIDE U.S. TRADE, October 17, 1997; John Maggs, "For U.S., Argentina, Smiles Hide the Conflict," JOURNAL OF COMMERCE, October 14, 1997; Mark Suzman, "Clinton Set on Fast-Track for Trade Deals," FINANCIAL TIMES, October 20, 1997.

Legislative Maneuvering On Fast Track

Special Counselor to the President Jay Berman said that there will be a vote on renewal of fast-track negotiating authority in the House of Representatives, despite lack of Democratic support. Berman said that Republicans have traditionally provided about 75 percent of the support for trade legislation. After initially saying that a fast-track vote should be postponed until 1998, House Republican leaders promised in late October that they would schedule a fast-track vote by November 7.

Under fast-track, trade agreements would be voted up or down by Congress, but could not be amended.

While trade bills have traditionally been voted on first in the House of Representatives, Senate Minority Leader Trent Lott (R-MI) predicted that a Senate vote on fast-track could come sooner than the House vote. Minority Leader Tom Daschle (D-SD) continued efforts to block a vote until Republicans agree to debate campaign finance reform.

President Clinton is expected to propose a $90 million-a-year program to aid those with trade-related job losses, in an appeal for more support for fast-track. The worker retraining measure had been promised prior to passage of NAFTA in 1994. Strong opposition to fast-track has been mounted by labor, including the United Steelworkers of America, the Teamsters, and the United Auto Workers. George Becker, United Steelworkers president, warned that, with current trade practices, "we're on the long haul to deindustrialize America."

"Berman Predicts House Will Vote on Fast Track Despite Uncertainty," INSIDE U.S. TRADE, October 17, 1997; John Maggs, "GOP Mulls Postponing Fast-Track Vote to '98," JOURNAL OF COMMERCE, October 22, 1997; Peter Baker and Helen Dewar, "In Reversal, Clinton to Push 'Fast Track' in Senate Initially," WASHINGTON POST, October 22, 1997; John Maggs, "Trying to Save Fast Track, Clinton Offers Job Program," JOURNAL OF COMMERCE, October 27, 1997; Tim Shorrock, "Union's Rank and File Put Up Steely Opposition to Fast Track," JOURNAL OF COMMERCE, October 27, 1997; Greg Hitt and Bob Davis, WALL STREET JOURNAL, October 30, 1997.

Trick, No Treat

U.S. vintners share the concerns of tomato growers in Florida and cattle ranchers in California: the government failed to keep the promises it made in 1993 to win their industries' support for NAFTA. According to Public Citizen's Global Trade Watch, more than 20 deals and promises made to industries and members of Congress in exchange for support of NAFTA were not kept. Lori Wallach, director of Global Trade Watch, noted that "many in Congress learned during NAFTA that Clinton serves up only phantom pork."

Another study, released by the Institute for Policy Studies on October 23, shows that companies who are members of America Leads on Trade, a corporate lobby organization pushing for passage of fast-track, have laid off 13,000 workers as a result of NAFTA. "Many made specific promises not to cut jobs under NAFTA," according to Sara Anderson of the Institute for Policy Studies. The companies studied include General Electric, Allied Signal, AMO Group and Sara Lee Corporation, each of which laid off more than 1,000 workers due to imports or competition from Canada or Mexico.

The numbers in the study are based on claims to the U.S. Labor Department for special retraining benefits available under a provision of NAFTA. Marc Greenberg, a spokesperson for Allied Signal, said the study distorts the number of layoffs caused by NAFTA.

John Maggs, "Think Tank: Pro-Nafta Firms Cut 13,000 Jobs," JOURNAL OF COMMERCE, October 23, 1997; Greg Hitt, "To California Vintners, Promised a Rose Garden, Fast-Track Bill is Wreathed in Grapes of Wrath," WALL STREET JOURNAL, October 6, 1997; "Trick, No Treat Analyzes More Than 20 Deals for NAFTA Votes," PUBLIC CITIZEN, October, 1997; Ramon G. McLeod, "Fast Track Backers Derided, Study Finds Firms Laid Off Thousands Because of NAFTA," SAN FRANCISCO CHRONICLE, October 23, 1997.

Produce Trade Picture Mixed

As politicians and produce industry representatives line up behind various proposals for food safety guidelines, skirmishes between produce growers in Canada, Mexico and the United States continue.

Tomato growers in Mexico and Florida reached agreement on a floor price of $5.17 per 25-pound carton of Mexican tomatoes a year ago. Now Florida wants an increase in the floor price, and Mexico wants a decrease for the summer months.

The U.S. Department of Agriculture (USDA) imposed a new minimum diameter requirement for tomatoes in a proposed rule published October 6 in the Federal Register. The Mexican commerce agency promptly protested, saying that U.S. officials gave inadequate notice to Mexican officials and growers, and the USDA extended the comment period by 20 days.

Maine potato growers charge that Canadian potato imports are unfairly subsidized, and have asked the U.S. International Trade Commission to protect them against the imports.

California table grape growers are working for repeal of a Mexican labeling law that limits their access to Mexican markets. Other producers express concern that Mexican labeling standards for packaged foods are confusing.

Mexico imposed a 101 percent compensatory tariff on U.S. apples on September 1, doubling the price of U.S. apples in Mexico. Mexico charges unfair dumping practices, which U.S. producers deny.

U.S. growers, some of whom were initially optimistic about expanded export markets under NAFTA, have seen mixed results, and have differing priorities. For example, Florida tomato growers have pushed for a seasonal designation of their winter tomato production, while Washington apple growers have resisted seasonal designation, fearing that it might be turned against their product by other countries. While California Table Grape Commission president Bruce Obbink says that "NAFTA has worked very well for us," California avocado growers vehemently oppose the allowance of Mexican avocado imports into the northeastern United States.

Tracy Rosselle, "Floor Price Getting Favorable Reviews," THE PACKER, October 13, 1997; Paul Conley, "Dispute With Mexico Enters Its Sixth Week," THE PACKER, October 13, 1997; Larry Waterfield, "Industry Ready for Scrutiny," THE PACKER, October 13, 1997; Tracy Rosselle, "NAFTA Fails to Dissolve Disputes," THE PACKER, October 13, 1997; Mary Sutter, "Exporters Still Trying to Decipher Mexico's Rules for Labels on Food," October 23, 1997; Tracy Rosselle, "Export Opportunities Fail to Meet Expectations," THE PACKER, October 20, 1997; Kevin G. Hall, "Legal Action Sought in U.S.-Mexico Apple Spat," JOURNAL OF COMMERCE, September 29, 1997; Kevin G. Hall, "Mexico Slams Nafta Clause on Tomatoes," JOURNAL OF COMMERCE, October 23, 1997.

Dutch Stall Banana Decision

On October 16, the European Union announced that it will comply with the September 25 World Trade Organization ruling that the EU system regulation banana imports violates international trade rules. But a Dutch national court ruling by judges in The Hague forbids the Dutch from cooperating in the EU compliance, overruling the Dutch government's position. The Dutch government is appealing its national court decision.

Because the EU requires unanimity among member states, the Dutch court decision will delay implementation of any EU compliance measures. While the EU said it will comply, it also said that it will continue to respect its obligations to African, Caribbean and Pacific nations under the Lomé Convention.

Ecuadorean president Fabian Alarcón warned in October that he would not accept compensation in lieu of changes to the EU banana import rules, and EU sources indicated that they did not see compensation as a "long- term solution" to compliance.

Gordon Cramb, "Dutch to Appeal After Court Overrules EU Trade Accord," FINANCIAL TIMES, October 23, 1997; "EU Says It Intends to Comply With WTO Ruling on Banana Regime," INSIDE U.S. TRADE, October 17, 1997; Neil Buckley, "Bananas: 'EU Must Comply,'" FINANCIAL TIMES, October 20, 1997; Mario Gonzalez, "New Debate Over EU's Decision on Bananas," INTERPRESS SERVICE, September 29, 1997.

Beef, Pork Trade Developments

Japan, the largest market for U.S. beef exports, expressed concern about reports of contaminated U.S. beef, and a South Korean meat purchasing agent recommended a ban on Nebraska beef after E. coli bacteria were found in an 18.18 metric ton shipment from an Iowa Beef Processors (IBP) plant in Nebraska. Taiwan also ordered bacteria checks on imported U.S. beef in early October. IBP reported a 28 percent drop in earning s during the third quarter. Beef generates about 80 percent of IBP's income, with pork representing the rest.

IBP, Cargill, ConAgra, and National Beef controlled 87 percent of the U.S. beef slaughter market in 1996, up from 67 percent in 1987. Cargill and IBP control approximately 66 percent of the slaughter market in Canada. As packers' profits have reached record levels, U.S. cattle producers' share of the retail beef dollar has fallen from 64¢ in 1979 to 44¢ in 1997. A newly-formed cattle producers' cooperative, U.S. Premium Beef, agreed in September to buy half of Farmland National Beef Packing Co., which kills eight percent of U.S.-fed cattle. The beef producers' cooperative was formed in 1996, with producers representing 850,000 head of cattle.

Argentina and Canada have dropped trade barriers to each other's pork and beef, with Canada following the lead of the United States in dropping the ban on Argentine beef because of the eradication of hoof and mouth disease in Argentina and Argentina allowing Canadian pork imports. Argentine beef will compete for the small portion of Canada's low-tariff import quota that is not already allocated to Australia and New Zealand. Or Argentina may pay an over-quota duty of 28 percent, which could still leave its beef competitively priced.

Canadian pork processors note that millions of hogs are now exported to the United States, where larger U.S. processors operate more profitably because of lower costs. The Canadian Meat Council estimates that 3,400 Canadian meat processing jobs were lost in 1996, due to exports of 3 million head of hogs to the United States.

Courtney Tower, "Argentina, Canada in Accord," JOURNAL OF COMMERCE, October 3, 1997; "Canada Hogs Moving South," AGWEEK, September 29, 1997; "Four Firms Control U.S. Meat Packing Industry," UNION FARMER, September, 1997; "Two Firms Control Canadian Meat Packing Industry," UNION FARMER, September, 1997; Barbara Duckworth, "American Beef Co-op Gains 50 Percent of Packing Company," WESTERN PRODUCER, October 2, 1997; Adrian Ewins, "Health Issues Erased in Argentine Trade," WESTERN PRODUCER, October 9, 1997; "Japan Traders Worried About Consumer Fears," WESTERN PRODUCER, October 9, 1997; Scott Kilman, "IBP's Quarterly Profit Dropped 28% Amid Safety Worries Involving Beef," WALL STREET JOURNAL, October 28, 1997.

NAFTA & Inter-American Trade Monitor is produced by the Institute for Agriculture and Trade Policy, Mark Ritchie, President. Edited by Mary C. Turck. Electronic mail versions are available free of charge for subscribers. For information about fax subscriptions contact: IATP, 2105 1st Ave. S., Minneapolis, MN 55404. Phone: 612-870-0453; fax: 612-870-4846; e-mail: iatp@iatp.org. The Spanish version of this news bulletin, El Monitor de NAFTA y Comercio Interamericano, and a searchable archive of all back issues is available at: http://www.newsbulletin.org To subscribe/unsubscribe to the email version of this news bulletin, send email to: listserv@iatp.org. Leave the subject blank. In the body of the message type: subscribe nafta_monitor

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FAST TRACK GOES NOWHERE

After frantic last-minute efforts to convince Democratic House members to vote for fast-track, President Clinton and House Speaker Newt Gingrich agreed on November 10, to delay a vote on fast-track legislation until at least 1998. President Clinton said he still believes that he and the Republicans can develop "a bipartisan, constructive, successful approach to fast track before this Congress is over." Trent Lott, Senate majority leader, called passage of fast-track during an election year "next to impossible."

Pressure from labor unions and environmental groups was credited with stopping fast-track, though an anonymous White House advisor said that congressional opponents "were not driven by labor money but by their own constituencies." Clinton's statement on November 7 that support for fast-track was a "no brainer" probably did not win many votes either.

By November 10, President Clinton could produce only an estimated 42 Democratic House votes for the legislation. White House press secretary Michael McCurry said that the president will keep behind-the-scenes bargains he struck with lawmakers, including support in fund-raising and for spending projects in their districts.

Large agricultural interests, such as Cargill, Louis Dreyfus, ConAgra, Farmland Industries, and Ralston Purina support fast track. Agricultural exports account for about 30 cents of each dollar of U.S. farm income. Senate Minority Leader Tom Daschle (D-SD) agreed to support fast-track in exchange for administration support of legislation to create protection for agricultural products modeled on the Special 301 provision for intellectual property. The Section 301 process would require an annual report on agricultural trade barriers and require the U.S. Trade Representative to identify "priority" foreign countries for investigation and action. The administration also agreed to provisions for improved data collection on Mexican and Canadian cattle and meat imports and to support voluntary labeling of meat of U.S. origin.

Despite promised changes in the Trade Adjustment Assistance (TAA) program for retraining workers who lose their jobs because of trade agreements, the House Hispanic Caucus refused to support fast-track. Caucus members said the proposed changes to TAA and the North American Development Bank were "cosmetic" and completely inadequate, reminding the president in a November 5 letter that "The enforcement and protection of workers' rights, environmental laws and human rights must be central components of our trade policy."

Proposed amendments to fast-track included a prohibition on changes in Chilean duties on wine, exclusion of the Multilateral Agreement on Investment from fast-track coverage, and limits on dispute resolution procedures under any fast-track agreements. Some members of Congress also insisted that votes for fast-track be tied to unrelated issues, such as prohibition of aid to most international family planning services.

As fast-track faltered, U.S. Special Envoy for the Americas Thomas "Mack" McLarty downplayed its importance, saying that it was not needed for a meaningful launch of negotiations for the Free Trade Agreement on the Americas (FTAA). FTAA negotiations are to begin with a hemispheric summit in April, 1998 in Santiago, Chile.

Adam Entous, "Fast-Track Fight May Weaken U.S. Trade Clout," REUTERS, November 10, 1997; John F. Harris, "President Takes Blame for 'Fast Track' Delay," WASHINGTON POST, November 11, 1997; Alison Mitchell, "Clinton Retreats on Trade Power, Prospects Are Dim," NEW YORK TIMES, November 11, 1997; John M. Broder, "Party, Spurned, Repays Clinton With Rebellion," NEW YORK TIMES, November 11, 1997; David E. Sanger, "A Handicap for Clinton, But U.S. Still Dominates," NEW YORK TIMES, November 11, 1997; John M. Broder, "House Postpones Trade-Issue Vote," NEW YORK TIMES, November 8, 1997; "'No-Brainer' Trade Bills in Trouble," WEEKLY NEWS UPDATE ON THE AMERICAS, November 9, 1997; "Improved TAA Plan Fails to Persuade Hispanics to Support Fast Track," INSIDE U.S. TRADE, November 7, 1997; "Fast-Track Backers Scrambling for Narrow Victory in House Vote," INSIDE U.S. TRADE, November 7, 1997; "Hispanic Caucus Letter on Fast Track," John Maggs, "Clinton Loses Hispanics on Fast Track," JOURNAL OF COMMERCE, November 6, 1997; INSIDE U.S. TRADE, November 7, 1997; Michael K. Frisby and Bob Davis, "As Trade Vote Looms, Clinton is Hurt by Lack of Steady Supporters," WALL STREET JOURNAL, November 6, 1997; "Archer Presses for Democratic Fast Track Support Before Setting Vote," INSIDE U.S. TRADE, October 24, 1997; Roger Runningen, "Ag Coalition Supports Fast Track," AGWEEK, October 27, 1997; "Administration Endorses Broad Section 301 Law for Farm Exports," INSIDE U.S. TRADE, November 7, 1997; "McLarty Says Fast Track Not Needed for Success of FTAA Ministerial," INSIDE U.S. Trade, October 31, 1997.

CBI PARITY KILLED

On November 4, the U.S. House of Representatives killed the Caribbean Basin Initiative (CBI) parity bill by a 234-182 vote. The CBI parity bill would have restored tariff breaks for apparel, shoes and petroleum exports, first granted to Central American and Caribbean nations in 1983. The CBI nations, and particularly their maquiladora sectors, claim that NAFTA has given Mexico an unfair advantage.

The bill's sponsors refused to include worker rights protections. The legislation was supported by some U.S. textile and apparel companies, but opposed by others.

"U.S. Congress Set for 'Free Trade' Votes," WEEKLY NEWS UPDATE ON THE AMERICAS, November 2, 1997; "'No-Brainer' Trade Bills in Trouble," WEEKLY NEWS UPDATE ON THE AMERICAS, November 9, 1997; "House Decisively Defeats NAFTA Parity Program for Caribbean Countries," INSIDE U.S. TRADE, November 7, 1997.

AG DISPUTE SETTLEMENT PLAN

The NAFTA Advisory Committee on Private Commercial Dispute Resolution Regarding Agricultural Goods recommended in late October that NAFTA governments help to establish an industry-operated, tri-national dispute resolution program that would maintain a list of participating firms agreeing to abide by an established set of trade standards. Businesses would join the program because of its assurance of reputable business behavior between suppliers and consumers. Businesses not complying with the program's dispute resolution process would be de-listed, and their removal from the list would be publicized in trade journals, adversely affecting their reputations.

Kevin G. Hall, "3-Nation Industry Group Proposed to Settle Farm Trade Tiffs," JOURNAL OF COMMERCE, October 31, 1997; "NAFTA Agricultural Advisory Committee Recommends Tri-National Private Commercial Dispute Resolution System," U.S. DEPARTMENT OF AGRICULTURE, October 29, 1997; "NAFTA Fruit, Vegetable Dispute Program Proposed," REUTER, October 29, 1997.

BUSINESSES CHALLENGE TRADE SANCTIONS, LAWS

A coalition of U.S. businesses has threatened a lawsuit challenging the right of U.S. state governments to enact "selective purchasing " laws that penalize companies doing business with foreign governments charged with human rights abuses. The USA Engage organization, which includes 630 of the country's largest corporations and business associations, charges that unilateral sanctions cost U.S. companies business opportunities. USA Engage has also prepared legislation making it more difficult for Congress and the president to impose unilateral trade sanctions against other nations.

The first selective purchasing laws adopted by state and local governments targeted South Africa during the 1980s campaign against its apartheid regime. Now they are being used against the military junta in Burma by Massachusetts, San Francisco, New York, and other jurisdictions. The European Union and Japan have filed a formal complaint before the World Trade Organization, targeting the Massachusetts law prohibiting public contracts with companies doing business in Burma.

In another, unrelated, business challenge to trade laws, the American Coalition for Competitive Trade (ACCT) has challenged the constitutionality of NAFTA's dispute resolution system. In October, appeals court judges pressed the ACCT to demonstrate that its members had actually suffered injury under the dispute resolution process and therefore had standing to challenge the process.

Jim Lobe, "Anti-Sanctions Group Takes Campaign to Court, Congress," INTERPRESS SERVICE, September 9, 1997; "Coalition Battles for Right to Challenge NAFTA Dispute System," INSIDE U.S. TRADE, October 24, 1997.

BEEF, PORK TRADE

Uruguay and Argentina have begun shipping beef to the United States, while Canada is sending more pork, and Mexico is concerned that the United States is dumping beef there. Brazil has sharply increased its pork exports, with most going to Hong Kong and Argentina.

Uruguay exported almost 20,000 tons of beef to the United States last year, and is asking for a 15,000 ton quota increase. Argentina has the same 20,000 ton quota as Uruguay, and has begun shipping beef to the United States for the first time in decades. Uruguay and Argentina regained access to the U.S. market in 1995 and 1997, respectively, after being barred since the 1930s due to concern over hoof-and-mouth disease. Uruguay's exports last year accounted for only 1 percent of the U.S. market and for a small portion of Uruguay's 300,000 tons in total meat exports, most of which go to the European Union and Japan.

Canadians worry that their pork processing facilities are not competitive with U.S. counterparts, a factor which pushes exports. An October report by the George Morris Center (an agricultural think tank) said that wage rates, double shifting, and the size of hog carcasses are major factors in competitive standing. The center said that Canadian plants could drastically reduce their costs by adding second shifts, reducing wages by 40 percent and increasing carcass size. The study was funded by Maple Leaf Foods, which is involved in wage disputes with packing plant unions. U.S. plants are also generally much larger than Canadian plants.

Quebec produces about one-third of Canadian hogs, but exports fewer than any other province, with Quebec farmers using a single-desk pork marketing system. The prairie provinces, which have abolished single-desk marketing under pressure from larger producers and provincial governments hoping to attract packing plants, export the most hogs to the United States.

The Mexican National Livestock Confederation complains that too much beef is entering the country from the United States, much of it coming through the United States from other countries of origin. The Mexican Association of Cattle Feeders charges that the United States is dumping beef in Mexico.

Brazil will export more pork than beef next year, according to the latest projections. In 1996, Brazil produced 1.6 million tons of pork and exported 39,000 tons, valued at $93 million. The Brazilian Association of Pork Meat Exporters projects 65,000 tons of exports, and $150 million in income for this year, rising to 250,000 tons and $600 million over the next two years. Hong Kong takes 44 percent of total Brazilian pork exports, with Argentina taking 40 percent. Italy and Russia plan to import Brazilian pork as soon as they receive phytosanitary certification, though the European Union has threatened to deny certification to all Brazilian meat. Brazilians maintain that such action by the EU would violate WTO norms, which allow areas of a particular country to be certified as free from animal diseases and therefore suitable for export production. Brazilian pork production is concentrated in the disease-free states of Santa Catarina and Rio Grande do Sul.

Charles W. Thurston, "Uruguay, Argentina Steer More Beef Exports to US," JOURNAL OF COMMERCE, October 31, 1997; Rod McSherry, "More Complaints on Beef Meat Imports," MEXICO WEEKLY HIGHLIGHTS AND HOT BITES, October 4, 1997; Mario Osava, "Brazil-Trade: Pork Becomes Meat Export Leader," INTERPRESS SERVICE, November 6, 1997; Diane Rogers, "Quebec Farmers Credit Monopoly for Hog Profits," THE WESTERN PRODUCER, October 30, 1997; Mary MacArthur, "Several Factors Involved in Keeping Pork Industry Healthy, Says Report," THE WESTERN PRODUCER, October 30, 1997.

MAI ATTACKED

A international coalition of development, environment and consumer groups condemned the draft Multilateral Agreement on Investment (MAI), saying that the MAI intends not to regulate investments but rather to regulate governments. MAI negotiations began in the spring of 1995 and are claimed to be substantially complete. According to the critics, the draft MAI "elevates the rights of investors far above those of governments, local communities, citizens, workers and the environment."

In particular, the critics charge, the MAI does not respect the rights of countries, especially developing countries, to democratically control investment in their economies. Developing countries were not included in the MAI negotiation process. The draft MAI gives foreign investors standing to challenge national regulations designed to protect the environment, public health or workers, but excludes citizens, indigenous peoples, local governments, and non-governmental organizations from the process.

The Organization for Economic Cooperation and Development (OECD) Negotiating Group rejected the coalition's demands. The MAI Negotiating Group is composed of negotiators from the 29 OECD countries, a representative of the European Union and representatives of the OECD Secretariat. The Negotiating Group did ask the OECD secretariat to study the consistency of the MAI with international environmental agreements and agreed to consider doing studies at the national level on the enviornmental impact of the MAI. They also asked for draft language on specific enviornmental and labor provisions to be included in the agreement.

"Text: NGO Statement on MAI," INSIDE U.S. TRADE, November 7, 1997; "OECD Rejects Non-Governmental Groups' Call to Suspend MAI Talks," INSIDE U.S. TRADE, November 7, 1997; "NGO Coalition Including Environmentalists Vows Campaign Against MAI Under Way at OECD," INTERNATIONAL ENVIRONMENT REPORTER, October 29, 1997.

U.S. DISPUTES WITH ARGENTINA, HONDURAS

A World Trade Organization panel issued a confidential interim ruling supporting U.S. charges that two Argentine taxes on textile ad apparel imports violate the General Agreement on Tariffs & Trade (GATT), but refused to support U.S. objections to Argentine taxes previously imposed on imported footwear. In February, Argentina dropped those taxes on Nike and Reebok athletic shoes imported from Asia. U.S. textile and apparel exports to Argentina covered by the ruling were valued at about $850-870 million in 1996.

In another dispute, the U.S. Trade Representative announced suspension of duty-free access for $5 million of Honduran exports because of Honduran failure to penalize violations of intellectual property rights by Honduran television and video companies. The $5 million figure equals the amount that the Motion Picture Association and other copyrighted industries claim they lose annually because of Honduran copyright infringements. The Honduran government has taken two television stations to court, and may resolve the issue in time to prevent implementation of the U.S. sanctions.

"Interim WTO Ruling Gives U.S. Win Over Argentina on Textiles & Apparel," INSIDE U.S. TRADE, October 24, 1997; "USTR to "Suspend $5M in Honduran Trade Benefits for IPR Violations," INSIDE U.S. TRADE, November 7, 1997.

RESOURCES/EVENTS

The North American Labor Series, published by the Commission for Labor Cooperation and Bernan Press. 1997. The Commission for Labor Cooperation is an international organization created under the NAFTA labor "side agreement" for the purpose of promoting tri-national cooperation in the areas of labor law, labor standards, labor relations, and labor markets. The North American Labor Series includes North American Labor Markets: A Comparative Profile; Plant Closings and Labor Rights: The Effects of Sudden Plant Closings on Freedom of Association and the Right to Organize in Canada, Mexico and the United States; Incomes and Productivity in North America: Papers of the 1997 Seminar; North American Labor Law: A Comparative Profile (3 vols.) All publications available in English, Spanish and French. For information, phone 800/865-3457; fax 800/865-3450; email order@bernan.com. Web site: www.bernan.com. Bernan Associates, 4611 Assembly Dr. Ste. F, Lanham, MD 20706-9936.

The Fight in the Fields: Cesar Chavez and the Farmworkers Movement, Susan Ferris and Ricardo Sandoval. 1997. Harcourt Brace. 333 pages. $25. Harcourt Brace & Co., 525 B Street, Suite 1900, San Diego, CA 92101; telephone 619/699-6707.

NAFTA & Inter-American Trade Monitor is produced by the Institute for Agriculture and Trade Policy, Mark Ritchie, President. Edited by Mary C. Turck. Electronic mail versions are available free of charge for subscribers. For information about fax subscriptions contact: IATP, 2105 1st Ave. S., Minneapolis, MN 55404. Phone: 612-870-0453; fax: 612-870-4846; e-mail: iatp@iatp.org.

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REGIONAL TRADE AGREEMENTS CRITICIZED

Warning against "regionalizing globalism," the World Trade Organization's director-general Renato Ruggiero told the November 7 Transatlantic Business Dialogue meeting in Rome that he sees a pattern of regional expansion that "is essentially two focal points with concentric circles of preferential trade arrangements radiating outwards - almost as if they were competing to see who can establish the greatest number of preferential areas the fastest."

Ruggiero warned that the competition between the United States and the European Union could encourage other regions to form their own preferential groupings and could also exacerbate the division between more-developed and less-developed countries.

According to Ruggiero, regionalism cannot provide a substitute for globalization. Preferential regional arrangements threaten the WTO's two fundamental principles of national treatment and most-favored nation status.

Tofail Ahmed, Bangladeshi minister of commerce and industry, echoed Ruggiero's warning about the North-South division in a speech to the United Nations General Assembly in mid-November. Ahmed said that the products of the Least Developed Countries face 30 percent higher tariffs than the global average. Bangaldesh is coordinator of the Least Developed Nations group, which consists of 48 countries with annual per capita incomes of $300 or less.

"Ruggiero Says U.S., EU Drive for Influence Fuels Regional Initiatives,' INSIDE U.S. TRADE, November 21, 1997; Gordon Platt, "Poorest Countries Shut Out of Trade, Minister Asserts," JOURNAL OF COMMERCE, November 18, 1997.

U.S. EMBARGO CONDEMNED, ENFORCED

On November 5, for the sixth consecutive year, the United Nations General Assembly approved a non-binding resolution calling on the US to end its 35-year old economic embargo against Cuba. The vote was 143 in favor and three against, with 17 abstentions. Only Israel, the United States and Uzbekistan opposed the resolution. The Seventh Ibero-American Summit, a gathering of leaders of 21 countries from Latin America, Spain, and Portugal on October 8-9 on the Venezuelan resort island of Margarita, also reiterated a "firm condemnation" of the Helms-Burton Act, a U.S. law that seeks to punish nations doing business with Cuba. Ignoring its own October 15 deadline for action, the European Union has continued to suspend its challenge to the provisions of the U.S. Helms-Burton law before the World Trade Organization, in order to allow "time for reflection." Specific EU objections center on the law's provision authorizing civil lawsuits against foreign firms investing in property in Cuba that was once owned by U.S. citizens or corporations and denying U.S. visas to executives of such foreign firms and their families. The EU wants a waiver of the visa restriction for EU business executives, which would have to be approved by Congress. In return, the EU has offered to negotiate new international rules governing acquisition of expropriated property. The United States has made a counter-proposal for creation of a list of "problem states," including Cuba, in which all future investments would be banned. In addition, the United States wants expropriated properties to be registered in the Multilateral Agreement on Investments, and defined disciplines to be triggered if any "dealings" in properties on the list occurs.

Mary Ryckman, the U.S. Trade Representative's Director for Regional Services and Investment, said during a November 18 conference that the Helms-Burton disputes might be resolved under the Multilateral Agreement on Investment (MAI) currently under negotiation. The United States and the EU are trying to work out disciplines on expropriated property that would be acceptable to all OECD signatories of the MAI.

Meanwhile, enforcement of the embargo continues. Dozens of U.S. federal agents carried out a surprise raid on November 4 at the offices of Viajes Antillas travel agency in Rio Piedras, Puerto Rico, locking staff out of their offices as they searched through files for eight hours and confiscated dozens of boxes of archives, along with personal photos and credit cards. Federal officials said the investigation is to determine whether Puerto Rican citizens have traveled to Cuba in violation of the U.S. embargo. On November 17, the Clinton Administration said it would punish an Israeli-owned citrus company, the BM Group, for doing business in Cuba. The company's executives and their immediate families will be barred from entering the United States.

Michael Levyveld, "EU Extends Deadline in US Sanctions Spat," JOURNAL OF COMMERCE, October 20, 1997; "Ibero-American Summit Supports Trade, Democracy," NOTISUR, November 14, 1997; "Cuba Wins in UN, Loses in Miami," WEEKLY NEWS UPDATE ON THE AMERICAS, November 16, 1997; "Puerto Rico: U.S. Customs Raid Cuba Travel Agency," WEEKLY NEWS UPDATE ON THE AMERICAS, November 16, 1997; Richard W. Stevenson, "Israelis Penalized for Dealing With Cuba," NEW YORK TIMES, November 18, 1997; "Phoney War," THE ECONOMIST, October 18, 1997; "U.S. Says Helms-Burton Solution Could Drive Ratification of MAI," INSIDE U.S. TRADE, November 21, 1997.

NAFTA ENVIRONMENTAL WARNINGS

In a November report, the Commission for Environmental Cooperation in Montreal, a NAFTA-created agency, identified two important "pollution rivers," one flowing from the Ohio River Valley eastward across southern Ontario and Quebec and then entering the northeastern United States and the second beginning on the east coast of the United States and then flowing up the northeast corridor into Canada's maritime provinces. The airborne pollution includes oxides of nitrogen and other ozone-creating elements. The report recommends that government agencies consider entire regions, regardless of national boundaries, when developing pollution-fighting strategies.

Mexican and U.S. environmental groups joined forces to oppose another potential source of pollution, in October press conferences criticizing plans to construct a low-level radioactive confinement site near Sierra Blanca, Texas, just 16 miles from the Mexican border. The critics, who include Greenpeace, the Mexican Green Party and the Friends of the Rio Bravo, say that approval given by Mexico's National Water Commission and the National Commission for Nuclear Security and Safeguards relied on information provided by the Texas Low Level Radioactive Waste Authority, which is sponsoring the site, with no independent source of information. Although the local Texas authorities have approved the site, 10 nearby counties and six cities have voted against it. Critics point out that the proposed site is in a flood plain and lies on an earthquake bedrock fault.

More universal concerns for the 25 U.S. counties and 39 municipios along the 2,000 mile U.S.-Mexican border include scarcity of drinking water, shortage of wastewater treatment facilities, and shortage of solid waste treatment facilities. According to the Council of the Americas in Washington, 23 percent of the unincorporated border communities in Texas and 20 percent of those in New Mexico lack sufficient drinking water. On the Mexican side, the Comision Nacional de Agua reports that 80 percent of residents have access to running water, though it is generally not drinkable. The other 20 percent have no access to running water. Sewage treatment and waste disposal facilities lag even farther behind than provision of running water.

Critics say that the North American Development Bank (NADBank) and the Border Environmental Cooperation Commission (BECC) have been slow in financing projects to alleviate the border problems. Since they began operating, BECC has approved 16 projects costing $230 million and NADBank has committed to pay $3.6 million. One of the projects, a wastewater treatment plant in Juarez, has generated disputes between those who want to see high water treatment standards and others who say that any treatment is better than none.

Anthony DePalma, "Pollution Flow Between U.S. and Canada Called Mutual," NEW YORK TIMES, November 11, 1997; Geoff House, "Border in Crisis," WORLD TRADE, November 1997; "Mexican, U.S. Environmental Groups Joining Forces to Oppose Confinement Site," INTERNATIONAL ENVIRONMENT REPORTER, October 29, 1997; "BECC Certification of Juarez Treatment Plants Sparks Mixed Reaction," BORDERLINES, November 1997.

ASIAN CRISIS IMPACTS AMERICAS

As Asian financial markets destabilized in October and November, Latin American markets felt the repercussions. The Sao Paulo Stock Exchange's Bovespa Index dropped more than 27 percent from October 22 to November 12. Foreign investors withdrew $1.29 billion from Brazilian equity markets in October.

Brazilian President Fernando Henrique Cardoso, determined to prevent a massive recession and to save Brazil's currency, the real, ordered drastic increases in interest rates and cuts in public spending. The real is estimated to be overvalued by 20 percent, Brazil's public sector budget deficit is estimated to be 5 percent of the country's Gross Domestic Product, and the current accounts balance of payments is about 4.3 percent of the GDP. Mexico and Argentina also took measures to support their currencies and prevent market instability. On October 30, the Brazilian Central Bank doubled the prime interest rate to an annualized 43.3 percent, and increased its basic interest rate from 1.58 percent a month to 3.05 percent a month. On November 11, Cardoso announced an $18 billion package of cost cuts and tax increases, including elimination of 70,000 vacant positions in the public sector and layoffs of an additional 33,000 workers. Increased taxes will raise gasoline and diesel prices and utility rates. Income taxes on the wealthiest residents will also rise from 25 percent to 27.5 percent in January.

Demonstrators protesting the government austerity plan brought traffic in downtown Brasilia to a standstill on November 12. "Once again Fernando Henrique has adopted dictatorial methods in decreeing these measures without any consultation of the people," said the head of the Central Workers' Union (CUT), Vicente Paulo da Silva.

Even without a full-scale recession, an economic slowdown seems certain. Increased Brazilian interest rates immediately triggered cutbacks in Brazilian and Argentine auto production. Secretary of Economic Policy Jose Roberto Mendonza de Barros estimated that GDP would grow 2% in 1998, compared with nearly 4% this year.

Argentine President Carlos Menem praised Brazil's swift response, comparing the global stock market plunges to an earthquake. Argentina will see a drop in exports to Brazil as a result of the new Brazilian measures, but Argentine exports make up less than 10 percent of the country's GDP and exports to Brazil are only 30 percent of total exports.

Argentina and Brazil announced that Mercosur's common external tariff would be raised by an average of three percentage points in response to the world market crisis. Uruguay and Paraguay protested that they had not been adequately consulted, but ultimately concurred in the decision.

"President Fernando Henrique Cardoso Imposes Stringent Economic Measures to Stem Financial Crisis, NOTISUR, November 14, 1997; Mario Osavo, "Gov't Announces 50 Ways to Tighten Belt," INTERPRESS SERVICE, November 10, 1997; George Meek, "Argentina/Brazil," VOICE OF AMERICA, November 11, 1997; George Meek, "Brazil Economy," VOICE OF AMERICA, November 10, 1997; Ken Warn, "Buenos Aires Feels Economic Chill," FINANCIAL TIMES, November 18, 1997; Richard Lambert, "Brasilia Praised for Weathering Market Storms," FINANCIAL TIMES, November 14, 1997; Geoff Dyer and Ken Warn, "Mercosur to Raise Tariff by 25% After Markets Turmoil," FINANCIAL TIMES, November 13, 1997; Roger Cohen, "Brazil to Raise Taxes and Cut Spending Sharply to Restore Confidence in Its Currency," NEW YORK TIMES, November 11, 1997; Raul Ronzoni, "Argentina and Brazil Make Their Weight Felt," INTERPRESS SERVICE, November 13, 1997; Thierry Ogier, "Lawmakers in Brazil Approve Reform Package," JOURNAL OF COMMERCE, November 21, 1997.

U.S. MEAT EXPORTS TO MEXICO UP

Oscar Mayer and Sara Lee are among the U.S. companies profiting from the increase in U.S. meat exports to Mexico this year. U.S. beef exports to Mexico rose 84 percent in the first seven months of 1997, compared to the same time period in 1996. U.S. pork exports increased by 17 percent during the same time period.

Oscar Mayer ships hot dogs to Sigma Alimentos, Mexico's largest distributor of processed meats with 40 percent of the national market share. Sigma must also import most of its raw meat for processing, given Mexico's limited production of beef, pork and lamb. Sara Lee Corporation formed a joint venture with Mexican Axa SA. in 1994, and that joint venture, marketing under the KIR label, has 12 percent of the market.

Charles W. Thurston, "Mexico Hankering for Hot Dogs and Ham," JOURNAL OF COMMERCE, November 10, 1997.

CHALLENGE TO NAFTA REJECTED

The U.S. Court of Appeals for the District of Columbia on November 14 rejected a challenge to the constitutionality of NAFTA's dispute settlement system. The challenge had been filed by the American Coalition for Competitive Trade (ACCT). The court held that the ACCT did not have standing to challenge the dispute resolution procedure because it could not show any injury to any of its members through the process. The ACCT said it may refile in the future, if it locates a member who has constitutional standing.

"Court Rejects Constitutional Challenge to NAFTA Dispute Settlement," INSIDE U.S. TRADE, November 21, 1997.

BIO-TECH TRADE DISPUTES CONTINUE

As international debate over labeling of genetically modified agricultural products continues, British retailers agreed to label foods containing genetically-modified protein, beginning in January 1998. The United Kingdom's food safety minister Jeff Rooker praised the labeling as a first step, saying that crop segregation is still crucial.

The United States adamantly opposes EU demands for labeling of genetically modified produce. German economics minister Guenter Rexrodt told the Biotechnica trade fair in Hanover in October that the EU should improve licensing procedures for genetically-modified products in order to avoid antagonizing the United States and sparking a transatlantic trade war.

With consumer demand for non-genetically engineered crops increasing, some grain handlers have begun segregating or sourcing non-genetically engineered soybeans and corn and secretly supplying it to major European customers, though the grain multinationals continue to clam publicly that it is "economically impractical" to segregate and label gene-altered and regular grains.

The United States and the EU are also at loggerheads over strict EU meat safety rules that could block $14 billion in U.S. pharmaceutical exports that include derivatives of gelatin or tallow. The EU rules were imposed to guard against the spread of "mad cow" disease or BSE, but the United States argues that it is BSE-free and should not have to meet EU standards. The dispute follows a 1989 EU ban on U.S. beef treated with growth hormones, which led to a WTO ruling this year declaring the hormone ban illegal.

In Canada, a government decision on use of bovine somatotropin (BST) to boost milk production was delayed in October. BST is used by 25 percent of dairy farmers in the United States, but many consumers prefer BST-free milk. In the United States, the Food and Drug Administration allows labeling of milk as BST-free, but requires that any labeling include a disclaimer stating that no significant difference has been found between milk from BST/BGH-treated and untreated cows.

Jalil Hamid, "Britain Says Will Encourage Gene Crop Segregation," REUTERS, November 20, 1997; "Dairy Growth Hormone Licensing in Limbo," WESTERN PRODUCER, October 2, 1997; "The BST Debate," WESTERN PRODUCER, October 2, 1997; "This Product Made With BST (But Don't Worry), WESTERN PRODUCER, October 2, 1997; Neil Buckley, "U.S. Threatens EU Over Meat Safety Rules," FINANCIAL TIMES, November 6, 1997; "Label GMO Food Or . . .," MANITOBA CO-OPERATOR, September 25, 1997; "Germany Warns Against Provoking U.S. on Genetic Food," REUTERS, October 21, 1997; "Gain Cartels Secretly Trading in Non-Genetically Engineered Crops," AGNET, September 28, 1997.

CHILEAN SALMON DISPUTE

U.S. Atlantic salmon farmers lost the first round of a trade dispute with Chilean exporters in November, as the U.S. Commerce Department ruled that Chilean salmon did not enjoy substantial subsidies. Salmon is the fastest-growing seafood product in U.S. groceries and restaurants.

U.S. salmon farmers claimed that Chilean producers sell salmon at prices 40 percent below full production costs. Chileans say they have better weather and sea conditions, cheap feed, and low labor costs, resulting in lower production costs.

Kevin G. Hall, "U.S. Salmon Farmers Lose Round Against Chile, But Keep Fighting," JOURNAL OF COMMERCE, November 14, 1997; "Probe of Chilean Salmon Exports a Barbed Hook for Florida Officials," JOURNAL OF COMMERCE, October 6, 1997; Jonathan Friedland, "Chilean Salmon Farmers Test Free Trade," WALL STREET JOURNAL, October 13, 1997.

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FAST TRACK TO COME BACK?.

Fast-track trade legislation, which was not brought to a vote in the House of Representatives this fall because there were not enough votes for passage, will return in January when Congress comes back into session. Under fast-track, trade agreements would be voted up or down by Congress, but could not be amended. Fast-track supporters are regrouping for an even more intense lobbying effort, and the Clinton administration is looking for ways to make the legislation palatable to a larger number of Democratic representatives.

Lori Wallach, director of Public Citizen's Global Trade Watch, said that the failure of fast-track in November "demonstrates a sea change in U.S. politics," clearing the way for a new global economic agenda that focuses on labor rights and the environment. Rep. Richard Gephardt (D-MO) called for a change from "the Republican way" of global trade relations to "a trade policy that puts American values squarely into future negotiations."

Corporate backers of fast-track blamed the administration for failing to "educate" the public about fast-track, as legislators responded to massive grass-roots opposition. On November 18, a committee of the National Association of Manufacturers passed a resolution calling for approval of fast-track authority by March 15, to ensure that it is in place for the April Summit of the Americas in Chile and the attendant negotiations on the Free Trade Area of the Americas.

Large agricultural interests, joining as a 68-group coalition called "Ag for Fast Track," has pledged intensive lobbying for fast-track in January. The coalition is headed by Nick Giordano, a National Pork Producers Council lobbyist, and also includes the National Association of Wheat Growers and the American Farm Bureau Federation. Giordano told AgWeek that, "Agriculture has to have this, and we are not going to let people just vote against this without repercussions."

World Trade Organization director-general Renato Ruggiero, visiting the United States in November to advocate the Multilateral Investment Agreement, warned that the United States "cannot afford to stand on the sidelines while others write the rules of the game through regional or bilateral agreements." Ruggiero expressed disappointment with the Clinton administration's failure to obtain fast-track negotiating authority, saying that, "Without U.S. leadership, it is difficult to see how the multilateral trading system can go forward."

"Middle America Spurns Fast-Track," FINANCIAL TIMES, November 11, 1997; Jerry Hagstrom, "Fast-track Proponents Push for House Vote," AGWEEK, December 1, 1997; Leo Abruzzese, "WTO Chief Warns US: 'Isolation Not an Option,'" JOURNAL OF COMMERCE, November 19, 1997;

Tim Shorrock, "Fast-Track Foes Look Beyond Vote to Wider Agenda," JOURNAL OF COMMERCE, November 13, 1997; "Barshefsky Criticizes Congress for Denying Administration Fast Track," INSIDE U.S. TRADE, November 21, 1997; Luis Cordova, "Blow to Fast-Track Throws Doubts Over Summit," INTERPRESS SERVICE, November 11, 1997; Richard Lawrence, "Leaders Ponder: Whither Free Trade," JOURNAL OF COMMERCE, November 14, 1997; "Barshefsky Floats Possibility of Fast Track for Sectoral Deals Only," INSIDE U.S. TRADE, December 5, 1997; "Gephardt Fast-Track Proposal Held Back at Request of White House," INSIDE U.S. TRADE, November 28, 1997; "Finance Aide Calls for Broad Debate in Wake of Fast-Track Collapse," INSIDE U.S. TRADE, November 28, 1997.

CAIRNS TARGETS AG SUBSIDIES

The Cairns Group, meeting in Geneva during the last week of November, agreed to push for new World Trade Organization rules "to put agriculture on the same footing as trade in other goods." The 15-member Cairns Group (Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, Thailand, Uruguay) met to work on a strategy for the upcoming WTO negotiations on a new Agriculture Agreement. The old agreement, made in 1994, will expire on December 31, 1999. Cairns Group officials want to target EU payments to farmers to leave land fallow, health and safety rules that limit exports of genetically-manipulated crops, and export credits used by the United States, as well as any other export subsidies.

Stephen Graham, "Agricultural Exporters Set Out to Slash Global Farm Subsidies," BLOOMBERG NEWS, December 1, 1997.

COUNTRY OF ORIGIN CONTROVERSIES

After proposing in May to allow a product to carry a "Made in the USA" label if "substantially all" of the product was produced in the United States, the Federal Trade Commission backed down in December and agreed that the "all or virtually all" standard applied for the past 50 years would remain in place. A huge majority of the 1,000+ comments filed with the FTC objected to lowering the standards, as did labor unions, consumer groups and some domestic manufacturers.

Florida growers and their supporters continue to press for country-of-origin labeling on fresh produce, calling it part of a consumer's right to know. While some merchants and importers claim that labeling is costly, intrusive and labor-intensive, country-of-origin labeling has been in place in Canada for 15 years. Stephen Whitney, assistant executive vice president of the Canadian Produce Marketing Association says that "Canadian retailers are living with the law," and that the claims against it proved untrue. In Canada 67 percent of all fresh fruits and vegetables are imported, and many of the signs have to be in English and French.

Florida growers have also called for blocking or limiting imports from countries permitting child labor, a position set forth in as many as eight bills introduced in Congress. The Clinton administration has refused to endorse any of the legislation. Edward Potter, a lawyer representing the U.S. Council for International Business, said import restrictions imposed for child labor abuses would hurt the child workers economically. A Labor Department study of child labor cited children picking broccoli, snow peas, onions, grapes, tomatoes, and tropical fruits in Mexico, Brazil, Honduras, Guatemala and Ecuador. Some children were also employed to spray pesticides.

Paula L. Green, "Anti-Trade Views May Have Spurred Made in USA Edict," JOURNAL OF COMMERCE, December 3, 1997; Bruce Ingersoll, "FTC Reverses Its Plan to Relax Policy Governing Some 'Made in USA' Labels," WALL STREET JOURNAL, December 2, 1997; Neil Buckley, "EU Gesture to U.S. on 'Mad Cow' Rules," FINANCIAL TIMES, December 4, 1997; Ian Elliott, "France Imposes Country-of-Origin Labels on Beef," FEEDSTUFFS, October 27, 1997; Tracy Rosselle, "Trade Struggle Proceeding at Border," THE PACKER, November 10, 1997; Larry Waterfield, "Labeling Laws Make the Grade," THE PACKER, December 1, 1997; Larry Waterfield, "Issue Could Affect Fast-Track Legislation, THE PACKER, October 27, 1997.

ARGENTINE CUSTOMS PROBLEMS

After uncovering massive corruption in the customs offices in Buenos Aires, the Argentine government instituted a requirement for pre-shipment inspection of imports. Inspections will be carried out by six private sector companies, including France's Bureau Veritas and Britain's Inspectorate.

U.S. transporters and freight forwarders said the new rules, which apply mostly to consumer goods, will cause delays and add to shipping costs. They also fear that Brazil will follow Argentina's example in the near future. Peru, Ecuador, Bolivia, Colombia and Paraguay already have private pre-shipment inspection services.

Andrea Campbell, "Argentines Give Import to Big Crackdown on Customs Fraud," FINANCIAL TIMES, December 3, 1997; Kevin G. Hall, "Traders Hit Roof Over Argentine Import Rules," JOURNAL OF COMMERCE, December 3, 1997.

FOOD SAFETY ISSUES

On November 28, the U.S. Department of Agriculture's Food Safety and Inspection Service proposed to add Mexico to a list of countries certified to export some processed poultry to the United States. Because Mexican slaughterhouses do not meet U.S. Standards, Mexico could only process poultry imported from the United States or from the other five approved countries: Canada, Britain, France, Israel and Hong Kong. Chicken processing would take place in a maquiladora environment, with poultry carcasses sent to border plants to be deboned by low-wage workers. The USDA rule will not take effect until after a comment period.

The U.S. Food and Drug Administration acted in early December to ban all imports of raspberries from Guatemala for the coming year. Outbreaks of cyclospora have been linked to Guatemalan raspberries during the past two years.

Stephanie Nall and Kevin G. Hall, "U.S. Looks to Ease Poultry Imports," JOURNAL OF COMMERCE, December 2, 1997; "U.S. to Bar Guatemalan Raspberries," REUTER, December 9, 1997.

ENVIRONMENTAL, LABOR ACCORDS OF LITTLE USE?.

The NAFTA-created Commission for Environmental Cooperation has received confusing and contradictory instructions from the three NAFTA nations, due to divisions between trade-and-resources interests and environmental interests in the three governments. After three years in existence, the CEC's mandate is still in question.

CEC executive director Victor Lichtinger, a Mexican national, addressed environment ministers behind closed doors in early November, but the text of his remarks was leaked. "At various times, we were enjoined to go faster, at others to slow down," said Lichtinger. "Even when the ministers decide certain actions in resolutions, at other levels of government we hear that this or that is not important, we can take more time, we can reshape it."

Among the CEC's projects is an analysis of the impact of expanding trade on the environment in three specific sectors - Mexican corn production, U.S. cattle feedlots, and electricity production and exchange along the U.S.-Canada border. The budget of this project has been frozen and its work delayed.

In early November, the CEC reported on rivers of air pollution flowing across the U.S.-Canadian border. The CEC called for long-term, regional air management approaches, and criticized the governments of the United States and Canada for closing air quality monitoring stations in an attempt to save money.

As Democrats and Republicans spar over protection for labor in trade agreements and admission of Chile to NAFTA, Chilean workers have one of the Western hemisphere's lowest levels of unionization, due in large part to legal limits on collective bargaining and lack of protection against union-busting practices by employers. Given the track record of NAFTA's labor accord, inclusion of a labor accord in a free trade agreement might not help them at all.

Despite a hard-won victory at the ballot box on October 6, Hyundai workers in Tijuana's Han Young de Mexico will not be represented by the independent STIMAHCS union. On November 10, the Tijuana branch of Mexico's National Conciliation and Arbitration Board refused to certify their October 6 election, claiming that some of the workers may have changed their minds since then; that the workers, who weld steel chassis for tractor trailers, make auto parts and cannot be represented by a metalworkers union; and that the STIMAHCS isn't registered as a national union. On October 30, the Support Committee for Maquiladora Workers, the International Labor Rights Fund, STIMAHCS and the National Association of Democratic Attorneys of Mexico filed a complaint before the NAFTA-created U.S. National Administrative Office (NAO), charging collusion between Mexican labor board officials and Han Young company management, and accusing the Mexican government of failing to enforce its own labor laws. The NAO agreed to hear the complaint, and has 180 days from November 17 to issue a report of its findings. Even if it ultimately finds for the union, the NAO has no authority to impose sanctions unless the Mexican government agrees to the sanctions. Han Young management have stated their intention to replace all workers who voted for the independent union.

Courtney Tower, "Air Pollution Woes Link U.S. and Canada," JOURNAL OF COMMERCE, November 13, 1997; Courtney Tower, "Nafta 'Green' Panel Pleads for Direction and Support," November 3, 1997; Matt Moffett, "Santiago's Labour Law Hobbles Workers," TORONTO GLOBE AND MAIL, October 15, 1997; "Workers' Victory Stolen," CONNECTION TO THE AMERICAS, December, 1997; David Bacon, "Hunger Strike Over 'Betrayal' of Democracy," INTERPRESS SERVICE, December 2, 1997; "Hotly Disputed Mexican Union Case to be Reviewed by U.S. Officials," INSIDE U.S. TRADE, November 28, 1997.

TUNA-DOLPHIN DISPUTE

After lengthy negotiations, the United States and Latin American nations have come close to reaching an agreement on protection of dolphins and other marine animals in the Eastern Tropical Pacific Ocean (ETP) tuna-fishing grounds. U.S. law now bars import of tuna from Mexico, Venezuela and other countries not using "dolphin-safe" methods. These methods include using purse seine nets set on dolphin schools. In the ETP, tuna tend to congregate under schools of dolphins.

The accord, which is being negotiated under the

California-based Inter-American Tropical Tuna Commission, would allow tuna caught using purse seine nets set on dolphins to be sold in the United States. This tuna would not be labeled "dolphin-safe" until completion of a National Marine Fisheries Service study in 1999, provided that the study finds that dolphins are not being killed by the tuna fishing boats and that certain endangered dolphin species are replenishing themselves.

"U.S., Latin Nations Make Strides Toward Tuna-Dolphin Protection Pact," INSIDE U.S. TRADE, November 28, 1997.

BORDERING ON CONTROVERSY

To the exasperation of Canadian officials, acting U.S. Customs Commissioner Sam Banks said in November that there is a continuing need for inspections on the U.S.-Canadian border. Banks said that "compliance rates with Canada on trade issues" is a big problem, citing information flow from businesses and trade disputes concerning softwood lumber and wheat. Canadian Ambassador Raymond Chretien, noting that tariffs have been eliminated on on most goods moving between the two countries, suggested that the U.S. customs could and should move to more pre-clearance of goods and a less intrusive inspection system.

On the other NAFTA border, the U.S. Department of Transportation's (DOT) director of international trade and transportation said that he is "hopeful" that there will be a resolution to the two-year dispute on opening border states to international trucking between Mexico and the United States, perhaps by midsummer. An anonymous DOT negotiator was less sanguine, citing lack of progress on security and on computerized accident histories of Mexican truckers. An anonymous Mexican trade official said that lack of timetables for border opening might lead Mexico to formally seek dispute resolution under NAFTA.

Kevin G. Hall, "Top DOT Official 'Hopeful' About Border Opening," JOURNAL OF COMMERCE, November 18, 1997; Kevin G. Hall, "U.S. Official Cool to Canada's Bid for Reduced Border Pressure," JOURNAL OF COMMERCE, November 19, 1997.

NAFTA & Inter-American Trade Monitor is produced by the Institute for Agriculture and Trade Policy, Mark Ritchie, President. Edited by Mary C. Turck. Electronic mail versions are available free of charge for subscribers. For information about fax subscriptions contact: IATP, 2105 1st Ave. S., Minneapolis, MN 55404. Phone: 612-870-0453; fax: 612-870-4846; e-mail: iatp@iatp.org.

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Vol. 4, Number 26 December 23, 1997

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AG, ENVIRONMENTAL INTERESTS CLASH ON GREENHOUSE GAS TREATY, METHYL BROMIDE

On December 11, after two-and-one-half years of negotiations culminating in an intense, all-night session, the United States joined 159 other nations in agreeing to the Kyoto Protocol on reduction of emissions of carbon dioxide and five other heat-trapping greenhouse gases. The United States would be required to cut emissions 7 percent below 1990 levels, on average, in the years from 2008 through 2012. The European Union's target was set at a reduction in emissions of 8 percent below 1990 levels, and those of Canada and Japan at 6 percent. Some developing countries may be allowed to increase emissions, but the global goal is a 30 percent reduction from levels currently projected for 2010, and a 5.2 percent reduction from 1997 levels.

Many controversial issues, including emissions trading, remain to be negotiated in continuing talks early in 1998. The United States has pushed hard to allow countries or industries to "buy" pollution credits in the international market, instead of making actual reductions. Environmentalists criticized the pact because it lacks penalties for non-compliance, pointing out that five and-a-half years ago, the industrialized countries had pledged to stabilize their greenhouse gas emissions to the 1990 level by the year 2000, and that these commitments are not being met.

The American Farm Bureau Federation immediately protested that the Clinton administration "completely ignored" the concerns of U.S. farmers in agreeing to reduce U.S. greenhouse gas emissions seven percent below 1990 levels by 2012. The Farm Bureau Federation warned that compliance would "require new, major taxes or increased costs of fuel, electricity, fertilizers or chemicals." It also charged that farmers in developing countries, including Mexico, China, Indonesia, Chile and Argentina, would have a competitive advantage because their countries will not be required to meet the same emissions standards.

Canadian Environment Minister Christine Stewart and Natural Resources Minister Ralph Goodale, joint standard-bearers for the pro-Kyoto cause, may face a tough battle to sell the greenhouse gas emissions deal in Canada.

Calling methyl bromide "a significant stratospheric-ozone-depleting chemical," the U.S. Environmental Protection Agency said it will stick with the 2001 deadline for a complete U.S. ban on use of the chemical, as required by the Clean Air Act. An international protocol requires an end to methyl bromide use in all industrialized countries by 2005. Developing countries can continue using methyl bromide until 2015.

The Methyl Bromide Working Group, a coalition of producers, processors and other agricultural interests, insists that there are no safe and effective alternatives to methyl bromide, which is used primarily as a pre-planting soil fumigant. California growers insist they will be significantly disadvantaged by a U.S. ban on the chemical when competitors such as Colombia, Chile and Mexico can continue using it.

William K. Stevens, "Agreement Is Reached In Kyoto On Greenhouse Gases," NEW YORK TIMES, December 11, 1997; Anne Mcilroy, "Global Warming Agreement Reached In Kyoto After All-Night Negotiations" GLOBE AND MAIL, December 11, 1997; "Ag Group Says Climate Pact Will Hurt Us Farmers," REUTER, December 11, 1997; Dipankar De Sarkar, "European Union 'Good Guys' Not So Good," INTERPRESS SERVICE, December 8, 1997; Judith Perera, "If You Can't Cut CO2, Can You Capture It?" INTERPRESS SERVICE, December 8, 1997; Patricia Demetrio, "Unfair to U.S. Farmers," JOURNAL OF COMMERCE, October 21, 1997; "Kyoto Deal Expected To Be Tough Sell In Canada," TORONTO STAR, December 18, 1997; "Emission Cuts Set, But Doubts Cloud Accord," INTERPRESS SERVICE, December 11, 1997; Ramesh Jaura, "NGOs Concerned About Fate Of Kyoto Treaty," INTERPRESS SERVICE, December 11, 1997.

BIO-TECH TRADE DEBATE RAGES

In early October, the Brazilian government authorized importation of genetically-modified soybeans, but environmentalists want to block imports and prevent Brazil, the world's No. 2 soybean producer, from growing the modified bean. Environmental activists protested unloading of the first shipment of genetically-altered soybeans from the United States in mid-December in the southern port city of Sao Francisco do Sul, north of Santa Catarina. About 300 activists from Patrulha de Toxicos Geneticos took to the water in inflatable boats, while six Greenpeace activists chained themselves to the ship's unloading equipment. Ten activists were arrested during the protest.

Also in the news from Brazil is fumo louco -- Brazilian farmers' generic term for several related strains of high-nicotine tobacco cultivated on an estimated 20,000 acres across the state of Rio Grande do Sul. The high-nicotine tobacco is the offspring of a genetically altered plant created in U.S. laboratories for Brown & Williamson Tobacco Corp., the third largest U.S. cigarette maker and secretly shipped to Brazil in violation of U.S. export law.

As a panel of scientists reported to the World Bank in October that genetically modified crops are no more dangerous to the environment than traditional crops, a Friends of the Earth report said that public opposition to genetically engineered food is growing across Europe. The World Bank science panel said that genetically modified crops could boost food yields by as much as 25 percent in developing countries, but acknowledged that some risks exists, including loss of biodiversity and the risk of a transgenic crossover that would make some weeds unkillable.

Those concerned about health impacts of genetically altered food cite the case of an experimental soybean that was genetically changed to improve nutritional value. The soybean's development had to be abandoned when researchers discovered that the genetic change could cause allergic reactions in people sensitive to Brazil nuts. Because soybeans are used in so many products, the allergen would have been particularly dangerous.

Greenpeace campaigner Dr. Douglas Parr warned that a less obvious threat to world food supplies may come as increased use of genetically altered seeds leads to reliance on fewer varieties. "Erosion of the varietal base is not a healthy thing in terms of food security," noted Parr.

The European Commission has issued a directive to label all foods containing genetically-modified corn or soy in order to allay consumer concerns. Genetically modified corn, developed by Novartis to resist the corn-borer, and soybeans developed by Monsanto to resist its Roundup weedkiller are among the most controversial biotech products in Europe. The European Commission may also begin to require monitoring of products such as transgenic maize for harmful effects for seven years after their approval.

Most U.S. corn and soybean producers oppose labeling. Jim Hershey, division director for the American Soybean Association in St. Louis, Missouri, said that his group remains "basically against labeling," but that "most people have accepted as an inevitability that there's going to be some labeling" in Europe.

In remarks to the Amer ican Seed Trade Association on December 10, USDA Deputy Secretary Richard Rominger reiterated U.S. opposition to labeling requirements. "The U.S. has serious questions about the specifics of the labeling and the testing that the EU is proposing," said Rominger. "We feel that the special labeling of biotech foods is unnecessary and will mislead consumers. Labeling should be reserved for providing information to consumers on health and safety. The EU argues that it won't label for health and safety reasons, but to protect the consumer's right to know. We're pleased that the EU appears to have backed away from a requirement to segregate biotech products. But we're watching carefully to make sure that the final outcome of the labeling policy isn't tantamount to segregation."

Rominger said that the USDA strongly supports U.S. leadership in development of genetic engineering in agriculture. "USDA is committed to assuring the broadest application of plant genetic improvements to the U.S. farmer. We're committed to keeping the American seed industry ahead of the world in improved plant material. This may require release of germplasm. It may require a special partnership with private companies. It's precisely this ability to collaborate and participate in commercial development that gets our producers the quickest and broadest benefit ... and keeps American agriculture in the forefront of genetic advance."

"Science Panel: Genetically Engineered Plants Safe," REUTER, October 9, 1997; "Farmers Warned of 'Genetic' Crops Fears," REUTER, October 9, 1997; Linda Carroll, "Designer Plants' Hidden Hazards - Food of the Future or Man's Bad Seed?" MSNBC, December 4, 1997; Christopher Lyddon, "Gene-Crops May Hit Food Supply - Environmentalists," REUTERS, December 18, 1997; "U.S. Corn, Soy Groups Cautious on EU Labeling Plan," REUTER, December 3, 1997; "E.U. Proposes Broad Labeling of U.S. Bio Soybeans, Corn," DOW JONES, December 3, 1997; "Seven-Year Watch on Transgenic Maize," NATURE, December 4, 1997; USDA Deputy Secretary Rich Rominger, "Role of the USDA in Positioning U.S. Agriculture for Exporting Transgenic Products," REMARKS AT AMERICAN SEED TRADE ASSOCIATION ANNUAL MEETING, December 10, 1997; "Ativistas Tentam Barrar Soja Importada E Sao Presos Em SC, AGENCIA FOLHA, December 15, 1997; Tina Braga, "Greenpeace Enfrenta Policia Em Porto," JORNAL DO BRASIL, December 15, 1997; Elza Oliveira, "Greenpeace Dificulta Chegada De Soja Proibida Na Europa," O GLOBO, December 15, 1997; "Crazy Tobacco," ASSOCIATED PRESS, December 21, 1997.

ONE STEP CLOSER TO MEXICO-EU ACCORD

After two and one-half years of negotiations, Mexico and European Union officials signed an Accord on Economic Cooperation and Political Dialogue on December 8 in Brussels, outlining their plan for negotiating the liberalization of trade and establishes the guidelines for future diplomatic relations between Mexico and the EU. Now the accord must be approved by the European Parliament, the Mexican Congress, and the legislatures of the 15 EU member states. Some EU member states face strong opposition to the pact due to concerns about Mexican human rights abuses.

The governments of Mexico and the EU want a bilateral free trade agreement in place by the year 2001. Trade between Mexico and the EU reached $13.3 billion in 1997, $2.05 billion more than in 1996, and is expected to grow rapidly under a free trade agreement.

Diego Cevallos, "Last Stretch Towards Free Trade Accord," INTERPRESS SERVICE, December 8, 1997.

CONGRESS, EU PARLIAMENT AND HELMS-BURTON

Since the European Commission and the Clinton Administration proved unable to reach an agreement on the Helms-Burton Act, which imposes penalties on trade with Cuba, two new groups will take up the effort. Members of the U.S. Congress and the European Parliament plan to hold a series of meetings on the issue, beginning in January. While Parliament is firmly opposed to Helms-Burton, members feel they may have some success in dealing directly with Congress. According to an unnamed source in Parliament, Congress may be influenced by the prospect that Helms-Burton disciplines may be incorporated into into the Multilateral Agreement on Investment. "Congress has the power to accept or reject treaties," said the source, so the Parliament wants to "deal on a different level and take a more direct route.

"Congress, EU Parliament to Take Stab at Resolving Helms-Burton," INSIDE U.S. TRADE, November 28, 1997.

RESOURCES/EVENTS

The Impacts of Trade Agreements on State and Provincial Laws, edited by David J. Eaton. Proceedings of a conference sponsored by U.S. Mexican Policy Studies Program of the Lyndon B. Johnson School of Public Affairs at the University of Texas at Austin, the National Conference of State Legislators, the Office of the Texas Attorney General, and the Canadian Studies Conference Grant Program of the Canadian Embassy to the United States. 76 pp. 1996, University of Texas Board of Regents. Order from Lyndon B. Johnson School of Public Affairs, University of Texas at Austin, Austin, TX 78713-8925. Phone 512/471-4218; fax 512/471-1835; email cmbg@ccwf.cc.utexas.edu.

The Evil Empire: Globalization's Darker Side by Paul Hellyer. 114 pages. $9.95. 1997, Chimo Media Limited. A former Canadian member of parliament and senior cabinet minister explores the ramifications of the Multilateral Agreement on Investment (MAI), and concludes that it is "the most frightening proposition to face the Canadian people in my lifetime."

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FAST TRACK MANEUVERS CONTINUE

After being forced to withdraw the administration's broad fast-track bill from congressional consideration in early November, President Clinton and his top advisers now seem inclined to propose a scaled-back approach that would allow sector-specific trade negotiations under the auspices of the World Trade Organization. In addition, President Clinton said he is working with others "to set up a model which will enable us to help communities that are hurt by trade dislocation or plant closings for other reasons to basically operate the way we did with communities that lost military bases. ..."

Republican leaders, including House Speaker Newt Gingrich, oppose proposals to scale back fast-track legislation. A sectoral approach would do the Republicans no political good and would allow Democrats to raise funds from industry groups that would benefit from the negotiations.

Some business and agriculture groups argue that a sectoral approach does not allow for sufficient tradeoffs during the negotiation process.

A slightly different approach would drop NAFTA accessions out of fast- track. That might defuse some of the opposition to fast-track that is based on opposition to NAFTA.

Canadian trade officials said they still hope that the United States will pass fast track authority by spring when negotiations for the Free Trade Area of the Americas are set to begin. House Republicans indicate that a fast track proposal should be made in January to be considered in March and early April. But fast track may face another uphill battle as the U.S. trade deficit increases as a result of the Asian economic crisis.

"House Republicans Float Fast Track Without NAFTA Accession," INSIDE U.S. TRADE, December 26, 1997; "House Republicans Speak Out Against Sectoral Fast-Track Bill," INSIDE U.S. TRADE, December 19, 1997; "Clinton to Seek More Help for Communities, Workers Hurt by Trade," INSIDE U.S. TRADE, December 19, 1997; Barry Wilson, "Fast Track Failure Slows Free Trade Efforts," WESTERN PRODUCER, December 18, 1997; John Maggs, "Advisers to Clinton: Soft-Pedal Fast Track," JOURNAL OF COMMERCE, December 15, 1997.

CANADA-U.S. AG TRADE ISSUES

Nearly all tariffs on agricultural products traded between Canada and the United States ended on January 1, with the only remaining tariffs affecting U.S. exports of dairy and poultry products to Canada. These tariffs substitute for quantity restrictions on imports in the supply- managed sectors. "Since there is little (import) trade in supply-managed products, 99.9 percent of our imports (from the United States) will be duty free," said Agriculture Canada trade official Phil Douglas.

But the end of most tariffs has not ended agricultural disputes between the two countries.

The Canadian National Farmers Union protested recent acquisitions by Cargill Ltd., the Canadian division of Minneapolis-based Cargill Inc., charging that "Cargill is moving quickly to buy up key Canadian grain handling and processing facilities." Dale Fankhanel, NFU board member warned that the Canadian people are losing control of a $12 billion Canadian industry.

In an effort to cut transportation costs and to gain an exemption from Canadian export permit fees, 100 Saskatchewan farmers plan to form a cooperative to build a durum mill and pasta plant in North Dakota, near the border.

North Dakota Senator Byron Dorgan is continuing his efforts to stop the export of Canadian grain to the United States by imposing a tariff on all Canadian wheat, durum wheat, and barley exports to the United States. Wheat exports remain an issue for the U.S. Wheat Associates, which charges that the Canadian Wheat Board is dramatically undercutting U.S. wheat prices in overseas markets. USW Chair Dan Gerdes claims that the Canadian Wheat Board is a government monopoly that "goes against the entire premise of a free market," and short-changes Canadian producers while costing U.S. market share.

Pacific Northwest beef and dairy industries support increased imports of Canadian-grown barley, saying that the Alberta feedlot industry enjoys an unfair advantage because of cheaper Canadian prices for grain.

Canadian dairy farmers want an increased, supply management tariff on a butteroil-sugar combination used to make lower quality ice cream. The mixture, which contains less than 50 percent butteroil, is not classified as a dairy product. Dairy farmers say that the imports are displacing fresh cream used by Canadian ice cream manufacturers. "Canada's milk producers are hurting," warned John Core of the Dairy Farmers of Canada. "They expect the government to respond."

A year-end report from Statistics Canada showed a ten percent decline in the number of people working on Canadian farms during the past year, down to 413,000, and tax data for 1996 showed declining farm profits as well.

"Canada-U.S. Agriculture Trade Virtually Free in 1998," WESTERN PRODUCER, December 18, 1997; "Farm Group Says Cargill Trying to Control Canada's Food Industry," AGWEEK, December 8, 1997; "Canada Engaging in Unfair Wheat Pricing Practices Overseas," WHEAT LETTER, December 5, 1997; Barbara Duckworth, "Some Americans Prefer Open Borders for Grain," WESTERN PRODUCER, December 11, 1997; Barry Wilson, "Dairy Farmers Want Tariff on Cream Replacement," WESTERN PRODUCER, December 4, 1997; Barry Wilson, "Canada Likely to Lift Ban on U.S. Hogs," WESTERN PRODUCER, December 11, 1997; Sylvia MacBean, "Durum Growers Try to Organize North Dakota Pasta Plant," WESTERN PRODUCER, December 4, 1997; Barry Wilson, "Farm Sector Shows Signs of Decline," WESTERN PRODUCER, December 18, 1997.

U.S. SUGAR PRODUCERS: NO INCREASED IMPORTS

On December 12, 12 U.S. sugar-producing groups warned that accelerated tariff elimination would "result in increased imports of lower-priced Mexican sugar, which will displace U.S.-produced sugar, depress the U.S. price, and harm U.S. sugar producers." The submission by the sugar producers to the U.S. Trade Representative also pointed out that NAFTA does not provide for speedier tariff cuts for products with an original NAFTA tariff phaseout of ten years or longer if domestic industry opposes the move.

The U.S. Trade Representative and Mexican and Canadian counterparts are seeking to determine which of approximately 1,400 products should receive speeded-up tariff elimination under NAFTA. The three countries will meet on January 26 to begin negotiation of a final, mutually- agreed-upon list.

"U.S. Sugar Producers Urge USTR to Oppose More Access for Mexico," INSIDE U.S. TRADE, December 26, 1997.

GMO RULE ENDANGERS CORN TRADE

As much as $300 million worth of U.S. corn, usually sold in February or March to Spain and Portugal, may be blocked from entering the European Union this year, due to the EU ban on imports of genetically modified organisms. The United States does not segregate genetically modified corn from the rest of its crop, so all U.S. corn will be blocked unless the European Union agrees to allow entry of three separate strains of genetically modified corn developed by Monsanto, Agreve and Novartis. Another strain developed by Pioneer has not been approved, but was not planted in the United States during the past year.

Even after approval of import of genetically modified organisms, any products containing the GMOs must be labeled to tell consumers that they "contain" or "may contain" GMOs. EU food experts are due to vote on the final labeling plan on January 15-16. While U.S. producers object to the EU labeling plan, Canadians do not. "From our point of view, this is a labeling issue," said Agriculture Canada trade specialist Charles Craddock. "We decide what labels to use here and they can do the same."

Canadian soybean growers plan EU sales of more than a million bushels of soy grown under special identity-preservation rules to ensure that no genetically-modified varieties are included. Farmers received an extra 15 cents a bushel to compensate for the identity-preservation measures. Canada has approved only the Roundup Ready gene, which was carried in 1997 by four varieties sold in limited quantities. U.S. farmers planted 12 million acres of Roundup Ready soybeans in 1997, about 15 percent of the total crop.

"U.S. Pressing EU for Quick GMO Decisions to Ensure Trade in Corn," INSIDE U.S. TRADE, December 12, 1997; "EU Experts to Review Gene-Food Labeling," REUTER, January 5, 1998; Tom Button, "Ontario Benefits from Euro-Biotech Scare," FARM AND COUNTRY, December 16, 1997; Barry Wilson, "Canada Won't Fight Biotech Food Labeling in Europe," WESTERN PRODUCER, December 18, 1997.

IPR DISPUTES CONTINUE

Public-sector agricultural scientists in developing countries need to protect their discoveries by asserting their own patents, according to the Mexico-based

International Maize and Wheat Improvement Center (CIMMYT). Timothy Reeves, director general of CIMMYT warned that when a public sector researcher makes a discovery, "the private sector launches saturation patenting around your discovery," thereby monopolizing further development of the breakthrough.

Although public sector researchers want to keep technology freely available, they will have to patent discoveries in order to do so. As one official of the multi-donor Consultative Group on International Agricultural Research warned, "You can't give something for free unless you own it."

Disputes between the United States and Argentina over intellectual property rights remain unresolved. Last April's U.S. revocation of duty- free status for about half of Argentina's exports to the United States cost Argentina between $5 and $7 million. In contrast, U.S. pharmaceutical industry officials estimate that U.S. drug companies lose $540 million annually to Argentine patent violators.

If the United States pushes Argentina harder for immediate strengthening of intellectual property rights protections, the Argentine congress threatens to delay implementation of the 1995 Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) for ten years, until 2005. Although the least developed countries were to implement the accord by the year 2005, Argentina had pledged to do so by the year 2000.

Nicaragua and the United States concluded an intellectual property rights agreement in December, obligating Nicaragua to provide an even higher level of protection for intellectual property than that required under TRIPS, and to implement the protections within 18 months, well ahead of the TRIPS deadline.

Abid Aslam, "Scientists Seek Protection From Private Sector," INTERPRESS SERVICE, November 5, 1997; Kevin G. Hall, "Tension Mounts in US- Argentine Spat Over Drug Patents," JOURNAL OF COMMERCE, December 10, 1997; Gustavo Capdevila, "Intellectual Property Rights and the Developing South," INTERPRESS SERVICE, October 8, 1997; USTR PRESS RELEASE ON U.S.-NICARAGUA IPR AGREEMENT, December 22, 1997.

TWO YEARS LATER, MEXICAN TRUCKS STILL BARRED

Two years after NAFTA required opening the four U.S. and six Mexican border states to cross-border trucking, the United States still refuses to allow Mexican truckers free entry into the country. The Clinton administration agreed with U.S. truck drivers, who maintained that Mexican trucks were dirty, dangerous, and loaded over weight limits. Both Mexican officials and U.S. border state governors maintain that the border states are fully prepared to deal with road safety issues, and oppose continuing the ban on Mexican trucking. The American Trucking Association also wants the border opened, though large U.S. carriers say they do not plan to run their expensive rigs in Mexico, risking theft or accidents.

Mexican Commerce Secretary Herminio Blanco indicated that he will probably seek a formal resolution of the dispute before a NAFTA dispute panel in January. In addition to the trucking delays, the Clinton administration has delayed opening the border to cross-border bus operations, which was supposed to happen on January 1, 1997.

"The Trucks That Hold Back NAFTA," THE ECONOMIST, December 13, 1997; Kevin G. Hall, "Mexico Tired of Waiting for Border to Open to Truck Traffic," JOURNAL OF COMMERCE, December 18, 1997.

APPLE FEUD UNRESOLVED

Despite U.S. growers' calls for a rollback of unfair trade penalties, Mexican Commerce Secretary Herminio Blanco insisted in December that the 101 percent punitive tariff will stand. Blanco acknowledged that some of the evidence of unfairly priced U.S. apple exports may be due to under- invoicing by Mexican importers who want to avoid tax payments, and said that his office is "still reviewing this, and we will only know how much is under-invoicing and how much is dumping when we have this ruling by the unit in charge of that." A decision is expected in February.

U.S. officials sent a high-level notice of extreme concern, called a demarche, to the Mexican government in late December to protest Secretary Blanco's comments, and to underline U.S. government support of U.S. apple growers.

Growers from Washington State and from Chihuahua met in El Paso on December 22 to try to reach an compromise, but with no success. The Mexican tariff was imposed for a 120-day period, which will end in February. U.S. growers deny charges of dumping of apples, and say that the tariff is designed to protect apple growers in Chihuahua.

Kevin G. Hall, "US Serves Notice on Mexico Over Apple Spat," JOURNAL OF COMMERCE, December 24, 1997; Kevin G. Hall, "In US Apple Feud, Blanco Says There's Core of Truth on Both Sides," JOURNAL OF COMMERCE, December 18, 1997; Paul Conley, "Mexico Still Firm on Tariff," THE PACKER, December 29, 1997.

RESOURCES/EVENTS

Legislative Update, 8-page newsletter produced 10 times yearly by the Latin America Working Group, a project of the National Council of Churches. $35. Order from Latin America Working Group, 110 Maryland Avenue NE - Box 15, Washington, DC 20002. Phone 202/ 546-7010; fax 202/ 543-7647; email lawg@igc.apc.org. Reports bill summaries, status, lists of cosponsors, background on administration policy, congressional committee lists, and suggested actions and talking points about U.S. policy towards Latin America.

"Hard Copy" three-part series on Nicaraguan sweatshops, video produced November 1997. 16 minutes. Available from National Labor Committee, 275 Seventh Avenue - 15th Floor, New York, NY 10001. Phone 212/242-3002; fax 212/242-3821; www.nlcnet.org. Video and accompanying information kit contain documentation of sweatshops in Nicaragua sewing garments for U.S. manufacturers, statistical information on worker income and expenses, photos.

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Vol. 5, Number 2 January 23, 1998

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LABOR DISPUTES UNDER NAFTA

After a six-month review of charges of sex discrimination in Mexican border assembly plants, the U.S. Labor Department reported on January 12 that the plants administer medical tests to keep out pregnant job applicants and harass pregnant workers to force them to resign or simply fire them, to avoid paying maternity benefits. The discrimination against women workers appears to violate Mexican labor laws, according to U.S. Secretary of Labor Alexis M. Herman, who called her Mexican counterpart, Javier Bonilla Garcia, to request consultations pursuant to the labor side accord of NAFTA.

Most of the border manufacturing plants, which employ more than half a million workers, are owned by U.S. corporations. The complaint alleging discrimination was brought by Human Rights Watch and other U.S. and Mexican human rights and labor groups.

U.S., Canadian, and Mexican labor organizations have increasingly forged ties and begun to work together during the past four years of NAFTA. "United States labor has a stake in helping Mexican unions because it leads to protection of their own self-interest," said Peter H. Smith, a Latin American studies professor in San Diego.

One striking example of that involvement was the recent defeat of the Mexican government-allied union at the Han Young Hyundai assembly plant in Tijuana. Skilled workers there succeeded in twice voting to decertify the government-affiliated union and affiliate themselves with the Authentic Labor Front. When the Mexican government still refused to certify the union, labor activists in the United States organized a U.S. boycott of Hyundai vehicles land contacted U.S. political leaders for support. President Clinton and Vice-President Gore raised the Han Young issue with Mexican President Ernesto Zedillo, and the government finally certified the election results in late December.

An alliance of the United Electrical Workers, Teamsters, Steel Workers and four other U.S. and Canadian unions filed a complaint with the U.S. Labor Department in December, charging unfair interference with a union vote at the Echlin brake shoe plant in Itapsa, outside Mexico City. Echlin brought in more than a hundred thugs armed with pipes, sticks, rocks and some guns to intimidate workers at the plant during the union election on September 8. Echlin workers earn about $6 per day, and report health and safety problems ranging from respiratory ailments due to asbestos to burns and amputations caused by outdated equipment. The election was a result of workers' organizing against the government-affiliated union, in an attempt to install a more responsive independent union. In the presence of the armed occupiers of the plant, who threatened violence and beat one worker, workers agreed in a voice vote to keep the government union.

The U.S. Council for International Business, a group representing U.S. multinational corporations, charged on December 17 that the U.S. National Administrative Office has over-emphasized investigation of allegations of company malfeasance. The business group said the U.S. Labor Department should spend more time on increasing cooperation with Mexican and Canadian governments on labor issues and less time investigating company abuses. The comments were made as part of a four- year review of the North American Agreement on Labor Cooperation (NAALC), the NAFTA side agreement on labor.

The International Labor Rights Fund, in comments prepared for the review, said that NAALC has not helped to improve worker conditions in the United States, Mexico or Canada and should be replaced by a labor clause that is incorporated in NAFTA itself. The group said the provision should create real remedies for labor violations and adopt an enforceable Corporate Code of Conduct for businesses, along with other, procedural changes. An essential part of the "real remedies" would be an "express private right of action" that would allow workers, unions and others to bring legal actions in domestic courts against corporations that operate in two or more NAFTA countries.

On the U.S. side of the border, Levi Strauss & Co. laid off 6,400 workers, 39 percent of its U.S. work force, last November, while officially denying that free trade had anything to do with the layoff. The company then contacted federal officials to ensure that its workers will receive the special trade benefits available for victims of NAFTA. Don Beale, a Labor Department official who administers the NAFTA benefits program, said that a determination that NAFTA is a factor is made "almost automatically" in cases of apparel manufacturing. "We see import penetration in that sector as so high," said Beale, "that we assume imports were involved."

Sam Dillon, "Sex Bias at Border Plants in Mexico Reported by U.S.," NEW YORK TIMES, January 13, 1998; Marvette Darien, "U.S. Support for Mexican Workers," INTERPRESS SERVICE, December 17, 1997; Sam Dillon, "After 4 Years of Nafta, Labor is Forging Cross-Border Ties," NEW YORK TIMES, December 20, 1997; "Background on the Echlin Situation," CAMPAIGN FOR LABOR RIGHTS, December 31, 1997; John Maggs, "Before Layoffs, Levi Sought Nafta Relief," JOURNAL OF COMMERCE, November 4, 1997; "NAFTA Labor Pact Too Focused on Alleged Firm Abuses, Group Says," AMERICASTRADE, December 25, 1997; "NAFTA Labor Clause Should Replace Ineffective Side Pact, ILRF Says," AMERICASTRADE, December 25, 1997.

AG IMMIGRANT VISAS NOT LIKELY TO EXPAND

U.S. farm operators who rely on imported labor were discouraged by a December report from the General Accounting Office, which said that there is "no agricultural labor shortage at this time," and hence no need to expand the number of temporary work visas granted to foreign farm workers. The report makes passage of the two-year pilot program known as HR 2377 less likely. HR 2377 would have expanded the number of visas by 25,000 and reduced growers' paperwork. Under the present farm labor immigration law, called H-2A, 15,000 visas were granted in 1997.

Paul Conley, "Report Dims Reform Hopes," THE PACKER, January 5, 1998.

U.S.-EU BANANA DISPUTE CONTINUES

The United States and European Union presented their arguments regarding implementation of a World Trade Organization ruling against the EU's banana import policy to an arbitrator on December 17. After the EU made a new commitment to comply with "all the recommendations and rulings" of the WTO ruling, Said El-Naggar, the WTO-appointed arbitrator, ruled that the EU would be allowed a 15-month period (until 1/1/99) to implement changes to its banana regime, not the shorter nine-month period that the United States had demanded.

The United States had insisted that the EU give interested parties the right to participate in the process of changing its system, at least by offering "informal consultations" at the political or technical level. The EU insisted that it has no obligation to negotiate with the United States on the substance of its changes.

The European Union Commissioners are working on a new banana regime that would maintain existing access for Latin American bananas under two distinct Tariff-rate quotas (TRQs) that would have different tariffs. The EU has not yet specified how the Latin American quota would be divided among principal suppliers, such as Ecuador, Colombia, Costa Rica and Panama. The proposal will also maintain a second TRQ for bananas from Africa, the Pacific and the Caribbean, without country-specific allocations. The ACP quota will be based on historic trade patterns, as required by the WTO panel.

Peter Scher, Special Trade Ambassador in the Office of the U.S. trade Representative, warned that the EU proposal continues to discriminate against Latin American bananas, and so is unacceptable and out of compliance with the WTO ruling. The EU proposal has not yet been presented to EU member states.

Caribbean countries, which rely heavily on banana exports, have begun to talk about withdrawing from the World Trade Organization, according to Richard Bernal, Jamaican ambassador to the United States. "Trade liberalization is a means to the end," said Bernal. "The end is development and prosperity for all. The WTO must recognize that there are vast differences in size and level of development among its membership."

ACP leaders met at a summit in Libreville in November to develop a joint strategy for negotiating a replacement to the current Lome IV pact, which expires in 2000 and is the basis for the current EU banana regime.

Max Havelaar, a non-governmental organization that has imported and sold fairly-traded coffee in Belgium for six years, began distributing fairly-traded bananas from Ghana, Costa Rica, Dominican Republic, and Ecuador in November. Max Havelaar said their banana suppliers are paid twice what Del Monte, Dole and Chiquita pay for crops. A survey by the European Union's executive commission found that 74 percent of EU shoppers would buy "fair trade bananas," with 37 percent willing to pay up to 10 percent more for the bananas.

Meanwhile, Panamanian banana workers have threatened an all-out strike if the government approves a contract with Chiquita Brands. They charge that the proposed contract breaks Panamanian labor laws, as well as reducing tax revenue. In 1993, banana workers forced the government to cancel a contract for the sale of rented banana land to Chiquita Brands. The new contract would allow Chiquita Brands to stop operations on lands rented from the state without paying welfare contributions required by Panamanian law. The government offered to rent 27,262 hectares of land to Chiquita for $1.84 million dollars per year for 20 years, with unlimited 12-year renewals. The contract would also give Chiquita priority in use of ports, railways and roads and permission to sell drinking water and electricity produced on its land to the public. Chiquita currently rents 15,600 hectares of land for an annual rate of one million dollars.

"U.S. Rejects New EU Plan for Banana Regime as Violating WTO Rules," INSIDE U.S. TRADE, January 16, 1998; "EU Commission Readies Proposal to Comply With WTO Banana Ruling," INSIDE U.S. TRADE, January 9, 1998; "EU, U.S. Make Case to Arbitrator on Bananas for Decision Next Week," INSIDE U.S. TRADE, December 19, 1997; Nancy Dunne, "Banana States' WTO Threat," FINANCIAL TIMES, December 17, 1997; Niccolo Sarno, "Europeans Will Pay More for Fair Trade Bananas," INTERPRESS SERVICE, December 17, 1997; Gregory Mintsa, "ACP Leaders Lay Foundation," REUTERS, November 7, 1997; Mario Gonzalez, "Ecuador is Top Banana,: INTERPRESS SERVICE, December 30, 1997; Silvio Hernandez, "Banana Workers Oppose Contract With Transnational," INTERPRESS SERVICE, December 12, 1997.

U.S.-CANADA DISAGREE ON LETTUCE, ICE CREAM

In December, the Canadian International Trade Tribunal renewed the anti-dumping duty on U.S. lettuce during the British Columbia growing season for iceberg lettuce. The five-year renewal gives breathing space to B.C. iceberg lettuce producers, who have been handicapped by two rainy growing seasons in 1996 and 1997. Canadian potatoes are also protected by anti-dumping penalties against U.S. imports.

The Trade Tribunal delayed a decision on tariff-free import of dairy blends that displace domestic cream in ice-cream making, ordering a study and report to be concluded by July 1. Dairy Farmers of Canada says that imports of a butteroil-sugar blend for use in lower-priced ice creams should be subject to a tariff, while manufacturers say that it should be treated as a new product, not a competitor of cream.

Steve Greenwood, "British Columbia Lettuce Growers Spell Relief This Way -- t-a-r-i-f-f," WESTERN PRODUCER, January 8, 1998; Barry Wilson, "Trade Tribunal Will Hear Butteroil Tariff Dispute," WESTERN PRODUCER, January 8, 1998.

WTO: EU HORMONE BAN UNFOUNDED

An appeals panel from the World Trade Organization ruled in mid-January that there is no justification for a nine-year-old European ban on beef treated with hormones. The panel acted on an EU appeal from a May ruling that the ban should end. The panel ruling found no scientifically proven health risks in the use of six growth-enhancing hormones, but allows the EU to carry out another study of the health risks involved.

The EU hormone ban, which dates back to 1988, was imposed after news reports linked consumption of food containing traces of a synthetic hormone with abnormal sexual development in some children. A 1982 scientific study by an EU commission concluded that three natural hormones posed no danger to consumer health, but that two synthetic hormones required further study.

The EU maintains that their ban is health-related, not trade-related. The United States position is that the hormone ban is an unscientific barrier to U.S. exports. The U.S. National Cattlemen's Beef Association estimates that they could export $250 million annually to the EU market. Some 90 percent of U.S.-raised beef is treated with growth-enhancing hormones.

The Codex Alimentarius Commission, an intergovernmental food safety agency sponsored by the U.N. Food and Agriculture Organization and the World Health Organization, conducted a study that concluded in 1995 that three natural hormones pose no health risks, but that use of the synthetic hormones must be regulated by "good animal husbandry practice." EU officials point out that "There are no internationally agreed rules on what constitutes 'good animal husbandry practice' for the administration of these hormones." The European Consumers Organization, one of the EU's main consumer groups, and the European Farmers' Coordination both oppose use of hormones.

In December, the EU threatened to ban all U.S. meat imports, claiming that the U.S. Department of Agriculture is lax in testing meat for hormone and antibiotic residues. A spokesperson for EU Consumer Health Commissioner Emma Bonino gave the United States six months to increase inspection levels. In practical terms, the new dispute had little immediate effect, as all hormone-treated beef has been banned, all poultry has been banned since April 1, 1997, and pork exports are on hold until the United States and EU agreed on veterinary equivalency rules involving testing for antibiotic residues and other issues. USDA Secretary Dan Glickman and EU Agriculture Commissioner Franz Fischler agreed in January to resolve differences on veterinary equivalency rules by the end of March.

The USDA announced in early December that it would restrict imports of cattle, sheep and some livestock products from 21 European nations, due to fear of mad cow disease or BSE (bovine spongiform encephalopathy.)

Stephanie Nall, "EU Threatens to Ban US Meat; Lax Test Rules Cited," JOURNAL OF COMMERCE, December 19, 1997; "E.U. Ban on Treated Beef Unfounded, WTO Panel Says," ASSOCIATED PRESS, January 16, 1998; "EU Fight Against Hormone-Treated Beef May Go to Third Round," INTERPRESS SERVICE, January 16, 1998; "Glickman, Fischler Target March for Completion of Veterinary Deal," INSIDE U.S. TRADE, January 9, 1998.

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STATE OF THE FAST TRACK

In his State of the Union address, U.S. President Bill Clinton promised to renew his request for fast-track negotiating authority this year, but Congressional leaders remained skeptical of his chances for success. The Clinton administration has not yet proffered its proposal for fast-track legislation, but is said to be considering a limited proposal that would cover bi-lateral free trade agreements with Chile, Australia, New Zealand and South Africa, and probably the negotiations for a Free Trade Area of the Americas.

House Ways and Means Committee Chair Bill Archer (R-TX) said the administration will have to produce an additional 25 Democratic House votes to pass fast-track legislation. Archer left the door open to the idea of broadening existing worker-retraining programs to apply as an inducement to labor and Democrats to support fast track.

Two factors that will make passage of fast-track difficult this year are this fall's U.S. congressional elections and the looming congressional debate over $18 billion in new funding for the International Monetary Fund, related to the Asian bank bailout. Rep. John LaFalce (D-NY), a senior member of the House Banking Committee, warned in late January that if Congress is asked to consider both issues at the same time, both may be lost. Commerce Secretary William Daley suggested to reporters in mid-January that the Asian crisis may create "a lot of scheduling difficulties" in Congress for fast track legislation.

House Majority Whip Tom DeLay (R-TX) warned that administration support for the climate control treaty reached last year in Kyoto, Japan would also jeopardize efforts to pass fast track. DeLay criticized the Kyoto agreement for failing to require the same reduction of greenhouse gases in industrialized and developing countries.

President Clinton also mentioned a new initiative to fight abusive forms of child labor in his State of the Union message, as a response to fears that trade will cost U.S. jobs. Clinton said that the United States should also try to support environmental standards and worker rights, but that conditioning trade agreements on these issues is not effective in influencing the decisions of other countries.

In early January, the Central American Workers Confederation issued a statement calling the Free Trade Area of the Americas "the Third World War," and charging that the purpose of free trade is "to homogenize world trade to the benefit of the United States."

"U.S. Pushes IMF, Backtracks on Fast Track," WEEKLY NEWS UPDATE ON THE AMERICAS, February 1, 1998; "Lott Says White House Should Move Quickly on Fast Track This Year," INSIDE U.S. TRADE, January 30, 1998; "Administration Wrestles With How to Scale Back Fast Track Bill," INSIDE U.S. TRADE, January 30, 1998; Richard Lawrence, "Daley Says Asian Crisis Pushing Fast-Track Bill Onto Side Street," JOURNAL OF COMMERCE, January 15, 1998; "Banking Panel Member Warns Against Pushing Fast Track and IMF Bill," INSIDE U.S. TRADE, January 30, 1998; John Maggs, "Archer Tries to Woo Votes for Fast Track," JOURNAL OF COMMERCE, January 21, 1998; "Majority Whip Says Clinton Support for Kyoto Endangers Fast Track," INSIDE U.S. TRADE, January 30, 1998; "McCurry Says Administration Will Pursue Passage of Fast Track," INSIDE U.S. TRADE, January 16, 1998; "Clinton Told to Back Labor Standards," JOURNAL OF COMMERCE, January 28, 1998.

INTERNATIONAL GRAIN MARKET DEVELOPMENTS

With bumper crops of soybeans and wheat expected around the world, according to the International Grains Council, producers fear lower prices during the coming year. The Asian currency crisis is likely to affect wheat farmers, according to Rhea Yates of the Canadian Wheat Board, since major customers like South Korea, the Philippines and Indonesia will lose buying power. Wheat exporters, including Canada, the United States, and Australia, will extend more than a billion dollars in credit to enable South Korea to continue buying wheat.

U.S. and Canadian officials announced in mid-January that the two countries are almost ready to implement a pilot program to make it easier to sell U.S. wheat in Canada. Some issues still remain, including Canadian requirement that U.S. grain entering their market be accompanied by an "SPS certificate," certifying the grain free of certain diseases. U.S. officials want their grain to enter Canada with only a basic customs inspection. In addition, the two sides are negotiating the current Canadian requirement that sellers have a certified end user before shipping their grain to Canada.

Argentina expects record production of soybeans, corn and cotton. Brazil, too, will produce a record soybean crop, leaving the two South American countries poised to challenge U.S. dominance of the world soybean market. In 1997, the United States produced about 75 million tons of soybeans, half the world's production. This year, Brazil and Argentina, the world's second and third-largest producers, expect to harvest a combined total of 45 million tons of soybeans, up 50 percent from just five years ago.

In a smaller market, Mexico will buy more pinto beans and black beans this year because weather-related production problems reduced Mexican harvests. The Mexican government announced in January that it will auction off permits to buy 100,000 metric tons of pinto beans by the end of January. NAFTA allows the Mexican government to use these permits to monitor private companies' purchases. Only 56,000 metric tons worth of permits were sold during the last marketing year.

"Soybean Competition Gets Stiffer Worldwide," AGRINEWS, January 22, 1998; "Argentine Grain Harvest Forecast at Record 61 Million Metric Tons," AGWEEK, January 26, 1998; "Record World Wheat Crop Forecast," AGWEEK, January 26, 1998; "Global Squeeze Leaves Wheat Farmers Feeling the Pinch," WESTERN PRODUCER, January 15, 1998; "U.S., Canada Announce Effort to Increase U.S. Grain Exports," INSIDE U.S. TRADE, January 16, 1998; Erin Campbell, "Mexican Buying Boosts U.S. Bean Prices," AGWEEK, January 12, 1998; Barbara Duckworth, "American Company Moves North to Trade in Canadian Feed Grain," WESTERN Producer, January 8, 1998.

INITIAL SALMON RULING

In a January 8 preliminary ruling, the U.S. Commerce Department placed relatively low anti-dumping duties, ranging from 3.3 percent to 8.79 percent, on dozens of Chilean salmon-fishing companies, rejecting U.S. salmon farmers' claims that Chile dumps processed salmon in the United States at 41 percent below fair market value. Three Chilean companies were completely exonerated of dumping charges and will not need to pay any new duties.

Those Chilean companies against whom duties were assessed say that the U.S. methodology was fatally flawed because the Commerce Department used Japan instead of Chile as the market of comparison to establish the value of salmon. Chile sells a lower grade of salmon at home, a premium grade in the United States, and a super-premium grade in Japan. Chilean officials say they may request a World Trade Organization Dispute Resolution panel to determine whether the methodology was flawed, if the preliminary ruling stands.

The Commerce Department will send a team to Chile in February to verify the accuracy of information submitted in the first phase of the investigation. In November, the Commerce Department had rejected U.S. farmers' charges of Chilean government subsidization of the salmon industry. Chile's $111 million in salmon sales to the United States supplies about 55 percent of the fresh salmon consumed in the United States.

"Opponents Say Preliminary Salmon Dumping Decision Violates WTO Rules," INSIDE U.S. TRADE, January 23, 1998; "Chile: U.S. Ruling Against Chilean Salmon Producers Could Hurt Exports," NOTISUR, January 16, 1998; Nancy Dunne, "US Rules on Salmon Dumping Claim," FINANCIAL TIMES, January 11, 1998.

U.S. THREATENS ECUADOR ON IPR

In early January, U.S. ambassador to Ecuador

Leslie Alexander and U.S. Under Secretary of State for Latin America Peter Romero threatened to impose trade sanctions against Ecuador because the Ecuadoran Congress failed to approve a national law providing guarantees for intellectual property rights by the end of 1997. The Ecuadoran National Congress had refused to even consider the text of a bilateral accord on intellectual property signed in 1993 by the executive branches of both governments, and failed to act on President Fabian Alarcón's proposal for a law incorporating the guarantees contained in the bilateral accord.

On January 15, university students, human rights activists, environmentalists, indigenous organizations, and street theater artists protested in front of the U.S. embassy in Quito, burning U.S. flags in protest against the U.S. threat of economic sanctions. The sanctions would consist of elimination of tariff preferences currently granted to Ecuador.

Among the objections to the proposed intellectual property laws are charges that transnational companies would appropriate Ecuadoran plants, fruits, and indigenous knowledge about genetic resources in order to patent them for commercial exploitation. Critics also fear that pharmaceutical companies will continue the practice of patenting medical plants found in natural forests.

"EE.UU. Sancionará a Ecuador," EL UNIVERSO, January 8, 1998; "Ecuadorans Protest U.S. Threats on Patent Law," WEEKLY NEWS UPDATE ON THE AMERICAS, January 18, 1998; "Observaciones al Proyecto de Ley de Propiedad Intelectual," EL UNIVERSO, January 19, 1998; "Rechazan Imposición de EE.UU," LA HORA, January 15, 1998.

IMMIGRATION, CUSTOMS RULES CRITICIZED

Trade groups, such as the Border Trade Alliance, want to stop a pilot program that will require inspection of foreign executives as they leave the United States. Under the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, Congress directed the U.S. Immigration and Naturalization Service to begin verifying the documentation and proper length of stay of foreign nationals leaving the United States across land borders. Trade groups argue that the inspection process jeopardizes international commerce by impeding free movement of executives between factories or offices on each side of the U.S.-Canadian and U.S.-Mexican borders, by diminishing retail sales in border cities, and by potentially causing even bigger delays at congested border crossings, which could cost the trucking industry billions of dollars. About 770,000 Mexican nationals cross back into Mexico every day, and even a two-minute per vehicle delay would cause gridlock at busy border crossings.

On the Canadian side of the border, truckers and trade groups are protesting a U.S. Customs Service plan to give local border port directors the authority to reroute cargo across certain crossings. The Canadian Trucking Alliance protests that the change would create chaos at the 130 land border crossings between Canada and the United States, particularly for trucks, which carry 70 percent of the billion-dollar-a-day Canada-U.S. trade.

Kevin G. Hall, "Proposal for Border Inspections Draws Fire," JOURNAL OF COMMERCE, January 14, 1998; Rip Watson & Kevin G. Hall, "Customs Defends Plan for Border Diversions," JOURNAL OF COMMERCE, January 28, 1998; Courtney Tower, "Canadian Truckers Protest Customs Border Proposal," JOURNAL OF COMMERCE, January 23, 1998.

AG PROCESSING WORKERS SQUEEZED

As competition from Latin American fruit and vegetable imports grows, Del Monte Inc. announced that about 1,000 employees will be laid off when the company closes produce processing plants in California during the next two years. Del Monte is the largest produce processor in the United States. An additional factor in the plant closings is U.S. consumers' preference for fresh produce.

Some of that fresh produce is picked by migrant workers in and around Immokalee, Florida. Six members of the Coalition of Immokalee Workers went on a hunger strike in January, asking for increased piece rates and saying that the current rate of 40 cents per 25-pound bucket of tomatoes hasn't changed since at least 1980. The workers negotiated a 25 percent piece rate raise with one grower, Gargiulo, Inc., after an 800-member, two-day walkout. Growers claim that they cannot afford increased wages because of competition from Mexican tomato imports.

Texas Rural Legal Aid filed a lawsuit against Ohio chicken processor Case Farms in December, alleging that Case Farms uses unregistered recruiters in Texas, makes false promises to workers regarding the working conditions in Ohio, pays workers less than the legal minimum, and houses them in "squalid, substandard and overcrowded" conditions. Case hires workers in South Texas and about 400 Guatemalan workers have been recruited during the past three years. The U.S. Immigration and Naturalization Service has arrested about 100 undocumented Case workers in Cleveland and has lawsuits pending against Case.

"Del Monte to Shed 1,000 Jobs in Closing Two California Plants," WALL STREET JOURNAL, February 2, 1998; Mireya Navarro, "Florida Tomato Pickers Take On Growers," NEW YORK TIMES, February 1, 1998; Tracy Rosselle, " Pickers' Hunger Strike Ends, But Draws Broader Attention," THE PACKER, January 26, 1998; "Farmworker Suit May Signal New Move in Litigation," AGRINEWS, January 29, 1998.

NAFTA PRODUCE DISPUTE RESOLUTION NEARS

The NAFTA committee on agricultural trade has given initial approval to an industry-driven proposal to create a dispute resolution system for produce companies in all three NAFTA countries. The system would be run by industry and would rank voluntary participants on criteria such as timeliness of payment.

Industry groups are less happy with NAFTA Chapter 19 dispute resolution panels, with several U.S. industry associations lobbying Congress to exclude such dispute-resolution provisions from future trade pacts. The groups, which include the National Association of Wheat Growers, the Western Wood Products Association, the American Textile Manufacturers Institute, and some steel companies, want national laws applied by national courts. They object to the provisions that allow special NAFTA panels to determine whether a NAFTA country properly followed its own law.

Paul Conley, "Nations Propose Import-Export Protection," THE PACKER, January 26, 1998; Kevin G. Hall, "Trade Groups Want End to NAFTA Dispute Panels," JOURNAL OF COMMERCE, January 29, 1998.

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NAFTA & Inter-American Trade Monitor

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FAST TRACK PULLBACK, FTAA MARCHES ON

Preoccupied with other priorities, the Clinton administration may scale back its trade agenda to focus on trade preferences for Africa and the Caribbean and on a bill allowing President Clinton to cut or eliminate import tariffs for a few categories of goods including jewelry, medical equipment, energy-related products and environmental products. Senior Clinton administration officials, including White House spokesperson Mike McCurry, say that getting authority to replenish the International Monetary Fund takes precedence over fast-track negotiating authority, and that they probably cannot push both through Congress.

Meanwhile, trade vice-ministers from throughout the western hemisphere met as the Free Trade Area of the Americas Preparatory Committee (FTAA PrepCom) on February 10-12 to prepare for the mid-March meeting of the region's trade ministers in San José, Costa Rica. The trade ministers plan to issue a Declaration of San José outlining a proposal for launch of the FTAA talks at the April summit in Santiago, Chile.

One of the remaining issues for decision is the number of negotiating groups that will be formed. At the October PrepCom, the United States had tabled a proposal calling for nine negotiating groups, Canada had proposed three principal negotiating groups and a series of "intermediate-level" groups, and the Central American and Caribbean nations and Mexico wanted 12 groups. The Mercosur had advocated five groups and the Andean Community wants at least nine groups. Another issue is whether there will be a single FTAA negotiating site or two or three venues.

Colombian foreign minister Maria Emma Mejia said on February 2 that U.S. failure to pass fast-track negotiating authority will slow FTAA negotiations. But, she noted, economic integration within Latin America is advancing faster than formal agreements for trade liberalization.

John Maggs, "White House Considers Scaled-Down Trade Agenda," JOURNAL OF COMMERCE, February 9, 1998; "Senior Administration Officials Acknowledge Fast Track in Trouble," INSIDE U.S. TRADE, February 13, 1998; Stephen Fidler, "Colombia Fears FTAA Delay," FINANCIAL TIMES, February 3, 1998; "Senior Officials to Face Off Over Structure, Location of FTAA Talks," INSIDE U.S. TRADE, February 6, 1998; Kevin G. Hall, "Crises Dim Prospects for Americas Free Trade," JOURNAL OF COMMERCE, February 5, 1998.

CONTINUING CONFLICTS OVER CUBA

The January 21-25 papal visit to Cuba did not result in any softened position on the enforcement of the U.S. Helms-Burton law, which imposes sanctions on trade with Cuba. Congressional supporters of Helms-Burton threatened in early February to hold up the expected nomination of Assistant Secretary of State for Inter-American Affairs Jeff Davidow as the U.S. ambassador to Mexico, saying they wanted "to use the nomination to try to focus the Administration" on enforcing Title III and Title IV of the Helms-Burton law.

While the Pope criticized the Cuban government for the jailing of political opponents, he also condemned the United States for its 36-year economic embargo of Cuba. In a "special gesture" to the Pope, Cuban President Fidel Castro pardoned 300 prisoners in early February.

U.S. Secretary of State Madeleine Albright told the Senate on February 3 that the Clinton administration would ignore Cuba until the current political order there was ended.

Undersecretary of State Stuart Eizenstat and European Union External Relations Commissioner Leon Brittan met on February 3 in ongoing negotiations over the EU-U.S. dispute over Helms-Burton. The EU has challenged the law before the World Trade Organization, but has suspended its challenge during negotiations. Specific EU objections center on the law's provision authorizing civil lawsuits against foreign firms investing in property in Cuba that was once owned by U.S. citizens or corporations and denying U.S. visas to executives of such foreign firms and their families. The United States and the EU also are trying to work out disciplines on expropriated property that would be acceptable to all signatories of the Multilateral Agreement on Investments.

The EU recently moved forward with economic initiatives to link small and medium-sized businesses in Europe and Cuba. According to European Commission Delegation ambassador to the U.S. Hugo Paeman, the initiative is in compliance with the EU policy on encouraging democracy in Cuba.

"Helms-Burton Backers to Delay Mexico Ambassador Nomination," INSIDE U.S. TRADE, February 6, 1998; "Helms, Gilman Staffers Urge Move to Kill Helms-Burton Talks," INSIDE U.S. TRADE, February 13, 1998; Dalia Acosta, "Castro Grants 300 Pardons in Gesture Towards Pope," INTERPRESS SERVICE, February 12, 1998; "Pope's Visit Sparks Debate," CONNECTION TO THE AMERICAS, March 1998; "U.S. Embargo Condemned, Enforced," NAFTA & INTERAMERICAN TRADE MONITOR, November 28, 1997; Hugo Paeman Letter to Stuart Eizenstat, reprinted, INSIDE U.S. TRADE, February 13, 1998; "Cuba: Papal Visit Brings Proposals for Changes in U.S. Embargo Law," ECOCENTRAL, February 12, 1998.

BRAZIL'S ILLEGAL GE SOY

Federal police in Passo Fundo in the state of Rio Grande do Sul charge that illegal genetically engineered soybeans have been planted in the municipality of Getulio Vargas. The planting allegedly came from a truckload of 200 bags of soy seeds illegally brought in from Argentina. Farmers in nearby municipalities are also under investigation by federal police and agriculture ministry technicians, after a call for investigation by the Brazilian Seed Association.

Police believe that the sources of the soy include an Argentine subsidiary of Monsanto. Genetically altered seeds are allowed in Brazil only after testing and quarantine, which has not happened with the seeds in question. Officials fear that Japanese and European buyers, who refuse to accept genetically engineered soy, will reject Brazilian soy if they believe it has been contaminated by mixture of soy grown from these seeds.

"Police Close Circle Around Illegal Cultivation of Soybeans," CORREIO BRAZILIENSE, January 31, 1998.

EU MEMBERS, COMMISSION CLASH ON BANANAS

In a February 10 meeting of the European Union's Special Committee on Agriculture, Sweden, Germany, Austria and the Netherlands challenged the European Commission proposal for changes in the EU banana import system. The proposal is being made to bring the EU into compliance with a finding by a World Trade Organization dispute settlement panel, but the proposal also has been criticized by the United States, Ecuador, Guatemala, Honduras, Mexico, and Panama (known collectively as G-6), who challenged the current banana import system before the WTO. The G-6 nations say that the EC proposal still discriminates against Latin American bananas.

The EU proposes to implement a new system by January 1, 1999, based on two tariff-rate quotas for Latin American bananas and one tariff-rate quota for bananas from Africa, the Caribbean and Pacific. The EC proposal is backed by the United Kingdom and Ireland and Denmark, though they propose some changes. France, Spain and Portugal, who defended the current system, dislike the proposal because it would not compensate EU banana growers in Martinique and the Canary Islands for lost preferences.

"EU Members Attack Commission Banana Proposal to Settle WTO Fight," INSIDE U.S. TRADE, February 13, 1998; "G-6 Statement on EU Banana Proposal," reprinted, INSIDE U.S. TRADE, February 13, 1998.

NORTH AMERICAN DRUG TRADE DISAGREEMENTS

A border law enforcement task force reported, in a confidential memo entitled "Drug Trafficking, Commercial Trade and Nafta," that "significant increases in commercial trade [attributed to NAFTA] are being exploited by drug traffickers." The report described drug traffickers as buying up factories, warehouses and trucking companies to use in smuggling, and cited reports that a major Mexican drug trafficker uses "railroad tank cars with false compartments on either end capable of carrying some three tons of cocaine."

The report was prepared late in 1997 by Operation Alliance, an El Paso- based group of federal, state and local police that helps to coordinate anti-narcotics efforts on the border. Robert Weiner, spokesperson for U.S. drug czar retired General Barry McCaffrey, said "we have seen no evidence of additional drugs coming in because of NAFTA."

During February, the Clinton administration must decide on certification or decertification of countries as reliable allies in the war on drugs. Colombia has been decertified for the past two years, and may be decertified again this year. Despite Colombian government claims to have eradicated 40,000 hectares of coca crops in 1997, U.S. satellite photos suggest that there are actually more hectares of coca growing in 1998 than in 1997. But the decision may be to certify Colombia this year, given recent increases in U.S. military aid to Colombia, and the imminent departure from office of President Ernesto Samper in August. It may also be difficult to continue decertifying Colombia while certifying Mexico, when Mexican drug trafficking has been widely reported.

The entire certification process evokes complaints in Latin America each year, and General McCaffrey has asked openly whether it does more harm than good. The United States, Bolivia, Peru, Colombia and Mexico are working on a multilateral system to submit anti-drug plans to the Organization of American States for evaluation. Any change in U.S. law would have to be passed by Congress, but the proposed multilateral system might prove to be an acceptable substitute for certification and a graceful way out of a fruitless annual exercise.

Laurie Hays and Michael Allen, "Mexico Drug Lords Exploit Nafta, Report Says," WALL STREET JOURNAL, February 11, 1998; "Drugs, Latin America and the United States," THE ECONOMIST, February 7, 1998.

NAFTA RAILROADS

For the first time, U.S. and Canadian rail networks will be combined in a $2.4 billion deal that has the Canadian National Railway Company buying Illinois Central Corporation to form an 18,700 mile system. Rival Kansas City Southern Industries bought Mexico's busiest rail line two years ago for $1.4 billion, with Union Pacific Corporation buying a less developed Mexican line. Now Canadian National and Illinois Central are joining with two Mexican mining and steel conglomerates, Grupo Acerero del Norte and Industrias Penoles, to bid on the remaining Mexican rail line.

Anna Wilde Mathews, "North American Trade Blasts Old Limits," WALL STREET JOURNAL, February 11, 1998.

INTERCONTINENTAL CATTLE

Since the Argentine government cut taxes on agricultural exports in 1990, Argentina's agricultural-industrial exports have grown more than 80 percent to more than $9 billion in 1997. Cattle producers shipped beef to the United States in August for the first time in 63 years. Taking notice, foreign investors have entered the market with new production methods, including feedlot-raised beef to replace the huge herds that have historically grazed on the expanses of Argentine pampas. The shift to feedlots will produce grain-fed cattle that are larger and less lean than grass-fed cattle.

Hungarian-born U.S. billionaire George Soros is working with Cactus Feedlots of Amarillo, Texas to bring feedlots to Argentina. Cactus Feedlots is the second-largest feedlot company in the United States. The first feedlot planned will have a capacity of 100,000 head of cattle annually. In the meantime, Soros is grazing cattle on Argentine land that he owns and leases. Soros owns more than a million acres and 370,000 head of cattle in Argentina, as well as substantial real estate and shopping mall investments.

Larger operations will drive as many as half of Argentina's 600,000 smaller farmers out of business in the next few years, according to some observers. These smaller farmers own less than 750 acres each.

Howard LaFranchi, "The Pampas: Between Peril and Promise," THE WESTERN PRODUCER (from CHRISTIAN SCIENCE MONITOR), February 5, 1998; Ken Warn, "George Soros Joins Cattle Super-League," FINANCIAL TIMES, February 11, 1998.

ASIAN CRISIS HITS LATIN AMERICA

As Mexico reported a December trade deficit of $722 million, Argentina, Brazil and Chile also looked at widening trade deficits for 1997. The Asian financial crisis has driven down the prices of commodities that Latin America exports while improvement in some sectors of national economies has increased consumer demand for exports. For example, Argentina imported 340,000 pairs of shoes from Asia in July 1997, but the number had risen to more than 2 million per month by October and November.

In addition, Asian exports are taking U.S. market share from Latin American exporters, according to Mauricio Gonzalez, a director at the Mexico City economics firm Grupo de Economistas y Asociados. Mexican President Zedillo acknowledged in late January that the Asian financial crisis will toughen international trade competition.

Mexican Trade and Economy Minister Herminio Blanco announced in late January that Mexico would monitor any rise in Asian imports and impose compensatory tariffs if it found signs of dumping.

Even austerity measures, such as Brazil's dramatic response to the Asian crisis, may not be enough to counter the problems stemming from the Asian financial crisis. Brazilian planning minister Antonio Kandir said in a January interview with the daily newspaper O Globo that goods from Asian markets have become more competitive in recent months, and warned that "If it is necessary to adopt any measure related to our imports from Asia, the government will do it." Brazilian toy manufacturers complain of recent 30 percent discounts on Asian toy imports.

"Can Brazil Hold the Line?" THE ECONOMIST, January 31, 1998; Craig Torres, "Latins' Trade Picture is Worse Than Expected," WALL STREET JOURNAL, February 12, 1998; "Mexico to Watch Asian Imports, Attack Any Dumping," REUTERS, January 27, 1998; "Zedillo Sees Stiff Competition for Mexico Exports," REUTERS, January 26, 1998; "Brazil Mulls Raising Import Tariffs on Asian Products," KYODO NEWS INTERNATIONAL, January 27, 1998; "Asian Financial Crisis Expected to Slow Latin American Growth in 1998," NOTISUR, February 13, 1998.

SALMON STANDOFF

Although both governments accepted the reports of two special envoys for a settlement of the bitter U.S.-Canada salmon dispute, problems remain. David Strangway, an ex-president of the University of British Columbia, and William Ruckelshaus, former head of the U.S. Environmental Protection Agency, said that Canada's charge of U.S. over-fishing in the Pacific salmon fisheries is justified and called for changes. The envoys called for a government-negotiated deal, and said the United States should stop allowing its fishing industry to act as its negotiators.

Last year's salmon war included a Canadian blockade of an Alaskan ferry in the port of Prince Rupert and a mutual lawsuits between British Columbia and Alaska. Canadians charge that U.S. boats took 35,000 more Canadian salmon than they should have. While U.S. fisheries south of Canada are ready to make a deal, the Alaskan fisheries insist that they are entitled to all the salmon that they took. In addition to the U.S.- Canada dispute, northern salmon fisheries are being challenged by lower Chilean salmon prices.

Anthony DePalma, "On a Menu of Despair, Salmon is Just the Starter," NEW YORK TIMES, February 6, 1998; "Salmon Stand-Off," THE ECONOMIST, January 31, 1998.

TALKING TELEPHONE TRADE

MCI Communications, which has already invested $900 million in Avantel, a long-distance joint venture in Mexico, announced on February 5 that it will not invest a planned $900 million in additional funds due to inadequate regulation of former monopoly Telefonos de Mexico (Telmex). Telmex's monopoly of Mexico's $3.5 billion long-distance market ended in January 1997, but regulations require Avantel to pay what the company claims is 70 percent of its revenue to Telmex to use Telmex's network. Telmex officials maintain that interconnection rates are comparable to U.S. levels.

AT&T Corporation is continuing to invest in its Mexican unit, Alestra. AT&T, Grupo Financiero Bancomer, and Alfa will add $200 million this year to an initial investment of $700 million in the joint venture.

Craig Torres, "Mexican Regulatory Fight Spurs MCI Pullback," WALL STREET JOURNAL, February 5, 1998; "Joint-Venture Mexico Funds Halted by MCI," NEW YORK TIMES, February 6, 1998.

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LICHTINGER OUT AS NAFTA ENVIRONMENTAL HEAD

Victor Lichtinger, executive director of NAFTA's Commission for Environmental Cooperation, resigned on February 10, one day after firing the U.S. director Greg Block, accusing Block of leaking documents to the U.S. government. Block denied the charges.

Lichtinger, a Mexican national, was considered by critics to be "too environmental." Under Lichtinger, the CEC had investigated problems such as water supply in the U.S. Southwest and irregular Mexican permitting for construction of a cruise ship terminal in Cozumel. Lichtinger had also criticized lack of support for the CEC from U.S. Environmental Protection Agency Administrator Carol Browner.

Lichtinger remained unavailable for comment after his resignation, but observers said that his commitment to environmental issues had angered both the United States and Mexico. Sources close to Lichtinger said he was pushed out by demands to scale back the CEC programs. Under NAFTA's rotating nomination system, the United States will nominate a successor.

In other NAFTA-related environmental news, the Border Environment Cooperation Commission (BECC) on January 26 announced release of half a million dollars to fund seven master plan studies for environmental projects in border cities and rural areas in Mexico. The board of directors of the North American Development Bank on January 22 recommended $37 million in funding of four water and waste water projects on both sides of the U.S.-Mexico border by the U.S. Environmental Protection Agency grant program. Mexican Environment Secretary Julia Carabias praised bi-national projects initiated in 1997, but warned that water use could become a source of conflict if there is not better bi-national cooperation in the future.

Also on January 22, Canadian Environment Minister Christine Stewart announced that Canada will push for deeper air pollutant emissions cuts in negotiations for an annex to the 1991 Agreement Between the United States and Canada on Air Quality. The U.S. Environmental Protection Agency rule on ozone emissions is less stringent than the Canadian rule.

Kevin G. Hall, "Fired NAFTA Official: I Didn't Leak Info," JOURNAL OF COMMERCE, February 17, 1998; Kevin G. Hall, "Controversial NAFTA Official Resigns, Was Criticized for Environmental Focus," JOURNAL OF COMMERCE, February 12, 1998; "Official Says Canada Will Seek Deeper Cuts in U.S. Emissions in Upcoming Negotiations," INTERNATIONAL ENVIRONMENT REPORTER, February 4, 1998; "Commission Releases Funding to Develop Master Plans for Seven Mexican Projects," INTERNATIONAL ENVIRONMENT REPORTER, February 4, 1998; Mary Sutter, "Mexican Official Sees Potential Strife With U.S. Over Water Use Along Border," JOURNAL OF COMMERCE, February 20, 1998.

FTAA SUMMIT NEARS, AG AT ISSUE

The second Summit of the Americas, scheduled for Santiago, Chile on April 18-19, will proceed without U.S. fast-track negotiating authority in place. According to a January report by the Sistema Economico Latinoamericano (SELA), the lack of fast-track leaves talks at "a difficult and unusual juncture." (SELA is a regional body of 27 Latin American and Caribbean members.)

The vice ministers, who met in Costa Rica in mid-February, were unable to agree on the number of negotiating groups or the site of negotiations on the Free Trade Area of the Americas. Agriculture proved to be another major stumbling block, as Latin American countries, led by Brazil, insisted on a negotiating group specifically focused on agriculture and the United States resisted the proposal. Brazil wants to see nontariff barriers to agricultural goods eliminated. Jose Botafogo Goncalves, head of economic integration and foreign trade at the Brazilian Foreign Ministry, warned that, "Without agriculture, there won't be any FTAA."

Labor and environmental groups will hold an alternative "summit" in Chile, including protests against free trade agreements. Luis Bunney, of Chile's Central Unitaria de Trabajadores, called current negotiations for the FTAA "unacceptable given that it does not incorporate legitimate democratic, social, and environmental demands."

"Vice Ministers Fight Over Structure, Location of FTAA," AMERICASTRADE, February 19, 1998; "Vice Ministers Grapple With Consensus FTAA Objectives, Principles," AMERICASTRADE, February 19, 1998; "FTAA Officials Say Talks Must Offer Quick Results to Keep Interest," INSIDE U.S. TRADE, February 20, 1998; Kevin G. Hall, "Officials Make Progress in Forming a Framework for Americas' Trade," JOURNAL OF COMMERCE, February 12, 1998; Kevin G. Hall, "Crises Dim Prospects for Americas Free Trade," February 5, 1998; Estrella Gutierrez, "FTAA in the Slow Lane Without Fast-Track," INTERPRESS SERVICE, February 17, 1998; "Preparations Advance for Summit of the Americas, NOTISUR, February 27, 1998; "FTAA Snarled," WEEKLY NEWS UPDATE ON THE AMERICAS, February 22, 1998.

HAN YOUNG UPDATE

On February 18, a panel of U.S. Labor Department officials from the National Administrative Office heard the complaint of the Han Young maquiladora workers that the Baja California government illegally attempted to suppress their union and ignored safety rules. Witnesses told the panel that the Baja California labor board had violated Mexican labor laws and the Mexican constitution.

Safety violations included 46 violations found in a plant inspection by the Mexican Department of Labor and Social Welfare on January 28. Thirty-four of those violations had been identified as early as last June, but not corrected. Among the violations were leakage through the plant's roof, creating inch-deep puddles on the floor and submerging frayed power lines. Under NAFTA, the Mexican government could be fined up to 0.007 percent of its annual trade with the United States if it is found guilty of violating its own worker-safety laws. The maximum fine would be about $50 million, based on 1996 trade figures.

Irasema Garza, head of the U.S. Labor Department's National Administrative Office, said that the panel's findings will not be submitted for a month. She characterized the hearing as "an unprecedented level of scrutiny of Mexican labor law, contributing to a debate that's already existing in Mexico about labor laws."

After six months of organizing, Han Young workers voted 58-35 in October to form an independent union. The Baja government labor board rejected the vote, but finally recognized the union in December, after international pressure. The Han Young company management still refuses to deal with the union, and the labor board has never officially told the company to negotiate with the workers.

Dean Calbreath, "U.S. Officials Look at Baja Labor Strife," SAN DIEGO UNION-TRIBUNE, February 19, 1998.

LATIN AMERICAN TRADE TALKS

Directors of the Asociación de Estados Caribeños, which includes 25 Caribbean countries, met in February to discuss trade, tourism, and integration. "AEC members cannot eternally negotiate with the United States and Canada," said AEC secretary general Simon Molina.

Negotiating delegations from the Central American Common Market (CACM) and the Dominican Republic met in Costa Rica in February to discuss proposals for the Dominican Republic to join Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua in the CACM.

Meeting with representatives of the European Union on February 11-12 in Panama City, foreign ministers of the Rio Group, which includes Mexico, Panama, all South American countries except Surinam and Guyana, a representative from Central America, and a representative from the Caribbean, discussed trade and other issues. One of their primary concerns was Latin America's $3 billion trade deficit with the EU, but discussions also covered free-trade negotiations between the EU and Mexico and Chile, the effect of the EU's common currency on Latin American trade, and a planned EU-Rio Group presidential-level summit in March 1999. The EU and the Rio Group also discussed sustainable development issues, increasing poverty in the Americas, defense of human rights, and effects of the Asian crisis on the region, and criticized unlilateral U.S. trade measures, such as the Helms-Burton law.

While the United States was not a participant at the meeting, U.S. Assistant Secretary of State Thomas E. McNamara attended the gathering, lobbying for support for the U.S. proposal to create a regional anti-narcotics base in Panama.

"Region: European Union Pledges Increased Cooperation at Meeting With Rio Group," NOTISUR, February 20, 1998; "Caribbean & Central America Fortify Trade & Cooperation," ECOCENTRAL, February 26, 1998.

DRUG CERTIFICATION DECISION

In an exercise mandated by U.S. law but criticized around the world, President Bill Clinton certified 22 of the 30 countries considered top drug producers or trafficking areas as fully cooperating in the war against drugs. Mexico again received full certification in the February 26 decision, for the 12th year in a row, despite substantial questions about involvement of military and law enforcement officers in drug trafficking. Certification of Mexico was seen as politically necessary, because of strong U.S. political and trade ties through NAFTA.

Colombia, decertified in 1996 and 1997, had sanctions waived this year "for national security reasons," a ruling also applied to Cambodia, Pakistan and Paraguay. With the waiver in place, the United States will again approve international loans to Colombia and the U.S. Eximbank will finance trade deals. One-third of Colombia's $11 billion in exports go to the United States. The countries decertified but receiving no waiver were Afghanistan, Burma, Iran, and Nigeria.

Yadira Ferrer and Diego Cevallos, "Colombia and Mexico Satisfied With U.S. Decision," INTERPRESS SERVICE, February 26, 1998; Terry L. McCoy and Michael Kenney, "On Drugs, Latins Chafe at Uncle Scold," WALL STREET JOURNAL, February 20, 1998; "U.S. Lets Colombia and Mexico Off Drug Certification Hook," WEEKLY NEWS UPDATE ON THE AMERICAS, March 1, 1998.

NAFTA CASES MOVE SLOWLY

After the NAFTA secretariats on February 2 warned that a shortage of panelists is holding up review of trade cases, the United States, Canada and Mexico moved to find more candidates to serve on panels reviewing antidumping and countervailing duties cases. The NAFTA secretariats pointed out that delays violate NAFTA's promise of speedy review under Chapter 19. Because of the shortage of panelists, five cases had been suspended since last fall. Three cement-related cases have been resumed since the secretariat letter.

The U.S. secretariat has had difficulty because legally-required funding from the U.S. Commerce Department has not been provided. Each country is required to maintain a roster of 25 active, eligible panelists. Each panel consists of five panelists.

William New, "NAFTA Ministers to Move on Trade Cases After Secretariat Warnings," INSIDE U.S. TRADE, February 20, 1998.

CORN SUGAR AND CORN BROOMS

After Mexico finalized antidumping penalties on high fructose corn syrup (HFCS) imports from the United States on January 23, the U.S. Corn Refiners Association requested a dispute settlement panel under NAFTA. The association has also hinted at plans to pursue a case before the World Trade Organization.

The Mexican sugar industry argued successfully for imposition of antidumping duties, but the U.S. HFCS industry says that sugar and HFCS are not like products and so the Mexican sugar industry should not have been allowed to bring an antidumping case. HFCS is used in the soft drink bottling industry, where it takes the place of sugar. Despite imposition of the tariffs in June 1997, HFCS exports to Mexico have grown steadily.

In another NAFTA dispute, Mexico won a decision from an international arbitration panel striking down U.S. quotas and duties on Mexican handmade corn brooms. This is the first U.S.-Mexican trade dispute to go before an arbitration panel under NAFTA. The panel's recommendations are not binding.

The United States imposed quotas and countervailing duties on Mexican corn brooms to protect the 382 U.S. jobs in the corn broom industry in November 1996, saying U.S. broom makers needed time to adjust to Mexican competition. Jorge Treviño, president of the Mexican Corn Broom Manufacturers' Association, said that the 33 percent duties cut their profits and decreased imports by 15 percent in 1997. Mexican officials retaliated with duties on California wine, Tennessee whiskey, brand, wine coolers, notebooks, wooden furniture, fructose and flat glass.

U.S. Trade Representative Charlene Barshefsky said that the NAFTA panel decision on corn broom imports was based on "a narrow, technical flaw" involving the injury determination of the U.S. International Trade Commission.

"Corn Refiners Announce NAFTA Case Against Mexican Dumping Decision," INSIDE U.S. TRADE, February 20, 1998; Lowry McAllen, "Council: Mexico Soft Drinks to Use More Corn Syrup," AGWEEK, February 9, 1998; "U.S. Mulls WTO Case in Response to Mexican Ad Decision on HFCS," INSIDE U.S. TRADE, January 30, 1998; "USTR Underscores NAFTA Panel Decision on Corn Brooms to Have Virtually No Effect on U.S. 'Safeguard' Regime," OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE, February 12, 1998; Leslie Crawford, "Mexicans Celebrate Trade Victory Over U.S.," FINANCIAL TIMES, February 16, 1998.

RESOURCES/EVENTS

Information for Citizen Transboundary Action on the Environment/ Información Ciudadana Transfronteriza (INCITRA). Information and resource clearinghouse sponsored by La Red Fronteriza de Salud y Ambiente in Hermosillo, Sonora, Mexico and the Interhemispheric Resource Center in Silver City, New Mexico. INCITRA has published an 8-page listing of U.S.-Mexico Borderlands Sustainable Development Web Links, which will be updated regularly. Contact INCITRA at Box 2178, Silver City, NM 88062-2178; Tel. 505/388-0208; Fax 505/388-0619; email: incitra@zianet.com or Emilio Beraud 6A Col. Centenario, C.P. 83260, Hermosillo, Sonora; Tel. (62) 13-45-55; Fax (62) 12-59-20; email: lared@rtn.uson.mx. Web site: www.zianet.com/ircl/incitra

Environmental Degradations and Migration: The U.S. / Mexico Case Study. National Heritage Institute, December 1997. 40 pp. Color maps. $17.50. Analyzes land degradation as a cause of migration, in effort to "broaden understanding about the interrelationship between the social, economic, demographic, and natural resource management-related determinants of transnational migration." To order, contact Mexico Case Study, Natural Heritage Institute, 114 Sansome Street, Suite 1200, San Francisco, CA 94104; Tel. 415/288-0550; Fax 415/288-0555; email mls@n-h-i.org.

Vendiendo la Naturaleza, Los Impactos Ambientales del Comercio Internacional en América Latina (Selling Nature: The Environmental Impacts of International Trade in Latin America) by Eduardo Gudynas. Spanish. Soft cover, 252 pages. Published by Institute of Ecology at the Universidad de San Andres (La Paz, Bolivia), the German Agency for International Cooperation (GTZ), and the Latin American Center for Social Ecology (CLAES). Brief historical review of trade and environment in Latin America, conceptual framework for links between trade and environmental impacts, overview of actors and institutions, and case studies. Inquiries to Editorial del Instituto de Ecología, UMSA, Casilla 10077, Correo Central, La Paz, Bolivia; Fax 591 2 797511; email insteco@ie.rds.org.bo.

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CBI LEGISLATION BACK

This year, apparel industry representatives who seek reduced duties and expanded quotas on U.S.-Caribbean textile and apparel imports will go first to the U.S. Senate, rather than to the House of Representatives. Senate Majority Leader Trent Lott (R-MS) promised to try to schedule a vote on Caribbean Basin Initiative enhancement by April.

Lott is expected to approve only language limiting the trade preference to apparel goods assembled in the CBI region from U.S. fabric wholly composed of U.S. yarn cut in the United States (Section 807A program), or to U.S. fabric formed from U.S. yarn and sewn in the Caribbean with U.S. thread (809 program.) The American Apparel Manufacturers Association and U.S. retailers and importers supported a broader preference in last year's unsuccessful House bill.

"CBI Proponents See Senate as Place for Early Legislative Action," INSIDE US TRADE, March 6, 1998.

FOOD INSPECTION CONCERNS

While angered by the January CBS news feature on growing and working conditions in produce operations in Mexico and lax border inspections, importers of Mexican produce say they welcome Clinton administration plans to increase inspections of imported produce. Lee Frankel, president of the Fresh Produce Association of the Americas in Nogales, Arizona said that imported produce is already subject to more inspections than domestically grown produce.

Mexican trade officials said in early March that U.S. plans to tighten up inspections of food imports may trigger similar moves against U.S. exports. Luis Alacalle, trade attache at the Mexican embassy in Washington, warned that, "The U.S. needs to strike a balance between protecting the health of its citizens and measures that might become new trade barriers."

Dave Swenson, "Importers Welcome Government Eyes," THE PACKER, March 9, 1998; Dave Swenson, "Reports Anger Importers," THE PACKER, March 9, 1998; Leslie Crawford, Nancy Dunne and Ken Warn, "Mexico Warns on US Food Inspection Plans," FINANCIAL TIMES, March 6, 1998.

BAN ON CANADIAN CANOLA SEED

Canadian canola seeds treated with lindane will be banned in the United States under a new U.S. Environmental Protection Agency (EPA) ruling. The Canadian seeds cost about $10 less per acre than seeds treated with EPA-approved chemicals. The EPA pledged to harmonize U.S. and Canadian pesticide standards by the 1999 growing season, but farmers remained skeptical. Doug Lemieux, a canola farmer in North Dakota, said that, "The only thing we've harmonized is, we've harmonized my neighbors and me just about to extinction. And the chemical companies and the agribusinesses are getting big and fat and they're making beaucoup bucks."

Brian Witte, "Canola Seed," ASSOCIATED PRESS, March 11, 1998; Laura Rance, "Another Border Battle Brewing; Canadian Canola Seed Treatments Unwelcome in U.S.," MANITOBA COOPERATOR, February 12, 1998.

GROWING MEXICAN VEGETABLE EXPORTS

According to U.S. Department of Agriculture figures, Mexican exports of vegetables preferred by Asians, including gai lan, daikon radish, and Chinese eggplant, have nearly tripled from 5,700 tons in 1993 to 16,700 tons in 1997. While Mexican exports provide only a tenth of the volume of California- grown vegetables popular in Asian cooking, most of the California-grown vegetables come from family gardens and are distributed directly to immigrant-owned restaurants in the same community. Mexican producers are edging out Central American and Caribbean producers, and are a growing source of year-round supply for U.S. markets.

Imports of Mexican onions and melons continue to grow. Cantaloupe imports from Mexico to the United States totaled 3.34 million pounds in 1996, a 44 percent share of the U.S. import market, while honeydew imports were 1.67 million pounds. Onion imports grew from 2.62 million pounds in 1995, accounting for a 76 percent market share of U.S. imports, to 2.97 million pounds in 1996, a 93 percent market share.

Joel Millman, "Stir Fry: Mexican Vegetables in U.S. Woks," WALL STREET JOURNAL, March 5, 1998; Jim Offner, "Mexican Melon, Onion Imports Increase," THE PACKER, February 9, 1998.

RESOURCES/EVENTS

The Terror of the Machine: Technology, Work, Gender, and Ecology on the U.S.-Mexico Border by Devon G. Peña. Austin: Center for Mexican-American Studies, 1997. 460 pp. $19.95 paper, $45 cloth. Study of maquila workers in Ciudad Juárez includes lengthy transcribed interviews with workers and an account of the experiences of the Centro de Orientación de la Mujer Obrera. Order from University of Texas Press, P.O. Box 7819, Austin, TX 78713-7819.

The Transformation of Rural Mexico: Reforming the Ejido Sector, edited by Wayne A. Cornelius and David Myhre. Center for U.S. Mexican Studies, University of California, San Diego, 1998. 431 pp. $21.95 + $3.50 s&h. Reports on three-year, multidisciplinary research project involving scholars at Mexican, Canadian and U.S. institutions on process and impact of changes in Mexican agrarian codes and agricultural policies coinciding with the internationalization of commodities markets under NAFTA and GATT. Order from Tabee Gomez, Publications Distribution Office, Center for U.S.-Mexican Studies, UCSD, Dept. 0510, 9500 Gilman Drive, La Jolla, CA 92093-0510; Tel. 619/534-1160; Fax 619/534-6447; email usmpubs@weber.ucsd.edu.

Tracking U.S. Trade. Quarterly electronic publication monitoring and analyzing trends in U.S. trade with Latin America and the world. http://www.lanic.utexas.edu/cswht/tradeindex.html.

People's Summit of the Americas, April 15-18, Santiago, Chile. Sponsored by international organizations, led by RECHIP, the Chilean Network for an Initiative of the People. The meeting will parallel the presidential summit discussing the Free Trade Area of the Americas. Among other international organizations convoking the gathering are: Common Frontiers (Canada), Alliance for a Responsible Trade (U.S.), Mexican Network for Action Against Free Trade (RMALC-Mexico), Public Citizen (U.S.), Institute for Agriculture and Trade Policy (U.S.), Development GAP (U.S.), Canadian Labor Congress, AFL-CIO, CUT Chile and CUT Brazil. For information, contact RECHIP at email rechip@reuna.cl or chilesust@redc.cl.

5th Latin American Congress of Rural Sociology: "Globalization - For Whom? Toward an Inclusive Rural Development!" October 12-18, 1998 at the Autonomous University of Chapingo, Texcoco, Mexico. For further information, contact Concepción Sánchez Quintanar, Estudios del Desarrollo Rural. ISEL CP, Carretera México-Texcoco Km. 35.5, C.P. 56230, Montecillos, México. Telephone (595) 1-60-00, Ext. 1052; Fax (595) 1-16-06. Email: alasru@colpos.mx. See web page at http:// uam.cueyatl.mx/~alasru

CLOSER CUBA TIES

As Pope John Paul II visited Cuba in January, Central American and Caribbean countries continued to seek closer economic and political ties with Cuba, ignoring U.S. opposition to trade with Cuba. Guatemala resumed full diplomatic relations with Cuba at the end of January, just prior to the Pope's visit and in direct response to his plea for closer regional relations. Haiti reopened its embassy in Cuba in February. In the western hemisphere, only El Salvador, Paraguay, and the United States remain without diplomatic relations with Cuba.

Cuba and Grenada signed a bilateral agreement on economic and technical cooperation in April 1997, while Cuba and the Dominican Republic opened consulates in June 1997 for the first time since 1959. Cuba and Jamaica signed accords on tourism, investment, sports and cooperation on regional integration in June 1997 and Jamaica elevated its diplomatic relations from the consular to the ambassadorial level in August.

Direct U.S. pressure has blocked closer relations between Honduras and Cuba, according to U.S. Undersecretary of State Stuart Eizenstat. Even inside the United States, as the Helms-Burton law marked the end of its second year in force on March 12, there is increasing momentum to moderate policy toward Cuba, including a pending bill that would authorize sale of food, medicine, and medical equipment to Cuba. The influential, Washington-based Brookings Institution has held two major seminars on Cuba since January, and the U.S. Catholic Bishops Conference has urged an end to "the onerous and meaningless ban on direct flights to Cuba."

More than 50 U.S. business leaders attended a conference with Cuban officials on investment in Cuba. The conference, organized by the Washington-based Alamar Associates consulting group with authorization from the U.S. Treasury Department, began in Cancun, Mexico on March 5, and ended in Havana on March 6.

But in Washington, congressional staff of Senator Jesse Helms (R-NC) and Rep. Ben Gilman (R-NY) recommended in a 60-page report that members of Congress terminate talks with European Union aimed at resolving differences over the Helms-Burton law. The report blasted "Cynical Europeans who are willfully violating their own 'Common Position' on Cuba..." Undersecretary of State Stuart Eizenstat is urging members of Congress not to act on the report, saying that the United States and the European Union are making progress on talks.

On March 19, officials in the Clinton administration said that the administration would ease U.S. restrictions on aid to Cuba, direct charitable flights to Cuba, and allow Cuban-Americans to send $300 quarterly to each household in Cuba. The changes, made in response to requests by Pope John Paul II, will essentially return to practices that were in place in 1994. While Senator Jesse Helms had previously said he would introduce legislation to authorize similar changes, he was offended by the president's unilateral actions and may now oppose the changes.

Steven Erlanger, "U.S. to Ease Curbs on Relief to Cuba and Money to Kin," NEW YORK TIMES, March 20, 1998; "Central American and Caribbean Nations Improve Ties With Cuba," ECOCENTRAL, February 19, 1998; Jim Lobe, "Pope's Visit Revives Debate on Cuba," INTERPRESS SERVICE, February 25, 1998; "Growing Pains: Cuba Embargo Law Turns Two," WEEKLY NEWS UPDATE ON THE AMERICAS, March 15, 1998; Dalia Acosta, "U.S. Executives Against the Embargo," INTERPRESS SERVICE, March 11, 1998; "Helms, Gilman Staffers Urge End to Helms-Burton Talks With EU," INSIDE US TRADE, March 6, 1998.

IPR-PLANT PATENT DISPUTE

In a letter to the Inter-American Foundation in Washington, the Coordinating Secretariat of Organizations of Indigenous People from the Amazon (COICA), reiterated that group's opposition to a private individual patenting an allegedly new variety of the Ayahuasca plant, which he claims to have discovered on the land of an indigenous family in Ecuador. The letter explains the claim of COICA that the plant is both sacred to the indigenous people of the Amazon and the "collective property of Amazonian indigenous peoples." The dispute highlights the continuing conflict over patents and collective rights to genetic material.

So-called "Farmers' Rights," accepted by the U.N. Food and Agriculture Organization in 1985 and at the U.N. Earth Summit in Brazil in 1992, recognize the contribution of farmers to development and preservation of plant germplasm and requires that farmers share in benefits arising from the use of germplasm. The claim of the people represented by COICA, however, is not for a share in profits but for denial of privatization of germplasm through the patent process. Bills to recognize local citizens' ownership of native species and require sharing profits from exploitation of these species has been introduced in the Brazilian Senate, but has encountered opposition from agricultural scientists who say it will discourage research.

Meanwhile, the United States continues to push for stronger protection of intellectual property rights throughout Latin America. In January, Nicaragua and the United States signed a bilateral IPR accord, the fourth such accord in all of Latin America and the Caribbean, but the United States is negotiating with El Salvador and expects to reach an accord this year.

U.S. Ambassador James Creagan recently warned that Honduras "could lose some of its benefits under the CBI and the Generalized System of Preferences," unless that country acts soon to stop unauthorized reproduction of music goods, films and satellite signals. Imposition of sanctions has been delayed for several weeks to a few months in order to give the newly-inaugurated Honduran president an opportunity to act.

At the border between Paraguay, Brazil and Argentina, Paraguayan Ciudad del Este is notorious as a center for pirated and other illegal merchandise, with an estimated $12-14 billion worth of goods passing through the city each year. In addition to fake brand-name goods, weapons and arms are readily available. The U.S. Trade Representative designated Paraguay as a "priority foreign country" for review in January.

The International Intellectual Property Alliance on February 23 called on the U.S. Trade Representative to push Mexico to "beef up IPR enforcement," saying that if Mexico does not do so, the United States should bring a case under NAFTA. The IIPA complained that "the criminal justice system in Mexico simply does not work effectively to deter piracy."

Antonio Jacanamijoy and José Luis Jimbiquiti, "The Patent of the Sacred Plant Ayahuasca," LETTER FROM THE COORDINATING SECRETARIAT OF ORGANIZATIONS OF INDIGENOUS PEOPLE FROM THE AMAZON TO THE INTER-AMERICAN FOUNDATION, March, 1998; Danielle Knight, "Agriculture-Science: Beg, Borrow - or Steal," INTERPRESS SERVICE, January 23, 1998; Elizabeth Pennisi, "Brazil Wants Cut of Its Biological Bounty," SCIENCE, March 6, 1998; "Central American Countries and U.S. Discuss Troublesome Issues," ECOCENTRAL, March 5, 1998; Kevin G. Hall, "Conflicting Rulings in Argentina Cast Doubt on Nation's Piracy Status," JOURNAL OF COMMERCE, February 5, 1998; "Administration Decides to Delay IPR Trade Sanctions Against Honduras," INSIDE US TRADE, February 6, 1998; Ken Warn, "City of Fakes on Paraguay's Wild Frontier," FINANCIAL TIMES, February 4, 1998; IIPA Calls for Special 301 Review of Mexico, Possible NAFTA Panel," INSIDE US TRADE, February 27, 1998; "IIPA Charges Mexico, Canada Fall Short of NAFTA, TRIPS Obligations," AMERICASTRADE, March 6, 1998.

TRACKING FOOD TRADE

Consumers International, an umbrella organization of 225 groups around the world, urged that governments set up a database to track international trade in food and to prevent food judged unfit for consumption in one country from being dumped elsewhere. The organization says that the database is needed because of increasing privatization of food inspection, such as Australia's plan to privatize its meat inspection service.

Consumers International brought its proposal to a Melbourne, Australia meeting of Codex Alimentarius, the international body that sets food standards. Consumers International also objects to "equivalency agreements," such as the pending EU-U.S. agreement to recognize each other's health inspections for meat.

Alison Maitland, "Database to Track Trade in Food Urged," FINANCIAL TIMES, February 20, 1998.

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WTO TO INVESTIGATE CANADIAN MILK PRICES

The Dispute Settlement Board of the World Trade Organization will adjudicate a U.S-New Zealand challenge to the Canadian milk pricing system. Canadian dairy farmers negotiate prices through milk marketing boards, with the highest prices paid for table milk consumed in Canada and the lowest for industrial milk that goes into milk powder, cheeses, butter, and other products sold at home and abroad.

The United States maintains that a new Canadian practice of paying producers "blended pricing" for their exports rather than what they actually receive abroad will take away U.S. milk export markets and set a precedent that may be followed by other countries. New Zealand, while not a direct dairy export competitor with Canada, is concerned about the possible use of the Canadian practice as a precedent.

Courtney Tower, "Canadian Milk Pricing Policy to be Investigated by WTO Panel," JOURNAL OF COMMERCE, March 25, 1998; "U.S., New Zealand Challenge Canada Dairy Regime With WTO Panel," INSIDE US TRADE, March 27, 1998.

CANADA, CACM SIGN AGREEMENT

Canadian International Trade minister Sergio Marchi signed agreements with Costa Rica and with the Central American Common Market during the trade ministerial meeting in Costa Rica on March 18.

Canada and Costa Rica agreed in the Foreign Investment Promotion and Protection Agreement to protect and promote each other's investors. The Memorandum of Understanding signed with the Central American Common Market set more regular meetings between CACM members (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) and Canada to promote trade and investment.

Mexico is also increasing trade ties with Central America, as a free- trade accord signed by Mexico and Nicaragua goes into effect in July, if it wins approval by both countries' legislatures, and a Mexico-Panama accord is expected before the end of the year. Talks between Mexico and the Northern Triangle countries - Guatemala, El Salvador and Honduras - are going more slowly, but an accord is expected in 1999. A Mexico-Costa Rica free-trade accord took effect in 1995. Mexican trade with Central America climbed by 20 percent in 1997, reaching $1.582 billion, almost double the level in 1992.

"Canada Signs Agreements With Costa Rica and Central American Common Market in San José," CANADIAN DEPARTMENT OF FOREIGN AFFAIRS AND INTERNATIONAL TRADE, March 18, 1998; "Central American Trade With Mexico Grows, Despite Slow Progress in Free-Trade Negotiations," ECOCENTRAL, March 19, 1998.

RESOURCES/EVENTS

Massacre at Acteal: the Other Side of NAFTA, video by Kerry Appel, 16.5 Minutes, produced March 13, 1998. $10.00, plus $5.00 shipping. Summary of trip to Chiapas to buy coffee for the Human Bean Company. Arriving in Chiapas the day after the massacre, the producer found that there was no coffee to buy from the indigenous coffee cooperative because some of the coffee producers were dead, thousands were driven from their homes, and the progovernment paramilitary groups who did this to the people were stealing all the coffee from the dead and the refugees in order to buy even more guns. Examines the relationship of the United States to the massacre and the militarization and continuing violence in Mexico, as well as the role of the Mexican Army and other Mexican police forces in the development of the various paramilitary groups. Order from The Human Bean Company, 218 South Broadway, Denver, Colorado 80209. Phone/Fax (303) 871-9464; website http://www.netcom.com/~kappel1

NORTH AMERICAN POULTRY MARKET

Protected by supply management laws that average domestic and export prices and pay farmers a single, blended price for chickens, the Canadian poultry industry is still made up of comparatively small family farmers. In contrast, the U.S. poultry industry is mainly a contract-farmer industry dominated by giant agribusiness companies like Tyson, Conagra and Cargill, who own the chickens, supply the feed, and direct every detail of contract farm operation.

Canada protects its poultry producers against U.S. competition by tariffs (see "NAFTA Ruling Favors Canada," NAFTA & INTERAMERICAN TRADE MONITOR, July 26, 1996), avoiding the fate of Jamaican poultry producers. Jamaican producers, while not allowed to export chicken meat to the United States, face strong competition from U.S. imported chicken leg quarters, which sell for less than the Jamaican cost of production. Jamaican producers want to triple duties on imported chicken quarters to level the playing field, but the Ministry of Industry and Commerce says that increased protection might lead to complacency in the local broiler industry.

U.S. exports of poultry meat to Mexico, especially mechanically deboned meat and turkey parts, increased dramatically in 1997. The Mexican government issued duty-free import certificates for 80,000 tons of poultry meat during the first half of 1997. U.S. poultry producers sell 5 percent of their chicken meat exports and 40 percent of turkey meat exports to Mexican consumers, with duty-free access to the Mexican market set at 103,807 metric tons of poultry meat in 1997 under the provisions of NAFTA. The duty-free amount will increase by 3 percent yearly until 2003, when all duties will be lifted.

Courtney Tower, "Canada, US Chicken Farmers Are Not Birds of a Feather," JOURNAL OF COMMERCE, March 30, 1998; Neville Johnson, "Cheap Imports Killing the Poultry Industry," INTERPRESS SERVICE, December 30, 1997; Dulce Flores, "Poultry Exports Rebound With Mexican Economy," FEEDSTUFFS, March 16, 1998.

FTAA MINISTERIAL IN COSTA RICA

Ministers from 34 western hemisphere countries meeting in San José Costa Rica in mid-March set up a management structure to oversee talks for the Free Trade Area of the Americas (FTAA), establishing nine negotiating groups and agreeing that negotiations should begin by the end of June. The ministerial meeting in Costa Rica was the final preparatory meeting before the 34-nation Summit of the Americas in Santiago, Chile on April 18 and 19.

FTAA negotiations will begin in Miami and continue there until February 2001. Then the negotiating site will move to Panama City until February 2003 and then to Mexico City until 2005. Canada will chair the negotiations until October 1999, Argentina until April 2001, Ecuador until October 2002, and then the United States and Brazil will co-chair the talks until their conclusion in December 2004.

Agriculture is expected to be one of the most difficult areas of negotiation. Argentina will serve as the first chair for agriculture negotiations. Other negotiating groups include market access (chaired by Colombia), investment (Costa Rica), services (Nicaragua), dispute resolution (Chile), intellectual property (Venezuela), subsidies and anti-dumping (Brazil), competition (Peru), and government procurement (United States). A consultative group on small economies will be chaired by Jamaica. A joint business-governmental experts' committee on electronic commerce (to be chaired by CARICOM) will also be established. Chairmanships of committees will rotate every 18 months.

The ministers did not agree to U.S. proposals for a study group on labor and environmental issues, but rather decided to establish a committee of government representatives through which civil society can express concerns on labor, environmental, and academic issues. U.S. Trade Representative Charlene Barshefsky characterized the decision as a victory for the United States position, while Mexican Commerce Minister Herminio Blanco called it a success for Mexico's goal of keeping issues of labor and environment out of the negotiations.

While the United States may be handicapped in FTAA negotiations by the lack of fast-track negotiating authority, many Latin American participants now see this as a potential advantage for the region, making possible more balanced negotiations. U.S. Trade Representative Charlene Barshefsky claimed success for the United States in gaining key involvement at the beginning and the end of negotiations, with negotiations beginning in Miami and ending co-chaired by the United States and Brazil.

Mercosur also has reason to count the ministerial meeting as a success, having won for Argentina the chair's position on the agriculture committee. In addition, Brazil will co-chair the crucial final two years of the negotiation process with the United States.

The United States has consistently advocated early implementation of agreements reached in advance of 2005. Despite U.S. pressure, the final declaration only calls on negotiating groups to make "considerable progress" by the year 2000.

Business groups organizing the annual Business Forum of the Americas in San José closed all workshops to the public and to the media. After secret deliberations, the Business Forum presented its recommendations to the trade ministers. The recommendations included rejection of inclusion of non-business issues like labor and the environment and, ironically, a call for greater transparency. U.S. Trade Representative Charlene Barshefsky and presidential special advisor on Latin America Thomas "Mack" McLarty said they were not informed of the business group's decision in advance.

Leaders of more than 25 environmental groups from North, South, and Central America also met in San José to discuss a set of principles on environmental protection and sustainable development.

"Ministerial Declaration of San José Summit of the Americas Fourth Trade Ministerial Meeting," March 19, 1998; William New, "Trade Ministers Agree to Declaration Launching FTAA Next Month," INSIDE U.S. TRADE, March 20, 1998; Christine Pratt, "The Word is Free Trade, But Confusion Persists," TICO TIMES, March 13, 1998; "Barshefsky Hails Success of San José Ministerial," USIA, March 20, 1998; "Final FTAA Declaration Falls Short of At Least Two Key U.S. Demands," INSIDE U.S. TRADE, March 23, 1998; "Barshefsky Says Early FTAA Results Must Not Hurt Final Agreement," INSIDE U.S. TRADE, March 27, 1998; "FTAA Business Groups Split on Interim Deals, Standstill Commitment," INSIDE U.S. TRADE, March 23, 1998; Kevin G. Hall, "US, Brazil Keep Each Other on Tight Leash," JOURNAL OF COMMERCE, March 23, 1998; "Gephardt Calls for Strong Action on Labor, Environment in FTAA," INSIDE U.S. TRADE, March 20, 1998; Edgar Delgado and Ismael Venegas,"ALCA Proceso Sin Marcha Atrás," LA NACION, March 19, 1998; Marvin Barquero S., "Ministros Ante Escollos," LA NACION, March 19, 1998; Bill Rodgers, "U.S./Lat-Am Trade," VOICE OF AMERICA, March 24, 1998; Kevin G. Hall, "Call for Transparency Comes at Price of Closed Doors," JOURNAL OF COMMERCE, March 20, 1998; "Preparations Nearly Complete for Second Summit of the Americas," NOTISUR, March 27, 1998; Maricel Sequeira, "Ministers Open FTAA Talks to Civil Society," INTERPRESS SERVICE, March 20, 1998; Maricel Sequeira, "Trade Ministers Feel Heat From Both Sides," INTERPRESS SERVICE, March 19, 1998; Estrella Gutierrez, "US Lack of Fast-Track - From Crisis to Opportunity," INTERPRESS SERVICE, March 16, 1998; Kevin G. Hall, "Business Group Leaders Push Hard on Trade," JOURNAL OF COMMERCE, March 19, 1998; José Loria, "Electronic Commerce a Thorny Issue at Americas Free-Trade Negotiations," JOURNAL OF COMMERCE, March 17, 1998.

APPLE DISPUTE SETTLED

Mexican commerce officials agreed to suspend an anti-dumping investigation that effectively has barred U.S. apple exports to Mexico since September 1. Mexico, the largest export market for U.S. apples, imposed a 101.1 percent compensatory tariff on Red Delicious and Golden Delicious apples after complaints by Mexican growers alleging unfair competition.

Apple growers in the northwestern United States estimate that sales to Mexico dropped from 800,000 cases of apples between September 1996 and January 1997 to 32,000 cases between September 1997 and January 1998. The agreement reached between the apple growers and the Mexican commerce department included compliance with minimum pricing based on a three- year average of prices and documentation of apple shipments to avoid false invoicing. In effect, this agreement will raise apple prices for Mexican consumers and make it more difficult to sell lower grade, smaller size apples to Mexico.

Mary Sutter, "Mexico, U.S. Apple Growers Settle," JOURNAL OF COMMERCE, March 23, 1998; Paul Conley, "Late-Night Talks Reopen Market," THE PACKER, March 30, 1998; Tom Karst, "Apple Growers Choose Shaking Hands Over Junking Exports," THE PACKER, March 30, 1998.

BIOTECH CONTROVERSIES CONTINUE

Although European consumers continue to express a high degree of concern about genetically engineered or altered foods, the European Union appears to be slowly moving toward approval for import of various genetically modified organisms (GMOs).

On March 18, a European Commission spokesperson said that three gene corns and one gene-altered rape oilseed have been approved. Two of the gene corns produce a toxin known as Bt, which makes them resistant to the corn borer insect, while the third corn variety and the rapeseed are herbicide-resistant.

Last fall, the European Union blocked imports of U.S. corn on the grounds that it might contain non-segregated, non-approved, genetically modified grain. In the United States, genetically engineered soybeans accounted for about 15 percent of the soybean crop and 8-10 percent of the corn crop in 1997. Once harvested, the genetically engineered grains are not kept separate from other soybeans or corn. Tim Galvin, associate administrator of the USDA's Foreign Agricultural Service, estimated that the EU action cost U.S. farmers 80 million bushels in corn sales over the past six months.

Even the March 18 recommendation for approval of four GMO varieties may not ensure access to European markets this fall for U.S. crops, because many new varieties of genetically modified seeds are now being planted. U.S. farmers plan to plant GMO varieties for about 40 percent of all soybeans in this year's planting cycle.

Even when the EU allows imports of GMO grain, it will probably require labeling. Kendall Keith, president of the U.S. National Grain and Feed Association, says that labeling would be "a very expensive proposition for American producers," pointing out that "Once you start segregating grains, you'd have to do it all the way from the farmer to exporter."

Argentina and Brazil also are expected to begin planting large amounts of GMO seeds soon. GMO corn, soybeans, cotton, tobacco and sugar cane are already widely planted in experimental plots in Brazil, where a relatively weaker environmental lobby has been unable to win strict regulation of GMO experimentation. The Brazilian National Technical Biosecurity Commission (CTNBio) includes only a single consumer representative, with no other members from non-governmental organizations or the environmental movement.

Canadian canola producers were stung by European rejection of GMO canola exports in 1997. Canadian regulators approved the GMO canolas in 1995, but GMO canola remained strictly segregated until Japan, Canada's biggest canola customer, approved the transgenic imports in 1996. Canadians dropped the self-imposed segregation, expecting the European Union to follow Japan's lead and approve the imports. The EU did not, costing Canada access to the European market in 1997.

In early March, two Rhine barges were impounded in the Swiss city of Basle, on complaints lodged by Greenpeace and other environmental groups. Tests confirmed that the barges contained unapproved shipments of genetically altered corn.

The EU Commission and EU ministers and the EU Standing Foodstuffs Committee also have been debating regulations that require packaged food labels to state either that the foods do not contain GMOs, or that they may contain GMOs, or that they do contain GMOs.

U.S. agricultural giant Monsanto plans an advertising campaign to convince European consumers of the safety of genetically engineered foods. Tesco, Britain's largest supermarket chain, promises both continued country-of-origin labeling for beef and lamb and labeling of products that contain GMOs.

In addition to the battle over GMOs, the United States and Europe remain at odds over cattle fed with growth hormones. The EU is currently appealing the decision of a World Trade Organization panel that cattle fed with growth hormones are not hazardous and should be allowed in the market.

Agricultural goods are the largest U.S. export, with $60 billion in sales in 1996, an increase of 50 percent over 1990.

Robert Koenig, "EU Confronts the Genetics of Trade," March 30, 1998; Mario Osava, "Transgenic Foodstuffs Meet Weak Resistance," INTERPRESS SERVICE, February 2, 1998; "Grain Industry Wrestles With How to Proceed," MANITOBA CO-OPERATOR, January 1, 1998; "Loss of E.U. Canola Market Won't Hurt Prices," MANITOBA CO-OPERATOR, January 1, 1998; "USDA Sees EU Corn Sales Resuming Soon," REUTERS, March 26, 1998; "EU Says Approves Use of Four Gene-Altered Crops," REUTERS, March 18, 1998; "Glickman Backs Off EU Corn Import Statement," REUTERS, March 18, 1998; John Muggeridge, "Europe Braces for Biotech," FARM & COUNTRY, March 16, 1998; Stephanie Nall, "Food Fight: Safety Fears Grow Along With Trade," JOURNAL OF COMMERCE, January 5, 1998; Leslie Adler, "Monsanto Aims to Advertise Safety of Gene Foods," REUTERS, January 8, 1998; "Tesco CEO Says Plans Clearer Food Labeling," REUTERS, January 6, 1998; Gillian Handyside, "EU Gnawed by Worries Over Genetically Changed Foods," REUTERS, January 7, 1998; "EU Plan for Stricter Bio-Food Labeling Dealt a Blow," DOW JONES, January 15, 1998; "EU Science Body Approves Three Strains of Genetically Altered Corn," INSIDE US TRADE, February 19, 1998; "Swiss Find Banned Gene-Change Corn," REUTERS, March 6, 1998.

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HAZARDOUS WASTE BORDER CROSSING AGREEMENT

A spokesperson for Mexico's National Ecology Institute said in March that the maquiladora industry and the government have finalized an agreement simplifying procedures for transboundary movements of hazardous waste. Manufacturers will no longer need to ask government authorization for import of chemicals used as raw materials or for export of toxic residues that legally must be returned to the United States. Instead, a maquiladora will give the government a five-day warning of a proposed shipment through a computerized system. The customs service will monitor shipments.

Approximately 60 percent of the 2,000 maquiladoras located in the border area generate hazardous waste. After the year 2000, maquiladoras can dispose of the residues inside Mexican territory, provided that they give up their "foreign company" tax classification.

"Maquiladora Industry, Mexican Authorities Reach Agreement on Hazardous Waste," INTERNATIONAL ENVIRONMENTAL REPORTER, March 18, 1998.

SUGAR SOLUTION NO NEARER

U.S. and Mexican officials continue to negotiate the two issues of Mexican antidumping duties on U.S. high fructose corn syrup (HFCS) and Mexican requests for increased access to the U.S. sugar market. Mexico has asked that it be allowed to supply all sugar imports above a 1.17 million ton U.S. tariff-rate quota negotiated in the Uruguay Round. The United States regularly calculates supply and demand and allocates increased access, but has refused to consider any increase in Mexican market access until the HFCS problems are solved.

The U.S. Corn Refiners Association filed a Section 301 petition in early April, charging that the Mexican government has tolerated an agreement between the Mexican sugar industry and soft drink manufacturers limiting the use of HFCS in soft drinks. The U.S. Corn Refiners Association has also filed a dispute settlement petition under NAFTA's Chapter 19, challenging Mexico's imposition of antidumping duties on some HFCS imports.

"U.S.-Mexico Meeting Brings Scant Progress in Resolving Sugar Dispute," INSIDE U.S. TRADE, April 10, 1998; "Corn Refiners File 301 Case on Alleged Mexican HFCS Restraints," April 3, 1998; Mexico Tries to Force Negotiations on Increased Sugar Access to U.S.," AMERICASTRADE, March 23, 1998; "Corn Refiners 301 Petition Details Mexican HFCS Restraint Agreement,' INSIDE U.S. TRADE, April 10, 1998.

HIGH TECH JOBS MOVE SOUTH

High technology manufacturing jobs are increasingly moving south -- to border factories in Mexico and to "San José South" in Costa Rica. Intel Corporation is building a half-billion dollar computer chip factory in Costa Rica, from which it plans to export a billion dollars in chips during the first year, beginning this summer. Other high-tech investors include Taiwan's Acer Group, Microsoft, Motorola, DSC Communications, and Sawtek. Lucent Technologies is also negotiating to build in Costa Rica.

Costa Rica's chief export is still coffee, but duty-free zones offering tax incentives to foreign companies have increased industrial production. Local industrialists complain that they have to "compete in conditions that differ greatly from those enjoyed by the small and privileged group of companies operating in the free zones," according to Marco Vinicio Ruiz, president of the Costa Rican Chamber of Industry.

The gulf between manufacturers producing for export (six percent of businesses, employing 34 percent of the jobs in the industrial sector) mirrors the division between agro-export producers and the farmers who produce for local consumption. An annual report on the "State of the Nation" produced by the U.N. Development Program found that export-oriented agriculture has favored larger producers and non-traditional products, while "indirectly penalizing those who depend on traditional products, especially producers of basic grains."

While Costa Rica has a 94 percent literacy rate, 12,000 engineering students, and a high rate of computer usage, Mexican maquiladora are demonstrating that on-the-job training can be enough, by itself, to build a high tech work force. Thomson Televisores de Mexico SA formerly shipped televisions to Bloomington, Indiana to complete sophisticated circuitry work. Now all the work is done in Mexico, with Mexican workers replacing all of the 1,100 workers formerly employed in Indiana. According to Mexican government statistics, the average worker output in Juarez is a little more than $12,000 per year while workers earn only about $100 per week. Some 115,000 new maquiladora jobs were created in 1997, bringing the total to almost one million.

Joel Millman, "Costa Rica's Sales Pitch Lures High-Tech giants Like Intel and Microsoft," WALL STREET JOURNAL, April 2, 1998; Joel Millman, "High-Tech Jobs Transfer to Mexico," WALL STREET JOURNAL, April 9, 1998; Maricel Sequeira, "Winners and Losers of Export-Oriented Model," INTERPRESS SERVICE, March 13, 1998.

NEW U.S. VISA REQUIREMENTS CRITICIZED

Canadians and Mexicans who cross into the United States for very short-term visits criticized the new U.S. requirement for laser-readable, biometric visa cards. The laser visas are replacing the old border-crossing cards, used by Canadians and Mexicans who regularly visit within 25 miles of the U.S. border, staying for less than 72 hours at a time. The new cards will contain biometric information and require a fingerprint to pass through new equipment to be used at border crossings. Their stated purpose is to screen out criminals and illegal immigrants.

About five and one-half million Mexicans use the border-crossing cards for some 100 million crossings each year. Many cannot afford the $45 fee for the new laser visa. In addition to the $45 U.S. fee, applicants must show a valid passport, which costs about $50 in Mexico.

In addition to the financial burden on visa applicants, the logistical burden on the U.S. Immigration and Naturalization Service may be insurmountable. The machine needed to produce the new cards was not ready on time. Meeting the October 1, 1999 deadline for complete replacement of the old cards would require issuance of about six million visas in Mexico in an 18-month period - about the number the U.S. normally issues worldwide in a single year.

U.S. businesses in border cities fear that the new requirement will deter cross-border shoppers, who provide a significant portion of their income.

Sam Dillon, "In Mexico and the U.S., New Visa Produces Stress," NEW YORK TIMES, April 5, 1998; Jodi Bizar, "Laser Visas Could Chafe Border," SAN ANTONIO EXPRESS-NEWS, February 10, 1998; William Roberts, "Gramm Bill Would Speed Up Mexico Crossings," JOURNAL OF COMMERCE, March 27, 1998.

RESOURCES/EVENTS

Foreign Trade Information System - Sistema de Información al Comercio Exterior (SICE), website of the Organization of American States provides trade information about the Western Hemisphere, updated every Monday. Available in four languages. http://www.sice.oas.org

The FTAA, APEC & Agricultural Trade Reform, a seminar sponsored by the International Policy Council on Agriculture, Food & Trade on May 21, 1998 at the Radisson Barceló Hotel, Washington, D.C. Consideration of challenges of regional trade agreements for national agricultural trade policies and interface of regional and global approaches to trade liberalization. For further information, contact International Policy Council on Agriculture, Food and Trade, 1616 P Street, NW, Suite 100, Washington, DC 20036. Telephone 202/328-5056; fax 202/328-5133; email bobin@rff.org; internet www.agritrade.org

NAFTA TRANSPORTATION ISSUES

The U.S. Department of Transportation has blocked compliance with NAFTA provisions requiring opening of borders to cross-border long-distance trucking since 1995, citing concerns over safety and insurance and drug trafficking. At an early March meeting of the NAFTA Land Transportation Standards Subcommittee (LTSS), Mexico said it would allow U.S. transportation officials to conduct "on-site review" of safety record monitoring procedures put in place by Mexico. The United States wants to review data exchange capability between U.S. and Mexican transport authorities, Mexican vehicle inspection systems, and Mexican safety oversight programs. Even if the review approves all of these programs, U.S. Department of Transportation officials say that other issues remain, including regulation of the small-package delivery industry.

Some Mexican truckers have found a way to get around U.S. regulations, at least in Southern California, as they lease vehicles, drivers and trailers to U.S. companies. The arrangements have allowed Mexican nationals to drive trucks directly to Los Angeles, and may spread to Texas as well. "As long as the border remains closed," said Linda Bauer-Darr, vice president of international affairs for the American Trucking Association, "people are going to have to find complicated arrangements to deliver the freight." U.S. Department of Transportation officials say such leases are not legal.

Mexican trucking companies, some of whom invested heavily in modern equipment in full compliance with U.S. safety requirements, are impatient with continued U.S. delays in implementing the NAFTA provisions for cross-border trucking. California, which built two new inspection facilities to be ready for the 1995 changes, has also pushed for implementation.

Meanwhile, Laredo and Nuevo Laredo suffer daily delays, with miles-long lines of tractor trailers backed up and waiting to cross. Nearly a million trucks cross the three Laredo bridges each year, and the traffic is expected to double by 2010.

Operation Brass Ring, begun by the U.S. Customs Service in January as an all-out effort to stop the flow of narcotics into the United States, has further delayed cargo shipments across the border. Senator Phi Gramm (R- TX) recently introduced a bill to give the U.S. Customs Service $350 million over the next two years to hire 1,700 more inspectors and agents and to purchase high-tech equipment for border inspections. Drive- through X-ray machines that can check an entire truck have often uncovered drugs in truck trailers and tires, as well as in false compartments. Truckers welcome the use of X-ray machines as an alternative to Customs drilling into their trailers, leaving holes that can increase risk of water and weather damage, and also because the X- ray technology can dramatically cut inspection time.

While trucks carry most cross-border trade, and have suffered most from inspection delays, railroads are not immune from inspections. and delay. Acting U.S. Customs Commissioner Sam Banks said in early March that the agency will begin stricter inspections of rail carriers, affecting Union Pacific Railroad, Texas-Mexican Railway and Burlington Northern and Santa Fe Railroad crossings at Laredo, Eagle Pass, and El Paso, Texas. While no drugs have been seized from rail cargo at the border during the past three years, Customs officials say they have evidence that some drugs have been moved by rail.

With 5,500 railroad cars backed up all the way to Kansas, Union Pacific threatened a moratorium on southbound shipments through Laredo, Texas in late March. Union Pacific, which handles 80 percent of rail traffic across the border, said it would continue carrying autos, auto parts and containerized freight, but will not ship chemicals, plastics, coal, grain, and a wide range of other products. Union Pacific's problems date from its acquisition of Southern Pacific in 1996, though the company blames delays in Mexico for the current tie-up. Transportación Ferroviaria Mexicana, which picks up its cars at the border, blamed Union Pacific and said the embargo "comes at the expense of NAFTA traffic between the United States and Mexico.

U.S. Secretary of Agriculture Dan Glickman urged the Surface Transportation Board to intervene in the Union Pacific Embargo, citing its effect on U.S. grain trade moving through Laredo. Union Pacific responded that shippers can easily route cargo through other southbound border crossings, and called on Glickman to negotiate with Mexican officials for reduced agricultural inspections on the international rail bridge. Glickman noted that a U.S. Department of Agriculture survey found that a third of U.S. crop reporting districts lost carrier choices between 1992 and 1996.

Scott Oteman, "U.S. Planning to Conduct 'On-Site Review' of Mexican Truck Safety," INSIDE U.S. TRADE, March 20, 1998; Kevin G. Hall, "US Government Officials Troubled by Mexican Truckers' Use of Loophole," JOURNAL OF COMMERCE, February 26, 1998; Bill Mongelluzzo, "Mexican Truckers Use Leases to Skirt Nafta Barriers," JOURNAL OF COMMERCE, February 25, 1998; Bill Mongelluzzo, "Trade Takes a Back Seat to Law Enforcement," JOURNAL OF COMMERCE, March 30, 1998; Sam Howe Verhovek, "Trade Pact Brings Drug Searches and Traffic Jams," NEW YORK TIMES, March 20, 1998; Kevin G. Hall, "High-Tech Tools Let Agents Draw a Bead on Drugs in a Matter of Minutes," JOURNAL OF COMMERCE, March 19, 1998; William Roberts, "Gramm Bill Would Speed Up Mexico Crossings," JOURNAL OF COMMERCE, March 27, 1998; Kevin G. Hall, "Border Trade Grows - And So Does Congestion," JOURNAL OF COMMERCE, March 18, 1998; Kevin G. Hall, "Rails Face Anti-Drug Restrictions, JOURNAL OF COMMERCE, March 5, 1998; Allen R. Myerson, "Union Pacific Halts Some Traffic to Mexico," NEW YORK TIMES, March 26, 1998; Rip Watson, "Glickman Urges STB to Block UP's Embargo of Mexico-Bound Grain," JOURNAL OF COMMERCE, March 31, 1998; Rip Watson, "UP Sees Continued Delays in Service," JOURNAL OF COMMERCE, March 25, 1998.

SUMMITS OF THE AMERICAS BEGIN

As the Summit of the Americas opens in Santiago, Chile on April 18, heads of state from 34 of the hemisphere's 35 countries will find social organizations and union federations already holding a Peoples' Summit of the Americas on April 15-18. The groups include the Canadian Labor congress, the U.S. AFL-CIO, the Mexican Action Network on Free Trade (RMALC), and Brazil's Workers Central (CUT).

In addition to its primary focus on economic integration and free trade through the Free Trade Area of the Americas, a voluminous Plan of Action to be approved by the presidents will include proposals on education, preservation and strengthening of democracy and human rights, and eradication of poverty and discrimination. The Summit documents will include pronouncements on drug trafficking and political corruption. According to Costa Rican Foreign Ministry director of foreign policy, Luis Solis, "The final draft will reflect the widespread concern in Latin America over unilateral certification regimes, no t only for drug trafficking, but also for human rights and the environment."

Noting that the Uruguay Round negotiations were launched without fast- track authority in place, Deputy U.S. Trade Representative Richard Fisher told the House Ways & Means trade subcommittee on March 31 that the United States can proceed with FTAA negotiations without having fast-track in place. Fisher also said that having a separate negotiating group on agriculture will help to open foreign agricultural markets. Some U.S. agricultural interests fear that a separate negotiating group could force the United States to give up market access to foreign imports in exchange for gaining access for U.S. exports.

According to a U.S. Department of Agriculture study released March 26, U.S. farmers would gain little under the proposed Free Trade Area of the Americas. The study forecasts an increase of less than one percent in U.S. farm income under FTAA. Agricultural exports would increase by $580 million, but agricultural imports would increase by $830 million. Increases in U.S. farm income are predicated on increased efficiency.

"Chile Set for Summit, Counter-Summit," WEEKLY NEWS UPDATE ON THE AMERICAS, April 12, 1998; Gustavo Gonzalez, "Environment, Drugs and Labour - Touchy Issues at Summit," INTERPRESS SERVICE, April 6, 1998; Maricel Sequeira, "In Search of a Multilateral Certification System," INTERPRESS SERVICE, April 8, 1998; Gustavo Gonzalez, "Summit Aims for More Than Commercial Integration," INTERPRESS SERVICE, April 7, 1998; "Crane Subcommittee Blasts Fisher on Fast Tack, FTAA Progress," INSIDE U.S. TRADE, April 3, 1998; "Trade Pact Iffy for Farmers," THE WESTERN PRODUCER, April 2, 1998.

U.S.-CANADIAN WHEAT DISPUTES

In a March 25 letter from U.S. Trade Representative Charlene Barshefsky and U.S. Agriculture Secretary Dan Glickman, the United States formally requested an audit of the Canadian Wheat Board pricing practices. Although Canada does not oppose the audit, U.S. and Canadian officials have not agreed on U.S. demands that the audit be broadened by inclusion of both durum wheat sales and "other spring wheat," and that the audit include a price definition that would increase the acquisition price paid by the CWB. Canada wants to continue to use the acquisition price definition upheld on February 8, 1993 by a dispute settlement panel in the U.S.-Canada Free Trade Agreement.

Shipments of U.S. wheat to Canada under a pilot program allowing the grain to be sold to Canadian grain silos without having an identified end-user have not yet begun. The delay is attributed to continuing disputes over phytosanitary regulations, including the Canadian requirement for tests for karnal bunt disease and a certificate stating that the crop originates in an area free of TCK smut and another virus.

"U.S., Canada Clash on Market Access, Wheat Board Pricing Audit," INSIDE U.S. TRADE, April 3, 1998; Charlene Barshefsky, "Administration Letter on Wheat," INSIDE U.S. TRADE, November 11, 1997.

NAFTA & Inter-American Trade Monitor is produced by the Institute for Agriculture and Trade Policy, Mark Ritchie, President. Edited by Mary C. Turck. Electronic mail versions are available free of charge for subscribers. For information about fax subscriptions contact: IATP, 2105 1st Ave. S., Minneapolis, MN 55404. Phone: 612-870-0453; fax: 612-870-4846; e-mail: iatp@iatp.org. The Spanish version of this news bulletin, El Monitor de NAFTA y Comercio Interamericano, and a searchable archive of all back issues is available at: http://www.newsbulletin.org To subscribe/unsubscribe to the email version of this news bulletin, send email to: listserv@iatp.org. Leave the subject blank. In the body of the message type: subscribe nafta_monitor

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People's Summit

Parallel to the official Summit, more than 800 leaders of the main union, environmental, indigenous, rural workers, women's and human rights groups in the hemisphere met at a "People's Summit of the Americas" in Santiago. Themes of their discussion included human rights, indigenous peoples, environment, and women.

The purpose of the People's Summit was to afford an opportunity for participation and expression of civil society, particularly through unions and non-governmental organizations from throughout the hemisphere. Organizers and participants agreed that the official Summit and the process moving toward a Free Trade Area of the Americas was undemocratic and unrepresentative. The People's Summit proposed that all free trade agreements be approved by a plebiscite in each country and that a permanent Parliament of the Americas be established. The Parliamentary Forum of the People's Summit, including legislators from several Latin American countries, called for Cuba to be included in the continental integration process.

The People's Summit declared that any trade agreement must be conditioned on ratification of a social, labor and enviornmental rights charter for civil society, and on the inclusion in this charter of provisions on ethics and on respect for ethnic minorities and women.

The Women's Forum of the People's Summit declared opposition to the FTAA and criticized globalization, neo-liberalism and opening up of regional economies as factors that tend to increase the feminization of poverty and push more women into the informal economic sector.

The Environmental Forum warned that "the FTAA process is incompatible with the principles and criteria of sustainable development." Ecologists said that the FTAA "intensifies the expropriation of genetic resources, the destruction of the natural ecosystems, environmental degradation in agricultural and urban areas, environmental degradation and the violation of the individual and collective citizen rights of present and future generations."

"Paradoxically," they continued, "the preservation of food security, the protection of knowledge and the collective use of biodiversity, the sustainable use of the ecosystems and the existence of fair and equitable systems for the distribution of the benefits obtained from natural resources, are today considered to be limitations on trade."

Hugo Guzmán, "Intensos Debates en la Cumbre de los Pueblos," LA NACION, April 17, 1998; Paulina Vega, "Cumbre Sindical Criticó el ALCA," LA NACION, April 17, 1998; "La Otra Cumbre," LA NACION, April 17, 1998; Wesley Gibbings, "Social Issues and Women Find a Place on Summit," INTERPRESS SERVICE, April 18, 1998; Alejandro Gomez, "Parliamentary Forum Calls for Inclusion of Cuba," INTERPRESS SERVICE, April 18, 1998; Gustavo Gonzalez, "Alternative Women's Forum Reflects Diversity," INTERPRESS SERVICE, April 18, 1998; Gustavo Gonzalez, "FTAA Incompatible with Sustainable Development," INTERPRESS SERVICE, April 19, 1998; "Trade and Education Top Commitments at Summit of the Americas," NOTISUR, April 24, 1998.

SPECIAL REPORT: SUMMITS OF THE AMERICAS

Presidential Summit

The Summit of the Americas, held April 17-19 in Santiago, Chile, focused officially on four themes: education; democracy, justice and human rights; economic integration and free trade; and eradication of poverty and discrimination.

U.S. President Bill Clinton came to Chile in a weakened political condition, having lost the battle for fast-track and having been unable to fulfill his promise to admit Chile to NAFTA. Nonetheless, he promised his fellow-presidents that, even though the United States does not yet have fast-track, it will have fast-track in the future, and urged them to "be patient" with the United States. Argentine Secretary of International Economic Relations warned that the Free Trade Area of the Americas is at risk of becoming only a paper agreement unless the United States passes fast-track legislation within a short time.

As expected, the Summit ended with a declaration launching negotiation for a Free Trade Area of the Americas, to be completed by 2005. The FTAA will cover nearly a billion consumers in countries with a combined gross domestic product of $10 trillion. Canada will chair the first session of negotiations and then will host the third Summit of the Americas, in 2001 or 2002.

The Caribbean nations formally requested an end to the exclusion of Cuba from hemispheric diplomatic fora, and asked that an invitation be extended to Cuba for the next summit. The request was formally presented by Barbados Prime Minister Owen Arthur. Canadian Prime Minister Jean Chrétien announced that he would travel from the Summit to Cuba. The United States made no reply to the Caribbean initiative. Much of the behind-the-scenes discussion among the 34 presidents and their foreign ministers focused on Cuba, the only nation in the hemisphere not invited to the Summit. Canada, Mexico and Barbados hinted that they may seek Cuba's readmission into the Organization of American States.

Cuban President Fidel Castro, speaking in Cuba at the International Women's Solidarity Meeting, called for a Latin American and Caribbean integration process that will "do away with neoliberalism, but continue moving towards globalisation." According to Castro, "Shouting 'down with globalisation' is like shouting 'down with the law of gravity." He warned against the "hegemonic dominion" of the United States over international lenders and said that the Free Trade Area of the Americas will increase Latin American and Caribbean dependence on the United States.

The countries assembled at the summit agreed to establish a multilateral "Alliance Against Drugs" to combat drug trafficking. Latin American countries saw the system as a way to get the United States to halt its unilateral, and universally hated, system of certification of its Latin American allies as cooperating or not cooperating in anti-drug efforts. Barry McCaffrey, head of the White House Office of National Drug Control Policy warned that the new system does not guarantee an end to U.S. certification. The new system will emphasize cutting U.S. drug consumption as well as Latin American drug production. After a private 27-minute meeting between U.S. President Clinton and Colombian President Ernesto Samper, Samper told reporters that relations had once again been normalized. The United States previously withdrew Samper's visa because of allegations that he received campaign funds from drug traffickers.

On the summit theme of education, an 80-page Hemispheric Plan of Action for Education received a promise of increased funding over the next three years from the World Bank and International Development Bank. (The amount of the funding was variously reported as $6.1 billion, $8.3 billion, $45 billion, and $83 billion.) The education plan will be based on four principles of equity, quality, relevance and efficiency. Its goals include availability of elementary education for 100 percent of the population by the year 2010, and availability of secondary education for 75 percent of the population by that time, as well as upgrading teaching standards, improving teacher training, and providing schools with the latest technology.

The Inter-American Development Bank reports that Latin American workers have completed an average of only five years of school, compared with nine in East Asia and 12 in the United States. According to Robin Rosenberg, deputy director of the University of Miami's North-South Center and an advisor to the U.S. delegation to the summit, "Businesses have identified education as a key component of competitiveness - they can see the one thing holding them back is the weight of the masses on their backs."

The Summit also created a Special Rapporteur for Freedom of Expression, who will be located in the OAS Human Rights Commission and will receive press complaints against governments and will issue reports on freedom of the press.

Eduardo Sepulveda M., "La 'Timidez" del Gigante," EL MERCURIO, April 19, 1998; "Presidentes Lanzan Alca, Pese a Discrepancias," EL MERCURIO, April 19, 1998; "Clinton y Frei Abrieron la II Cumbre de las Américas," EL MERCURIO, April 19, 1998; "Ausencia de "Fast Track" Ayuda a Relaciones Hemisféricas Equilibradas," EL MERCURIO, April 19, 1998; "Evaluar Calidad de Enseñanza, Eye del Plan de Educación," EL MERCURIO, April 19, 1998; "Educación en América: Pilar Basico de la II Cumbre," EL MERCURIO, April 19, 1998; "Americas' Leaders to Launch Anti-Drug Alliance," NEWS REVIEW (Chile), April 15-17, 1998; Andres Oppenheimer, "Summit Ends With Alliance Against Drugs," MIAMI HERALD, April 20, 1998; Katherine Ellison, "Latin Summit's Focus: Educating Kids," MIAMI HERALD, April 13, 1998; Larry Waterfield, "U.S., 33 Other Nations Pledge ot Expand Agreement," THE PACKER, April 27, 1998; Susan Ferriss, "Leaders Pledge Trade, Social Reforms at Summit of the Americas," SAN FRANCISCO EXAMINER, April 19, 1998; "The Road From Santiago," THE ECONOMIST, April 15, 1998; Jane Bussey, "Hemisphere 98," THE HERALD, April 13, 1998; John M. Broder, "Clinton Urges Latin America to 'Be Patient' on Free Trade," NEW YORK TIMES, April 17, 1998; Kevin G. Hall, "Nations Launch Free- Trade Talks, Now Must Chart a Direction," JOURNAL OF COMMERCE, April 21, 1998; "34 Nations Plan Huge Free Market," SAN FRANCISCO CHRONICLE, April 20, 1998; Tom Raum, "Clinton Urges Chile: 'Be Patient With Us,'" BOSTON GLOBE, April 17, 1998; Anthony Faiola and Steven Pearlstein, "U.S. Faces Bolder Latin America," INTERNATIONAL HERALD TRIBUNE, April 17, 1998; Gustavo Gonzalez, "Chile in Favor of Reincorporation of Cuba," INTERPRESS SERVICE, April 17, 1998; Gustavo González, "Education: 20 Billion Overhaul of System," INTERPRESS SERVICE, April 17, 1998; Estrella Gutierrez, "Asymmetric Trade Negotiations Get Underway," INTERPRESS SERVICE, April 16, 1998; Yadira Ferrer, "DRUGS-AMERICAS: Colombian Offensive for Multilateral Mechanism," INTERPRESS SERVICE, April 16, 1998; Celina Zubieta, "FTAA a Counterweight to NAFTA for Central America," INTERPRESS SERVICE, April 17, 1998; Dalia Acosta, "FTAA Means Dependence on US, Castro Says," INTERPRESS SERVICE, April 17, 1998; Gustavo González, "Drug Plan Set for Slow and Difficult Lift Off," INTERPRESS SERVICE, April 17, 1998; Wesley Gibbings, "Social Issues and Women Find a Place on Summit," INTERPRESS SERVICE, April 18, 1998; Alejandro Gómez, "Leaders Confirm Creation of FTAA by 2005," INTERPRESS SERVICE, April 19, 1998; "Trade and Education Top Commitments at Summit of the Americas," NOTISUR, April 24, 1998; "Recomendaciones y Propuestas Ciudadanas," FORO AMBIENTAL CUMBRE DE LOS PUEBLOS DE AMERICA, April, 1998.

Other Agreements

President Clinton arrived in Chile early, combining a state visit with his participation in the Summit of the Americas. President Clinton and Chilean President Eduardo Frei signed a joint declaration creating a bi- lateral commission to deal with commercial and investment issues, and an agreement on educational cooperation.

Chile and Mexico signed new free trade accords at the Summit of the Americas, expanding on the agreements signed in 1992. Since the 1992 agreement, trade between Mexico and Chile has grown to an annual $1.452 billion, six times the 1992 trade level.

Chile also signed a new accord with the countries of Central America at the Summit of the Americas, pledging to seek greater commercial ties.

Just before the beginning of the Summit, Mercosur and the Andean Community signed an accord on April 14 in Buenos Aires, pledging to work toward free trade by the end of the year 2000. Mercosur, the Southern Common Market, includes Argentina, Brazil, Paraguay and Uruguay as full members and Chile and Bolivia as associates. The Andean Community includes Bolivia, Colombia, Ecuador, Peru and Venezuela.

Luis Fromin D., "Danza de Millones," EL MERCURIO, April 19, 1998; "Chile Es Segundo Mercado Para México," EL MERCURIO, April 18,1998; "Chile Negociará un Acuerdo Comercial con Centroamérica," LA TERCERA, April 18, 1998; "Países Andinos y Mercosur Impulsan Libre Comercio," EL MERCURIO, April 15, 1998; "Chile y Estados Unidos Crean Comisión Bilateral de Comercio," LA VOZ DE LA LIBRE EMPRESA, April 17, 1998; "Chile Afianza Integración Comercial en América Latina,"LA VOZ DE LA LIBRE EMPRESA, April 17, 1998.

Arms Trade

During the Summit of the Americas, Mercosur (the Southern Common Market made up of Argentina, Brazil, Uruguay and Paraguay and associate members Bolivia and Chile) announced a subregional accord to combat the illegal traffic in arms and munitions. Colombian President Ernesto Samper warned that illicit traffic in arms continues to increase and that the traffic, including terrorists and narco-traffickers, affects even countries that are not directly affected by narco-trafficking, such as Brazil and Paraguay.

Chilean Foreign Relations Minister José Miguel Insulza cited the particular problems of Ciudad del Este and Foz de Iguazú, known as the "triple frontier." The area, near Chile's border with Argentina, Brazil and Paraguay, has major problems in arms sales, illegal immigration, car theft, money laundering, production and sale of false papers, and other areas of illegal activity.

Official weapons trade was also a topic at the summit. Speaking of the need for greater transparency in hemispheric arms trade, Insulza said that the planned purchase of half a billion dollars in airplanes from the United States by the Chilean Air Force must be kept in perspective as an investment for the next 15 years. The planned Chilean purchase was in the news as President Clinton brought an offer to sell F-16 or F-18 planes to the Chilean Air Force.

While praising U.S. airplanes as "the best from a technical point of view and for their price," Jeffrey Davidow, U.S. Assistant Secretary of State for Inter-American Affairs, told Chilean reporters that "President Clinton is not an airplane salesperson."

Canadian Prime Minister Jean Chrétien highlighted the importance of ratification of the international convention for the control of antipersonnel mines by all nations of the hemisphere.

"Mercosur Acordó Luchar Contra Tráfico de Armas," EL MERCURIO, April 19, 1998; Juan Andrés Quezada, "Clinton No Es Vendedor de Aviones," LA TERCERA, April 19, 1998; "Clinton Elogiará en Chile Transición a Democracia," EL MERCURIO, April 15, 1998.

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SUGAR CASE SET

U.S. Special Ambassador for Agriculture Peter Scher told U.S. sugar producers in early May that sugar disputes with Mexico remain far from settlement. Scher characterized the Mexican position as a demand to supply all U.S. sugar needs above a multilateral tariff-rate quota, and said this demand is unreasonable. Both the United States and Mexico, however, hope to avoid a formal NAFTA dispute resolution process on the issue.

On May 7, the United States formally notified Mexico that it will challenge Mexican antidumping duties on High Fructose Corn Syrup in the World Trade Organization.

"U.S., Mexico Far From Sugar Deal as U.S. Launches WTO Case on HFCS," INSIDE U.S. TRADE, May 8, 1998; "U.S.-Mexico Talks Fail to Resolve Conflicting Views on Sugar Access," INSIDE U.S. TRADE, April 24, 1998.

CANADIAN LUMBER

British Columbia delayed a planned reduction in the fees paid by firms for cutting timber in order to consult with the U.S. government to avoid a battle for Canada over the terms of the 1996 U.S.-Canada softwood lumber agreement. The agreement came as a resolution of charges by the United States that Canada subsidizes its forest industry by charging lower stumpage fees than U.S. producers pay.

In a separate issue, the U.S. Customs Service last year classified studs with pre-drilled holes in a category outside those covered by the lumber agreement, calling the studs carpentry and joinery. Imports of Canadian pre-drilled studs rose significantly after the Customs decision. After pressure from U.S. producers, the Customs Service on April 15 changed the ruling and effectively placed the studs under the lumber agreement.

Canadian lumber mills producing the studs want to challenge the Customs decision, and other lumber firms fear that Customs might reclassify other value-added lumber products. They want to renegotiate the lumber agreement and increase the quota on Canadian exports to the United States, but U.S. industry representatives oppose any changes in the five-year agreement. Canadians believe that the Customs decision reversal is subject to legal challenge.

Edward Alden, "US Customs Ruling Reignites Lumber Dispute With Canada," FINANCIAL TIMES< April 15, 1998; "Canadian Industry Divided Over U.S. Lumber Classification Change," INSIDE U.S. TRADE, May 8, 1998; "Canadian Province to Delay Cut in Stumpage Fee to Consult With U.S.," INSIDE U.S. TRADE, March 27, 1998.

RESOURCES/EVENTS

Four Years After the InterAmerican Development Bank Eighth Replenishment: An Assessment From a

NGO Perspective, Bank Information Center - USA and Instituto del Tercer Mundo - Uruguay, March 1998. 15 pp. Available in Spanish or English. Includes case studies in evaluation of Bank's progress and recommendations to improve Bank procedures for information disclosure, participation, environment, accountability mechanism, indigenous peoples, gender and the private sector. Free. Order from Bank Information Center Publications, 2025 I St. NW, Suite 400, Washington DC 20006. Fax 202/466-8189; email bicusa@igc.apc.org.

Border Academy. University of Arizona, Tucson, Arizona. June 21-July 4, 1998. Two-week conference examining the social, political and economic issues that shape life on the border. $2,700. University of Arizona, P.O. Box 210158, Tucson, AZ 85721-0158. Phone 520/621-7724; fax 520/621- 3269.

SOUTH DAKOTA JOBS MOVE TO MEXICO

Sheldahl Inc. announced on May 4 that it will lay off 60 of 125 assembly workers at an Aberdeen, South Dakota computer plant and transfer their jobs to Mexico. The Aberdeen plant produces flexible electronic circuitry. Sheldahl spokesperson John McManus said the company will continue to employ about 65 workers in Aberdeen and about 112 elsewhere in the state, as well as about 840 workers in the Northfield, Minnesota, where the company is based. McManus said more jobs may be created in Mexico over time.

Steve Alexander, "Sheldahl to Lay Off 60 at Aberdeen Plant and Transfer Their Jobs to Mexico," STAR TRIBUNE, May 5, 1998.

EU DROPS CASE AGAINST U.S. CUBA LAW

In late April the European Union dropped the legal challenge it had filed before the World Trade Organization to challenge the U.S. Helms- Burton Act, which imposes sanctions on foreign companies that use properties in Cuba that were once owned by U.S.-based companies. Hugo Paemen, the EU envoy to the United States, said that the EU believes a negotiated solution is possible but that a new legal action could be filed if talks break down.

Negotiations include a U.S. proposal for a mechanism for deterring investment in expropriated property, a proposal which the EU seemed more likely to accept than would the U.S. Congress. The United States also proposes that the EU recognize nearly 6,000 certified U.S. claims of expropriated property in Cuba. Previously, the EU has refused to limit investment in Cuba. The United States also proposes to agree that the Clinton administration will not impose extraterritorial sanctions. The EU wants a prohibition on the use of all unilateral sanctions.

A majority of EU members states said in early May that they would not endorse the draft proposal for resolving the U.S.-EU dispute over Helms- Burton, but that negotiations would continue. Most EU members consider the U.S. list of expropriated property too far-reaching.

"EU Members Call Helms-Burton Draft Basis for Further Work," INSIDE U.S. TRADE, May 8, 1998; "European Union Drops Court Case Against Helms- Burton But Still Objects," CENTR-AM NEWS, April 19-25, 1998; "U.S. Wins One, Loses One on Cuba," WEEKLY NEWS UPDATE ON THE AMERICAS, April 26, 1998; "EU Members Examining U.S. Proposal for Ending Helms-Burton Fight," INSIDE U.S. TRADE, May 1, 1998; Guy de Jonquiéres, "Brittan in Drive to Settle Anti-Cuba Dispute," FINANCIAL TIMES, April 29, 1998.

BANANAS

In early April, St. Lucia Foreign Minister George Odlum said that the $4.7 million in promised U.S. assistance is like "a drop in the ocean" in assisting Caribbean banana-producing countries to recover from income lost due to the 1997 WTO ruling. Responding to a complaint filed by the United States and five Latin American countries, the WTO ruled that the European Union's preferential treatment of Caribbean producers was discriminatory and should be abolished. St. Lucia's banana industry provides 55 percent of foreign exchange earnings and employs nearly a third of the work force.

Norris Charles of Dominica's Ministry of Foreign Affairs said that "we do not see this assistance as the U.S. commitment to replace the banana industry in the Caribbean with two million dollars as against the hundreds of millions we earn from the banana trade." Charles said that diversification to replace the income from bananas was essential to survival "in this hostile global environment which proclaims to be free but certainly not fair."

While the EU has until January 1, 1999 to reform its banana import regime, the United States has complained about alleged EU failure to consult the complaining countries in developing changes in its system. EU trade officials maintain that WTO members should wait until the proposal is submitted to judge it. The EU proposal includes a 10-year modernization plan for the EU's traditional banana trade partners.

In a story published on May 3, the Cincinnati Enquirer reported that U.S.-based Chiquita Brands International set up overseas trusts to indirectly control banana-producing land in Honduras, where laws limit foreign ownership of land. Chiquita used the dozens of supposedly independent companies not only to control land but also to oppose labor union organizing. Chiquita President Steven G. Warshaw released a statement saying that Chiquita is "shocked by the Enquirer's admission that it obtained more than 2,000 [voice-mail] messages containing confidential, privileged and proprietary information..."

Wesley Gibbings, "Washington's Assistance a Drop in the Ocean," INTERPRESS SERVICE, April 7, 1998; SOPISCO NEWS, Week 17, 1998; "Newspaper: Chiquita Skirted Honduran Laws," JOURNAL OF COMMERCE, May 6, 1998; John Zaracostas, "US, Latin Nations Find EU Banana Plan Unpalatable," JOURNAL OF COMMERCE, April 24, 1998.

DAVIDOW TO MEXICO

After failing to obtain approval of former Massachusetts Governor William F. Weld as ambassador to Mexico, President Clinton announced in late April that he will nominate career diplomat, Assistant Secretary of State Jeffrey Davidow for the post. Davidow is currently Assistant Secretary of State for Inter-American Affairs, and had the backing of Senator Jesse Helms when he was appointed to this position. Helms has obstructed ambassadorial appointments in the past, including that of fellow-Republican Weld. The United States has had no ambassador to Mexico since James Jones left the post in June 1997.

Philip Shenon, "Clinton Picks Career Diplomat for Disputed Mexico Vacancy," NEW YORK TIMES, April 29, 1998.

CANADA, CUBA BEGIN TRADE TALKS

Canadian Prime Minister Jean Chretien, who visited Cuba in April, announced on April 27 that Canada and Cuba have begun negotiations on a bilateral Foreign Investment Protection and Promotion Agreement (FIPA), which will include agreements on national treatment, most-favored nation treatment, expropriation, fund transfers, trade-related investment measures, some applications of contract law, and dispute settlement procedures.

In order to get the negotiations started, Cuba agreed to pay $9 million in reparations to Confederation Life, a Canadian insurance company, for property confiscated after the Cuban Revolution.

During the Chretien visit, Canada and Cuba signed agreements on sports, medicine, and film-making. Canadian officials said the agreements were examples of what the United States "ought to be doing instead of passing the Helms-Burton Law and placing an embargo on Cuba."

U.S. President Bill Clinton said on April 30 that he wanted to "do more to minimize the damage to the Cuban people" caused by the U.S. trade embargo, but declared that the United States would not accept reinstatement of Cuba as an active member of the Organization of American States. Senator Thomas Dodd (D-CT) has proposed legislation to exempt food and medicine entirely from the U.S. embargo, and the bill has 24 co-sponsors in the Senate.

U.S. business executives continue to discuss investment possibilities with Cuba, with recent meetings taking place between Caterpillar Inc. executives and Cuban President Fidel Castro and between a Cuban diplomat and Carlson Companies' Radisson Hotels President Peter Blyth.

"Canada, Cuba Launch Negotiations for Investment Agreement, AMERICASTRADE, April 30, 1998; "Canadian Prime Minister Defies U.S. With Cuba Visit," ECOCENTRAL, April 30, 1998; Dalia Acosta, "Cuba-Canada: Dialogue to Overcome Differences," INTERPRESS SERVICE, April 27, 1998; "Clinton Hopes to Ease Cuba Sanctions Damage," INTERPRESS SERVICE, April 30, 1998; Jim Carrier, "Wish You Were Here," NEW YORK TIMES, April 22, 1998; Anthony DePalma, "Chrétien Finds Castro Willing to Deal, But Not on Rights," NEW YORK TIMES, April 28, 1998.

NAFTA TARIFFS LIFTED

At a late-April meeting in Paris, U.S., Canadian and Mexican representatives agreed to eliminate tariffs on approximately one billion dollars of textiles, chemicals, steel, some fabrics, certain antibiotics and pharmaceuticals, herbicides and other goods, effective August 1. This represents early elimination of tariffs on hundreds of tariff lines that could otherwise have remained in effect for another 10 years.

The announcement, made at the annual meeting of the Free Trade Commission, which consists of the trade ministers of NAFTA countries, was the second round of early tariff cuts under NAFTA. The first round, which came last year, dropped tariffs on approximately 80 tariff lines. The cuts come on tariffs between Mexico and the United States and between Mexico and Canada. Tariff barriers between the United States and Canada have been phased out under the U.S.-Canada Free Trade Agreement.

"Mexico to Remove Tariffs on Goods Worth $1 Billion," JOURNAL OF COMMERCE, April 30, 1998; "NAFTA Ministers to Announce Accelerated Tariff Cuts at April Meeting," INSIDE U.S. TRADE, April 10, 1998; NAFTA COMMISSION STATEMENT, May 1, 1998; "NAFTA Ministers Agree to Almost $1 Billion Package of Tariff Elimination," INSIDE U.S. TRADE, May 1, 1998.

FTAA TALK FORMAT OUTLINED

Kathryn McCallion, assistant deputy minister for international trade of Canada's Department of Foreign Affairs and International Trade, announced that

Canada will circulate a "chairman's paper" to the 34 governments negotiating the Free Trade Agreement of the Americas by mid- May. The paper will outline Canada's plan for the 18 months during which it will chair the FTAA negotiations, including a call for immediate negotiation of the terms of reference for the nine FTAA negotiating groups. Formal negotiations will begin in Miami in June. McCallion said that organizing the special committee to gather input from "civil society," will be difficult. The Tripartite Committee (made up of the Inter-American Development Bank, the Organization of American States and the Economic Commission for Latin America and the Caribbean) will continue to provide technical support for FTAA negotiations.

"Canadian Official Lays Out Plan for Pushing Ahead With FTAA Talks," May 1, 1998; Larry Waterfield, "Negotiations Could Unite Western Hemisphere," THE PACKER, May 4, 1998.

NAFTA & Inter-American Trade Monitor is produced by the Institute for Agriculture and Trade Policy, Mark Ritchie, President. Edited by Mary C. Turck. Electronic mail versions are available free of charge for subscribers. For information about fax subscriptions contact: IATP, 2105 1st Ave. S., Minneapolis, MN 55404. Phone: 612-870-0453; fax: 612-870-4846; e-mail: iatp@iatp.org. The Spanish version of this news bulletin, El Monitor de NAFTA y Comercio Interamericano, and a searchable archive of all back issues is available at: http://www.newsbulletin.org To subscribe/unsubscribe to the email version of this news bulletin, send email to: listserv@iatp.org. Leave the subject blank. In the body of the message type: subscribe nafta_monitor

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NAFTA & Inter-American Trade Monitor
Vol. 5, Number 11 May 29, 1998

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U.S.-CANADIAN GRAIN DISPUTES

With the price of U.S. grain at a five-year low, U.S. Trade Representative Charlene Barshefsky said in early May that existing rules governing U.S.-Canada wheat trade do not treat U.S. producers fairly. She indicated that the United States may bring up the issue of differences over the bilateral wheat trade at the World Trade Organization negotiations on agriculture, which are set for 1999.

U.S. growers charge that the Canadian Wheat Board calculates its acquisition price lower than it should be. Canada calculates the price as the initial payment the CWB makes to producers plus storage and handling, a definition that was upheld in a 1993 dispute settlement panel brought by the United States under the U.S.-Canada Free Trade Agreement. The United States wants a broader calculation of the acquisition price. The bilateral agreement states that neither country should sell to the other's market below the acquisition price of its grain.

The CWB represents growers in Manitoba, Saskatchewan, Alberta and areas of British Columbia, making an initial payment to producers when the grain is delivered. If the CWB gets a higher payment when it sells the grain, the CWB pays the difference to producers.

The U.S. General Accounting Office has begun an investigation into whether the CWB competes unfairly in the U.S. market, but the investigation has stalled because of CWB refusal to disclose information on confidential sales contracts sought by the GAO.

In 1997, Canada exported $733 million in grain to the United States, which exported only $214 million to Canada. Processed grain product exports also showed a balance in favor of Canada, which sold $635 million to the United States, and bought only $448 million from the United States.

While price is a factor in the imbalance, it is not the only factor. An expert from the U.S. Department of Agriculture insisted that there are "a lot of barriers blocking our ability to export wheat to Canada." For example, Canada licenses individual varieties of wheat for production and keeps them separate. The United States does not segregate varieties, and the need to keep U.S. wheat separate from Canadian wheat in elevators poses a major barrier to U.S. exports to Canada.

Canada also requires that U.S. wheat be laboratory-tested for karnal bunt fungus before crossing the border, refusing to accept blanket U.S. certification that wheat has come from a karnal bunt-free state.

U.S. wheat producers face other problems that exacerbate their concerns over Canadian competition. Both disaster aid and price supports were slashed under the "Freedom to Farm" law passed in 1996. Minnesota state legislator Jim Tunheim says "They should have called it 'Freedom to go broke.' We're going to disappear at this rate." Wheat producers across the northern plains of the United States also suffered from an excess of moisture and attendant crop diseases. Net farm income in North Dakota fell from $764 million in 1996 to $15 million in 1997 for the state's 30,000 farmers. North Dakota Senator Conrad predicts that 3,000 of his state's farmers will be forced out of business this year.

"Barshefsky Says U.S. May Press Canada on Wheat Trade in WTO Talks," INSIDE U.S. TRADE, May 8, 1998; Brian Rustebakke, "Free Trade vs. Fair Trade," AGWEEK, May 4, 1998; Barry Wilson, "CWB Rejects U.S. Request to Audit Sales Contracts," WESTERN PRODUCER, April 30, 1998; Scott Kilman, "On the Northern Plains, Free-Market Farming Yields Pain, Upheaval," WALL STREET JOURNAL, May 5, 1998; Courtney Tower, "U.S. Farmers Seek to Even Grain Trade Imbalance," JOURNAL OF COMMERCE, April 17, 1998; Senator Conrad on Wheat and Barley in North Dakota, CONGRESSIONAL RECORD, May 4, 1998.

NAFTA LABOR CHARGES IN U.S., MEXICO

On May 27, four Mexican unions filed a NAFTA complaint with the Mexican government office charged with administration of the NAFTA labor side accord. The complaint charges that the U.S. government, Washington State and the apple industry have failed to uphold worker rights guaranteed in the labor side accord, including protection from dismissal or retaliation for union activities, minimum wage and overtime laws, and that workers face "high exposure to dangerous chemicals, safety hazards and unsanitary conditions in fields and warehouses."

The unions filing the complaint were the National Union of Workers, the Democratic Farmworkers Front, the Authentic Workers Front and a metal workers union. The International Brotherhood of Teamsters, which is trying to unionize apple packers, and the United Farm Workers, which wants to organize apple pickers, supported the Mexican union's action.

Both Mexican and U.S. officials say that at least half of the 45,000 apple pickers and packers in Washington State come from Mexico. This is the second complaint filed by Mexican unions. The first charged that Sprint Corporation improperly closed a California plant during a unionization drive. U.S. unions have filed nine complaints against Mexican labor practices.

On April 28, U.S. Labor Secretary Alexis M. Herman sent a letter to her Mexican counterpart, JaviÈr Bonilla, requesting formal consultations on the issue of the Mexican government's favoritism toward unions aligned with the ruling Institutional Revolutionary Party. The letter came after a six-month U.S. Labor Department review of a disputed election at the Han Young maquiladora in Tijuana. The Mexican Labor Ministry responded that the United States was "supporting the demands of one side in this dispute, stirring up emotions and generating hopes that go beyond the terms of the North American Free Trade Agreement."

The Han Young complaint was filed in October under the terms of a NAFTA side accord on labor rights. Han Young workers charged that government labor boards refused to certify an independent union even after workers voted to switch from the government-affiliated union to the independent union by a 2-1 margin. The Mexican Labor Ministry intervened in December to support the independent union's victory in a second election.

On May 22, more than 40 of Han Young's 120 workers went on strike over what they say is management's refusal to negotiate a new contract with their union. Plant manager Pablo Kang said that salaries average $63 a week and that workers "don't deserve more money." Han Young make struck chassis for Hyundai Precision America in San Diego.

In its plant in Saltillo, Chrysler Corporation discovered that it can produce Dodge Ram pickups not only cheaper, but also faster and better, than in U.S. factories. Chrysler, General Motors, and Volkswagen all plan to increase auto production in Mexico. Between 1992 and 1997, the total value of automotive trade between the United States and Mexico more than doubled to $36.3 billion, while the U.S. automotive trade deficit with Mexico grew by more than five times to $13.4 billion. Bob King, a regional director for the United Auto Workers union, blames NAFTA for encouraging companies to shift production to low-wage Mexican plants, abandoning U.S. workers.

Steven Greenhouse, "Mexicans Were Denied U.S. Rights, Suit Says," NEW YORK TIMES, May 28, 1998; Sam Dillon, "Bias Said to Hurt Independent Mexican Unions," NEW YORK TIMES, April 30, 1998; "Mexico: Han Young Workers Strike," WEEKLY NEWS UPDATE ON THE AMERICAS, May 24, 1998; John Lippert, "Mexico Growing Into an Auto Zone: Plants Making cheaper, and Better, Cars," HOUSTON CHRONICLE, April 29, 1998.

CENTRAL AMERICA FREE TRADE MOVES

Chilean president Eduardo Frei said during a May 9-10 visit to Costa Rica that his country is eager to sign a free trade agreement with Central American countries by 1999. Frei said trade talks between Chile and Central American countries will begin by July. Panamanian officials said that they will begin talks on a free trade agreement with Honduras, El Salvador and Guatemala in June or July, and that similar talks with

Chile may begin in October.

The five Central American Common Market Countries - Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua - signed a partial free-trade agreement with the Dominican Republic on April 16. On April 18-19 at the Summit of the Americas, the CACM countries signed preliminary trade agreements with Chile and with the Southern Cone Common Market (Mercosur).

The free trade agreement with the Dominican Republic exempts from its coverage sugar, grain-based alcohol, coffee beans, wheat flour, petroleum derivatives, liquor and some kinds of oil. Some other exemptions may be added by the Dominican Republic within the next six months. Still at issue are the treatment of products produced at Dominican maquiladora plants and some clauses regarding rules of origin and intellectual property rights. Tariffs on non-exempt goods and services will be eliminated on January 1, 1999.

"Chile Wants Free Trade With Central America," CENTR-AM NEWS, May 10-16, 1998; "Free Trade is the Theme of Talks Among Central American Countries," CENTR-AM NEWS, May 10-16, 1998; "Central America Negotiates Free-Trade Agreements With Caribbean & South American Nations," ECOCENTRAL, May 7, 1998.

TRADING WITH CUBA

"It will be a cold day in you-know-where before the EU convinces me to trade the binding restrictions in the Helms-Burton law for an agreement that legitimizes their theft of American property in Cuba," said Senate Foreign Relations Committee Chair Jesse Helms (R-NC), as he was joined by congressional allies in criticizing the agreement reached by the United States and the European Union to resolve a dispute over the Helms-Burton law. The U.S.-EU agreement would impose disciplines on investment in properties that are expropriated in violation of international law, in exchange for changes to the Helms-Burton law that would allow the President to waive application of the Title IV bar to entry into the United States for executives of firms investing in contested property in Cuba.

Title III, which creates a right to sue in U.S. courts over alleged expropriations in Cuba, could also be changed. So far, application of Title III has been waived by the president. "The EU can drop dead on a [permanent] Title III waiver," said a Helms aide.

In contrast to the hostile reception on Capitol Hill, EU member states raised no objections to the agreement in a May 20 meeting. But EU Commission President Jacques Santer and British Prime Minister Tony Blair specified that the United States must continue to waive Title III of Helms-Burton.

Speaking to the May 19 meeting of the World Trade Organization, Cuban President Fidel Castro called the U.S.-EU accord "unclear, contradictory and lacking in ethics," and called on the World Trade Organization to "prevent economic genocide," referring to U.S. trade embargoes.

On May 13, U.S. President Bill Clinton authorized direct air flights between the United States and Cuba, along with some humanitarian aid, family remittances and sale of some medicines. But the State Department indicated that there would be tight controls on flights, remittances,
and money spent by U.S. citizens visiting Cuba.

Dalia Acosta, "Flexibilisaton With as Tough a Face as Ever," INTERPRESS SERVICE, May 14, 1998; "U.S., Europe Reach Cuba Accord," WEEKLY NEWS UPDATE ON THE AMERICAS, May 24, 1998; Gustavo Capdevila, "Castro Proposes New Strategy for Developing World," INTERPRESS SERVICE, May 19, 1998; "Congress Strongly Criticizes U.S.-EU Agreement on Helms-Burton Law," INSIDE U.S. TRADE, May 22, 1998; "Member States Poised to Accept U.S.-EU Agreement on Helms-Burton," INSIDE U.S. TRADE, May 22, 1998; David White, Robert Graham and Stefan Wagstyl, "Companies Welcome Deal on U.S. Sanctions," FINANCIAL TIMES, May 19, 1998; "Helms Aide Tells EU to 'Drop Dead' on Request for Helms-Burton Fix," INSIDE U.S. TRADE, May 29, 1998.

FTAA DEVELOPMENTS

Canadian Trade Minister Sergio Marchi warned on May 13 that the United States will need fast-track trade negotiating authority by early next year if negotiations for the Free Trade Area of the Americas are to proceed on schedule. Marchi said he believed U.S. President Clinton
could win fast track approval from Congress: "Going into a new millennium, he can do that, because it is inconceivable that America should be looking inward at its belly button, rather than outward in terms of galvanising the international community."

U.S. Ambassador Richard Brown, director of the State Department's Office of Inter-American Economic Policy, and Kathryn McCallion, Canada's chief hemispheric trade negotiator, said that the next two months will be crucial for structuring mechanisms for public input into the FTAA talks. The structure for the Committee of the Chair will be decided in Argentina in June. The Committee of the Chair will receive input from non-governmental groups. This committee will be the only mechanism for presenting labor and environmental concerns, but will also be a place for businesses to have input on the FTAA.

Kevin G. Hall, "Business Pressed for Input on Hemisphere Trade," JOURNAL OF COMMERCE, May 15, 1998; Guy de JonquiÈres, "Fast-Track Authority 'Key to FTAA Talks,'" FINANCIAL TIMES, May 14, 1998.

BORDER X-RAYS FAIL ON PRODUCE

Though they were billed as a way to avoid intensive Customs examinations involving unloading trailers full of cargo, the sophisticated X-ray machines that U.S. Customs is using along the Mexican border do not work with truckloads of produce. The machines, which look like giant garages with doors on both ends, x-ray entire trucks as they drive through. But the x-ray machines work by detecting organic material in a truck, and they cannot distinguish between drugs and vegetables.

While shipments of electronics, plastics and other non-organic cargo can speed through customs with the machines, trucks of produce are still subject to random "intensive" inspections, which require unloading perishable produce in the border heat.

Paul Conley, "X-rays Keep an Eye on Border Crossings," THE PACKER, May 11, 1998.

RESOURCES/EVENTS

Restarting Fast Track. Jeffrey Schott, ed. Institute for International Economics, Washington, DC, April 1998. 86 pp. Compilation of papers presented at February 1998 conference on fast-track legislation, sponsored by the Institute for International Economics, including suggested changes in legislation, questions about social justice and discussion of domestic adjustment in an age of rapid globalization. For further information, contact Institute for International Economics, 11 Dupont Circle NW, Washington, DC 20036-1207. Telephone 202/328-9000; fax 202/328-5432. http://ww.iie.com

Vital Signs 1998: The Environmental Trends That Are Shaping Our Future. Lester Brown et al. Worldwatch Institute. Washington, DC: 1998. Reports on more than 50 environmentally related indicators, describing rising incomes, growing populations, and increased stresses on the environment. Also includes discussion of human health trends, especially AIDS/HIV pandemic and cigarette smoking. Contact Mary Caron, Worldwatch Institute, 1776 Massachusetts Ave. NW, Washington, DC 20036-1904. Telephone: 202/452-1999; fax 202/296-7365. WEB: www.worldwatch.org.

Chiquita Secrets Revealed. Mike Gallagher and Cameron Whirter. THE CINCINNATI ENQUIRER, May 3, 1998. 100+ pages of in-depth reporting and analysis of Chiquita Banana and banana trade in South America generally. Includes information ranging from working conditions to pesticide use to World Trade Organization case. Access report at http://enquirer.com/chiquita/

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NAFTA & Inter-American Trade Monitor Vol. 5, Number 12 June 12, 1998

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IPR AT ISSUE

On May 1, Colorado State University abandoned its application for U.S. patent #5,304,718 on Apelawa quinoa. Bolivia's National Association of Quinoa Producers (ANAPQUI) hailed the defeat of the patent as "a great victory" for Andean farmers. Alejandro Bonifacio, a quinoa researcher in Bolivia, noted that the Apelawa patent was named after a village on Lake Titicaca where the CSU scientists first picked up seed samples and also discovered a method of hybridizing quinoa that is used in 43 other traditional Andean quinoa varieties.

Biodiversity concerns and indigenous rights conflict with intellectual property protection in many developing countries. Twelve years ago, Loren Miller, director of a small, California-based International Plant Medicine Corporation, took a sample of Ayahuasca, a medicinal plant cultivated by an Ecuadoran indigenous community. Back in the United States, Miller patented the plant material, obtaining exclusive rights under U.S. law to sell and breed new varieties from the plant. Miller says his company is now working on development of psychiatric and cardiac pharmaceutical drugs from the plant.

The Ecuador-based Coordinating Body for Indigenous Organizations in the Amazon Region (COICA) has denounced the taking of the Ayahuasca since the beginning of the conflict 12 years ago. COICA General Coordinator Antonio Jacanamijoy charges miller with "an offense against indigenous people" in patenting a sacred plant taken from an indigenous family. The United States Senate has refused to ratify the United Nations Convention on Biological Diversity, an agreement that recognizes the intellectual property rights of indigenous peoples. Ecuador, and more than 100 nations, have signed the U.N. convention.

The U.S. International Intellectual Property Alliance (IIPA) urged the U.S. Trade Representative to place Mexico on the Special 301 Priority Watch List (the second-highest of four possible categories) at the annual April 30 review, and to take other action under NAFTA. Instead, the U.S. Trade Representative (USTR) continued to place Mexico on the Other Observations List†(the lowest category), and said it would conduct bilateral talks on intellectual property rights because "piracy and counterfeiting remain major problems." The USTR called the copyright law passed in Mexico in 1996 a step forward, but warned that there remain "problems and ambiguities in the law." Mexico agreed to carry out new measures to enforce protection for intellectual property rights by June 30, but cancelled a bilateral meeting that had been scheduled for June 4 to work out details.

The IIPA says that Mexico pirates more than half of video, audio, business software applications and entertainment software, resulting in more than $435 million in lost sales to U.S. producers during 1997 alone. In addition, Mexican small businesses suffer from competition from pirates. The Mexican Video Association says that 3,500 of 8,000 registered independent video clubs have closed since 1994, due to piracy.

"In Asia, piracy has been reduced through political will and good enforcement, and that's what Mexico doesn't have," said IIPA President Eric Smith. In 1997, the Mexican Federal Attorney General's office seized 3 million cassettes - compared with 55 million pirated cassettes sold and 30 million legal cassettes sold.

Reebok International Chief Executive Bob Meers warned that Reebok will condition future investments in Mexico on better enforcement of IPR laws. "It is probably the single largest determinant in deciding whether we invest more money in our business in Mexico," said Meers.

Argentina, Ecuador, and the Dominican Republic were among the 15 countries placed on the Priority Watch List, while Colombia, and possibly Ecuador, face "out of cycle" reviews of their IPR enforcement activities. The USTR cited complaints about lack of adequate patent protection for pharmaceuticals and inefficient border controls in Colombia. Ecuador remained on the priority watch list despite passage of new IPR legislation in April, since the legislation has yet to be signed by the president or to take effect.

In a separate action, the USTR announced sanctions on Honduras, ending duty-free shipment of about $5 million worth of Honduran fruits, vegetables and other products, because of continuing failure of the Honduran government to prevent piracy of U.S. television programs and other copyrighted materials.

The USTR placed Canada on its "watch list" because of controversy over recent changes to the Canadian copyright law, citing U.S. concern that "U.S. performers and producers are denied national treatment with respect to these provisions." NAFTA requires national treatment for member nations in intellectual property laws.

A new rule that took effect on April 13 requires Customs inspectors to notify trademark and copyright holders when suspect merchandise is seized or detained at U.S. ports. Customs officials may also provide company executives with samples of the questionable imports. Companies say that the new regulation should be helpful to both Customs enforcement and company defense of intellectual property rights.

"Mexico Cancels IPR Meeting: USTR Confident It Will Take Place," INSIDE U.S. TRADE, June 12, 1998; "Administration Softpedals IPR Complaints With NAFTA Trading Partners," INSIDE U.S. TRADE, May 8, 1998; Mary Sutter, "Put Your Foot Down, Mexico Told," JOURNAL OF COMMERCE, May 4, 1998; "U.S., Mexico to Meet Next Week to Address Mexican IPR Steps," AMERICASTRADE, May 298, 1998; Mary Sutter, "Piracy Takes Toll in Mexico," JOURNAL OF COMMERCE, April 7, 1998; Diego Cevallos, "Mexico: Region's Fastest Growing Market for Counterfeit Products," INTERPRESS SERVICE, March 13, 1998; Mario Gonzalez, "Trade-Ecuador: U.S. Threatens Sanctions Over Patents, Again," INTERPRESS SERVICE, April 23, 1998; Kevin G. Hall, "Microsoft Seeks to Tie Tech Loans to Piracy Purchases," JOURNAL OF COMMERCE, April 1, 1998; "U.S. Mulling NAFTA Retaliation Against Canada Over Copyright Changes," INSIDE U.S. TRADE, April 3, 1998; Paula L. Green, "Trademark Holders Told If Customs Seizes Fakes," JOURNAL OF COMMERCE, 4/22/98; Danielle Knight, "Development Rights: Battle Over Amazon Plant Patents," INTERPRESS SERVICE, March 25, 1998; "Quinoa Patent Dropped, Andean Farmers Defeat U.S. University," ANAPQUI PRESS RELEASE, May 22, 1998; "U.S. to Impose Sanctions on Honduran Products," JOURNAL OF COMMERCE, April 1, 1998.

BIO-TECH CRITICS SPEAK

A major review of government biotechnology policies is underway in Canada. A public opinion poll commissioned by the British Columbia branch of the Consumers Association of Canada found three-quarters of British Columbians to be concerned that some of the food they eat may be genetically altered. According to the survey, 80 percent would choose non-altered products if given a choice. Corn producers oppose labeling of biotechnology-derived food products, except "where the genetic alteration is known to cause allergenic problems, or where nutritional composition has been changed significantly."

In Washington, the Alliance for Bio-Integrity and other plaintiffs filed suit in May, charging that U.S. Food and Drug Administration policy, which permits genetically altered foods to be marketed without testing or labeling, violates the agency's legal duty to protect public health and provide consumer information. The lawsuit challenges marketing of 33 genetically engineered whole foods, including potatoes, tomatoes, soy, corn, squash and other fruits and vegetables. These foods are also present in products ranging from soy-based baby formulas to corn chips. Plaintiffs cite health and religious concerns.

The Grocery Manufacturers of America said in response to the lawsuit that mandatory labeling of genetically engineered foods would mislead consumers and hamper research, wrongly implying that the foods are less safe than other food products. "There is no scientifically-valued distinction between the safety of genetically-enhanced food and food grown by traditional methods," insisted Dr. Stephen Ziller, GMA Vice President for Scientific and Regulatory Affairs.

Use of genetic engineering in agriculture has increased dramatically in the past two years, with farmers planting millions of acres of gene-modified crops. The May 11th Monsanto announcement of intent to purchase DeKalb Genetics Corp. and Delta & Pine Land Co. for $4.4 billion highlights the demand for biotechnology and the increasing value of the few agritech firms not yet acquired by the multinational mega-firms like Monsanto, Dupont, Novartis, and Dow Chemical. Monsanto and Cargill also plan a joint venture to create biotech-enhanced products for the grain processing and animal food industries.

Kevin Carmichael, "Critics Complain About Biotech 'Consensus,'" WESTERN PRODUCER, May 21, 1998; Emily Kelser, "Monsanto Sees Alliance With Cargill Expanding," WESTERN PRODUCER, May 21, 1998; Emily Kelser, "Monsanto Purchases Send Waves," WESTERN PRODUCER, May 21, 1998; Grania Litwin, "Meddling With Nature Irks Advocate," VICTORIA TIMES COLONIST, May 26, 1998; "Landmark Lawsuit Challenges FDA Policy on Genetically Engineered Foods," ALLIANCE FOR BIO-INTEGRITY PRESS RELEASE, May 27, 1998; "Don't Turn Back the Clock on Enhanced Foods, GMA Says," GROCERY MANUFACTURERS OF AMERICA PRESS RELEASE, May 27, 1998.

HFCS DUTIES CHALLENGED

The United States has requested World Trade Organization consultations over Mexican antidumping duties imposed on U.S. high-fructose corn syrup. The challenge claims that Mexico has wrongly classified HFCS as a like product with sugar, that rules on public notice and explanations of dumping determinations were not followed, that provisional dumping duties were kept in force more than the maximum time authorize by international rules, and that Mexico failed to safeguard confidential information, instead making it available to the Mexican sugar industry.

In a related move in early May, the United States allocated rights to import 200,000 metric tons of raw sugar to foreign countries other than Mexico.

Mexican Commerce Secretary Herminio Blanco said that Mexico is seeking a mutually agreeable settlement, not a dispute resolution panel, but defended the duties as consistent with WTO regulations. Mexico is also seeking access for more sugar to the U.S. market.

"U.S. Says Mexican HFCS Duties Amount to Broad Violation of WTO Obligations," INSIDE U.S. TRADE, May 15, 1998.

U.S. TOMATO GROWERS VS CANADA, MEXICO

The Florida Tomato Exchange is seeking a U.S. Commerce Department investigation of whether Canadian producers are dumping hothouse tomatoes on the U.S. market at prices below the cost of production. Tomato Exchange director of education and promotion Stephanie Johnson noted that the exchange has observed increased imports and lower retail prices, but said "We're just requesting they put together some facts to make sure something that isn't supposed to be happening isn't happening."

Canadian Denton Hoffman, general manager of the Ontario Greenhouse Vegetable Producers Marketing Board said Canadians are not dumping tomatoes and that he was quite aware of the Florida request "and I'm looking at it with some levity." Assistant Commerce Secretary Robert LaRussa is meeting with parties to an agreement suspending a U.S. antidumping case against Mexican tomatoes. His goals include increasing participation of Mexican growers in the agreement and consideration of changes in floor prices or possibly a split in the marketing season to winter and summer seasons.

Meanwhile, California tomato growers alleged that

Baja California growers are engaging in predatory pricing. The California Tomato Commission has requested talks with its Mexican counterpart.

Tracy Rosselle, "Florida Suspects Canadian Dumping," THE PACKER, May 25, 1998; "Florida Tomato Growers Allege Unfair Pricing of Canadian Imports," AMERICASTRADE, May 28, 1998; "Commerce to Consider Possible Change to Tomato Agreement," AMERICASTRADE, May 28, 1998.

RAIL UPGRADE FOR BORDER

Union Pacific Railroad said in early May that it will spend $1.4 billion during the next five years to strengthen its rail network between New Orleans and the Mexico border, including $800 million in track and signal improvements for existing routes and $600 million for increased capacity. Rail traffic has been congested in this corridor, and the Union Pacific plan was a response to a Surface Transportation Board order to make route improvements.

Rip Watson, "UP Plans Rail Upgrade to Unclog Mexican Border," JOURNAL OF COMMERCE, May 5, 1998.

CANADA WATER TRADE

The Nova Group, a small company from northern Ontario, has been granted a provincial permit to draw 10,000 liters of water a day for five years from Lake Superior, in order to bottle the water for export to Asia. Barry Appleton, a Canadian trade attorney and an authority on NAFTA, characterized the permit as "a fundamental change." Appleton said that because there are no restrictions on exporting Canadian water, any ban on export to the United States would amount to an illegal export quota for Asia, in violation of the WTO. Critics of NAFTA have long worried that Canada may be legally obligated to divert water for export to the arid southwestern United States.

Scott Morrison, "Canada Water Could Become A Trade Good," FINANCIAL TIMES, May 5, 1998.

BROOM CORN RULING

Rather than responding directly to a January NAFTA dispute settlement panel ruling that the United Stats violated NAFTA when it imposed emergency tariffs on broom corn brooms in 1996, U.S. Trade Representative Charlene Barshefsky asked the International Trade Commission for a study on how the broom corn industry has done since the imposition of the tariff. The study will be completed by August 11.

Mexico may be entitled to a second round of retaliatory tariff increases if the United States does not address the panel's findings. U.S. strategy seems to make a speedyi resolution of the dispute unlikely. The tariffs imposed on Mexican broom corn brooms in November 1996 amounted to approximately a 33 percent tariff on over-quota imports.

"Barshefsky Sidesteps Direct Response to NAFTA Panel on Mexican Brooms," INSIDE U.S. TRADE, 5/15/98.

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NAFTA & Inter-American Trade Monitor
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DUTIES ON CHILEAN SALMON RECOMMENDED

On June 2, the U.S. Department of Commerce recommended the imposition of duties on imports from three Chilean salmon producers accused of dumping salmon the U.S. market at below-cost prices. The case will now go to the U.S. International Trade Commission as the next step in a year-long processing of a complaint made by the Coalition for Fair Atlantic Salmon Trade, which is made up of salmon farmers in Maine and Washington State.

The Department of Commerce report found that some Chilean producers were dumping salmon, but said that others were not. Duties of 2.24 percent, 8.27 percent and 10.9 percent were recommended against the three producers.

Chilean producers and the Salmon Trade Alliance, a group of 80 U.S. businesses, say there was no dumping. Chilean industry officials were not happy with the recommendation of duties, but were gratified that the duties recommended fell far below the 42 percent sought by U.S. salmon producers.

"U.S Commerce Department Recommends Duties for Some Chilean Salmon Producers," NOTISUR, June 19, 1998; "Chile Holds Out WTO Case Against U.S. Antidumping Duty on Salmon," AMERICASTRADE, June 11, 1998.

AGRICULTURE IN FTAA, WTO SPOTLIGHTS

Agricultural ministers from Latin America and the Caribbean met in the Bahamas in mid-June under the auspices of the U.N. Food and Agriculture Organization to discuss changes in agricultural trade and preparation for the 1999 WTO negotiations on agriculture. Gustavo Gordillo, regional director of FAO for Latin America and the Caribbean, noted that positions on agricultural trade do not follow a strict North-South alignment, pointing out that the four members of Mercosur and Chile and Colombia belong to the Cairns Group, which pushes for liberalized agricultural trade rules. On the other hand, said Gordillo, ten countries in the region, including Haiti, Bolivia, Cuba, Nicaragua, Suriname and Guatemala, still suffer serious food shortages. The FAO wants to assist Latin American countries in pressing for consideration of "non-commercial" issues of food security and environmental conservation.

A coalition of North American and European farm groups demonstrated at the World Trade Organization headquarters in Geneva in May, accusing trade negotiators of favoring corporations over farmers and trying to force farmers to produce more for less income in order to bolster international trade. Canadian National Farmers Union President Nettie Wiebe pointed out that Canadian food exports have doubled since 1989, while farm income has fallen by 41 percent. Statistics Canada, a federal agency, reported in May that 1997 farm cash receipts were up, but that total net farm income fell 57 percent in Manitoba, 55 percent in Alberta, and 107 percent in Saskatchewan. The report said that total net farm income, adjusted for inflation, was 82 percent below 1975 levels.

Brazilian Minister of Industry, Trade and Tourism José Botafogo said in early May that agriculture is the key element for the success of the Free Trade Area of the Americas, especially for Mercosur countries. Botafogo said that if developed countries want an open market in Brazil for telecommunications services and energy, they will have to give in exchange an open market for agricultural products, ranging from sugar and orange juice to alcohol fuel and leather goods. Botafogo warned that Mercosur did not want the United States to choose to move ahead faster on its own areas of interest in FTAA negotiations than on areas of interest to Mercosur.

At the June FTAA talks, Brazil and Mercosur prevailed in setting the agenda for the agriculture committee. The Mercosur proposal placed tariff and non-tariff barriers on agricultural products on the agenda of the agriculture group rather than the market access group, where the United States wanted to see the issues discussed. Sanitary and phytosanitary issues will also go to the agriculture group, chaired by Argentina.

Mexican and Brazilian officials also spoke against linking labor and environmental standards with FTAA negotiations, and said that the civil society committee of the FTAA should be limited to channeling communications to negotiators, but should not be allowed to participate in negotiations.

Several nations, including Brazil and Costa Rica, reiterated their positions that they cannot fully negotiate for the FTAA until the United States has fast-track negotiating authority. On June 18, both House Speaker Newt Gingrich and U.S. Trade Representative Charlene Barshefsky expressed a desire to bring fast track back for a vote in Congress this fall. Gingrich said it was especially important to pass fast track authorization in view of the Asian economic crisis, and predicted that passage would benefit U.S. industry, and agriculture in particular.

U.S. agriculture is a crucial component of hemispheric trade, with total U.S. agricultural exports to western hemisphere nations constituting $17 billion or about 25 percent of U.S. agricultural exports in 1997. The United States accounts for two-thirds of agricultural imports for Canada and Mexico, 48 percent for Central America, 35 percent for the Caribbean, 27 percent for the Andean Group (Bolivia, Colombia, Ecuador, Peru and Venezuela), but only 11 percent for Mercosur (Argentina, Brazil, Paraguay and Uruguay, and associates Bolivia and Chile.)

Barry Wilson, "Farmers Distrust Motives of Trade Negotiators," THE WESTERN PRODUCER, May 28, 1998; "Brazilian Minister Says Agriculture to Determine Outcome of FTAA," AMERICASTRADE, May 14, 1998; "Confidential Canadian Draft Lays Out Program for FTAA Groups," INSIDE U.S. TRADE, May 28, 1998; "Text: Chair's Draft of FTAA Initial Work Program," INSIDE U.S. TRADE, May 28, 1998; "Mexican, Brazilian Ministers Stand Firm on Limits to Civil Society Role in FTAA," AMERICASTRADE, May 28, 1998; "Free Trade Area of the Americas: Potential Advantages for U.S. Agriculture," AGRICULTURAL OUTLOOK, April, 1998; "U.S. Trade Rep Says Let's Vote on Fast Track" JOURNAL OF COMMERCE, June 18, 1998; Gustavo Gonzalez, "FAO Promotes Common Stance in Agricultural Trade," INTERPRESS SERVICE, June 18, 1998; Kevin G. Hall, "Unresolved

Issues Will Dominate Trade Talks," JOURNAL OF COMMERCE, June 16, 1998; Kevin G. Hall, "34 Nations Begin to Bargain Over Free Trade," JOURNAL OF COMMERCE, June 1, 1998; William New, "FTAA Negotiators Delay Decision on Business Facilitation Measures," INSIDE U.S. TRADE, June 18, 1998; Stephen Norton and Lisa Caruso, "Gingrich Says Hill To Consider Fast Track This Fall," CONGRESS DAILY, June 18, 1998; "U.S. Hoping to Introduce Helms-Burton Waiver Legislation Soon," AMERICASTRADE, June 11, 1998.

RESOURCES/EVENTS

Border Environmental Indicators Report, released by Carol M. Browner, Administrator, U.S. Environmental Protection Agency and Julia Carabias Lillo, Mexico's Secretary of Environment, Natural Resources and Fisheries. 1998. The report covers nine areas: air, water, environmental health, hazardous and solid waste, enforcement and compliance, pollution prevention, natural resources, contingency planning and emergency response, and environmental information resources. For copies of the report and other Border XXI documents, call 1-800-334-0741. Some documents are posted at http://www.epa.gov/epahome/ press.htm

Fourth Trinational Conference for the Defense of Public Education. Queretaro, Mexico. November 6-8, 1998. Meeting of teachers, educational workers and union officials from Canada, Mexico and the United States, co-sponsored by Canadian Teachers Federation, SNTE sections IX, XVIII & XXII and university unions at UNAM, UAM, Chapingo and Queretaro. Conference will examine public education's experience under NAFTA and potential effect of Free Trade Area of the Americas, discuss common issues including curriculum alternatives for education for democracy, and design strategies for unions to strengthen public education. For information, fax Dan Leahy at 360-709-9450 or contact by email at sanpatricio@igc.apc.org

POVERTY IN LATIN AMERICA

A recent World Bank analysis of Latin America and the Caribbean reported that 40 percent of the population lives in poverty and about 25 percent live on less than one dollar a day. On May 27, the U.N. Economic Commission on Latin America and the Caribbean (ECLAC) issued a report on poverty and income distribution between 1995 and 1997. ECLAC noted that in some countries poverty has increased and that concentration of wealth has worsened the plight of the poor. The richest 10 percent of the region's population holds 40 percent of the wealth, and the poorest 10 percent controls only 2-3 percent. ECLAC found unemployment increasing everywhere except Chile, Peru and Nicaragua. An International Labor Organization report found that 56 percent of all jobs were in the informal sector, where low incomes and insecurity are the norms. Malnourishment remains a significant problem in much of the region.

The U.N. Food and Agriculture Organization warned in a study released in June that falling rural living standards may force 5-7 percent of the rural population to urban areas within the next few years. The increasing dominance of agriculture for export has resulted in an increase in seasonal labor and a feminization of agricultural production of basic foods, with women accounting for 40 percent of domestic agricultural production. The FAO report outlined a strategy for sustainable agricultural and rural development, coupled with programs to strengthen medium-sized cities and towns so that they can absorb immigrants from rural areas.

In Mexico, agriculture lags behind other sectors. Despite an average economic growth of 6.6 percent from January to March 1998, the agricultural sector fell six percent. In 1997, overall national economic growth was 7 percent, but agricultural sector earnings grew by only one percent. More than 80 percent of the malnourished people in Mexico live in rural areas, and 80 percent of people living in rural areas are malnourished.

"Regional Economic Reports Cite Rising Poverty, Unemployment in Latin America," NOTISUR, May 29, 1998; Gustavo Gonzalez, "Rural Development as Crux of Fight Against Extreme Poverty," INTERPRESS SERVICE, June 15, 1998; Diego Cevallos, "Mexico: Countryside Still in Crisis Despite Economic Growth," INTERPRESS SERVICE, May 20, 1998.

GM STRIKE HIGHLIGHTS TRADE ISSUES

On June 5, 3,400 United Auto Workers in a General Motors metal stamping factory in Flint, Michigan walked off the job, in a conflict over job security that focused on export of auto manufacturing jobs to Mexico. The immediate trigger came nearly two weeks earlier, when the company removed several large stamping dies from the factory. "How are we supposed to believe anything this company says when they sit at the bargaining table and tell us one thing, then at night sneak in and steal our work right out from under us?" asked a 15-year GM employee.

General Motors wants to change contracts to allow more out-sourcing of parts. Over the past 20 years, G.M. has built more than 50 parts factories and four assembly plants in Mexico, now employing more than 72,000 workers there. G.M.'s parts subsidiary, Delphi Automotive Services, is Mexico's largest private employer. Other auto companies have also built plants in Mexico - Ford Motor Company has 11 parts factories there. Mexican workers earn from a minimum wage of \$3.40 per day to \$1 to \$2 per hour, compared to \$22 per hour for their U.S. counterparts.

As U.S. workers struck, the Han Young factory workers in Tijuana, Mexico continued their walkout, which began in late May. Han Young manufactures truck chassis for Hyundai Corporation. The Han Young workers are striking in an attempt to force the company to negotiate, after the workers voted for an independent union. The state's Director of Labor and Social Services, Eleazar Verastegui, called the strike an action "provoked by foreign unions." Strike leader Miguel Angel Sanchez replied that, "If it's ok for the companies to cross the border to do this, I think it's not only right for workers to support each other across the same border, it's necessary."

Nichole M. Christian, "3,400 Strike G.M. Plant; Assembly Put at Risk," NEW YORK TIMES, June 6, 1998; Sam Dillon, "A 20-Year G.M. Parts Migration to Mexico," NEW YORK TIMES, June 24, 1996; David Bacon, "Maquiladores Strike Continues on U.S.-Mexican Border," INTERPRESS SERVICE, June 3, 1998.

LUMBER TALK DEADLINE PASSES

Though the U.S. Customs Service missed a mid-June deadline for a final ruling on reclassification of pre-drilled studs, Canadian and U.S. negotiators continued efforts to resolve the dispute over how to classify pre-drilled studs under the 1996 Softwood Lumber agreement. On April 15, Customs announced its decision to reverse an October 1997 ruling classifying the studs as carpentry and joinery rather than as lumber. That decision would result in placing the studs under the lumber agreement, which taxes Canadian exports above 14.7 billion board feet annually.

In a related case, the United States formally initiated arbitration procedures under the 1996 Softwood Lumber agreement, contesting changes in stumpage feeds charged to lumber companies by British Columbia. The two countries have 35 days from June 23 to consult, and then the arbitration process will begin.

"Customs Deadline Passes as U.S.-Canada Lumber Talks Continue," INSIDE U.S. TRADE, June 19, 1998; "U.S., Canada Seek Negotiated Solutions to Lumber Classification Fight," INSIDE U.S. TRADE, June 12, 1998; "U.S. Formally Requests Atbitration in Dispute Over BC Lumber Fee," INSIDE U.S. TRADE, June 26, 1998.

FOOD IMPORT SAFETY CONTROVERSY

On May 11, a report from the U.S. General Accounting Office recommended to Congress that the Food and Drug Administration should require "equivalent" safety standards for imported produce and processed foods, similar to the standards that the U.S. Department of Agriculture requires for imported meat. Senator Susan Colins (R-ME) endorsed the report, saying, "There is no doubt that a lot of tainted food enters the marketplace." Democrats and President Clinton also endorsed the report.

FDA officials now inspect less than two percent of imported food coming under their jurisdiction. Food imports have grown by more than 50 percent since 1990. In 1997, 38 percent of fruits and 12 percent of vegetables consumed in the United States were imported. Reports of outbreaks of foodborne illnesses, such as the 2,500 people sickened by Guatemalan raspberries two years ago, has led to calls for tougher regulation of food imports.

The Grocery Manufacturers of America warned that new regulation could adversely impact trade, inducing foreign countries to "arbitrarily stop imports of U.S. food." Produce importers agreed that the FDA does not need additional inspection authority, though it may need additional resources. Some objected to the implication that imported food is less safe than U.S.-grown food. Importer Dave Bowe complained that "Close to zero percent of U.S.-grown produce is inspected. What's fair for one is fair for the other." The Fresh Produce Association of the Americas recently released a new video, "Produce from Mexico - The Truth, Pure and Simple," which is designed to show the safety of fruits and vegetables from Mexico, in contrast to a video produced last year by Florida growers.

At the annual meeting of the U.S.-Mexico Binational Commission on June 10-11, U.S. Agriculture Secretary Dan Glickman and Health and Human Services Secretary Donna Shalala signed an agreement with Mexican Secretary of Agriculture and Rural Development Romarico Arroyo Marroquin and Mexican Health Secretary Juan Ramon de la Fuente on enhancing food safety standards.

"U.S. Report Urges Tougher Food Import Rules," REUTERS, May 12, 1998; "U.S., Mexico Sign Food Safety Agreement at Binational Commission," INSIDE U.S. TRADE, June 12, 1998; Paul Conley, "Video Tells Other Side of Story," THE PACKER, June 15, 1998; Emily Redmond, "Imports Face Threat of Extra Inspections," THE PACKER, May 18, 1998; "Text: U.S.-Mexico Agriculture Agreement," INSIDE U.S. TRADE, June 12, 1998.

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NAFTA ENVIRONMENTAL ISSUES

NAFTA's Commission for Environmental Cooperation (CEC) met in Merida, Mexico in late June, handicapped by lack of a director since Victor Lichtinger's controversial resignation or firing in February. The three members of the CEC, U.S. Environmental Protection Agency Administrator Carol Browner, Mexican Environmental Secretary Julia Carabias, and Canadian Environment Minister Christine Stewart, are rumored to have opposed Lichtinger's alleged activist position on environmental issues. The CEC meeting resulted in a pledge to create better mechanisms for public input. All three NAFTA countries continue to struggle with environmental issues.

Canadian government officials criticized Canada's environmental record in June. Brian Emmett, an independent federal commissioner for environmental protection monitoring, charged in his eight-chapter, four-volume report that Canada is failing to implement its environmental vision due to heavy industrial pollution and high use of fuel oil, natural gas and petroleum. Canada's Auditor General Denis Desautels warned that Canada will not be able to live up to its Montreal Protocol commitments on reducing greenhouse gas emissions, instead increasing those emissions by at least 11 percent by 2010.

The House of Commons Standing Committee on Environment and Sustainable Development called for more effective enforcement of environmental laws, pointing to 30 percent cuts in the enforcement staff of Environment Canada between 1995 and 1997. In addition to cuts in prosecutions, water sampling stations on the Great Lakes have been cut by 80 percent and all water testing in acid rain-plagued lakes in northern Ontario was terminated last year.

In Mexico, widespread forest fires contributed to declaration of an air quality emergency in Mexico City on May 25-29. During the state of emergency, more cars are kept off the streets and stricter emissions standards apply to taxis and mini-buses used for public transportation and to diesel-fueled cargo vehicles. About 600 companies are required to reduce production during emergency days. Some seven companies may be subject to penalties for alleged noncompliance with reductions during the emergency period. Critics said the government should have acted earlier to reduce emissions from traffic and industry during the continuing crisis.

The Mexican fires have burned more than a million acres of forest and grassland, and were characterized as the most serious fires in the world by Brian Atwood, director of the U.S. Agency for International Development. Mexican environmentalists say that both the Mexican and U.S. governments have been slow to react to the fires.

Environmental issues along the U.S.-Mexican border range from sewage treatment to hazardous nuclear waste disposal. NAFTA was supposed to provide money to address border air and water pollution, but no environmental project financed by NAFTA-related funds is operating yet. The North American Development Bank (NADBank) recently approved loans for construction of two sewage treatment systems in Ciudad Juarez and Tijuana, on the recommendation of the Border Environmental Cooperation Commission.

Both Mexican and U.S. environmentalists oppose a plan to locate a low-level nuclear waste dump just 30 kilometers from the Mexican border in one of the poorest regions in Texas where about two-thirds of the residents are of Mexican origin. the dump would be located near Sierra Blanca, which already has the world's largest sewage sludge dump. The Mexican Congress's Permanent Commission voted unanimously against the nuclear waste dump earlier this year and some Mexican congressional deputies say the dump violates the 1983 La Paz Agreement between the two countries. Mexican officials say they will fight the dump by using NAFTA structures.

In the United States, the nonprofit Environmental Working Group reported in May that U.S. children are eating more pesticides on fresh produce than ever before. The Environmental Working Group found trace mounts of between three and ten different pesticides after washing and peeling fresh produce, but the average pesticide level was below legal limits. The U.S. Environmental Protection Agency had announced in 1993 that it would promote the use of biological pest management rather than chemicals. The Environmental Working Group charged that the Clinton administration has "no plan to develop a plan for reducing pesticides in agricultural use."

A study of children in Mexico who were exposed to pesticides used on crops there found decreased memory, ability to catch a ball, and eye-hand coordination. The study, conducted jointly by the University of Arizona and the Instituto TecnolÛgico de Sonora, Mexico, said many substances banned in the United States were found in the blood of those studied. Canada, Mexico and the United States all pledged to effectively enforce their own environmental laws and regulations under Article 5 of the environmental side accord to NAFTA.

Mary Sutter, "NAFTA 'Green' Council Meets Amid Doubts About Its Role," JOURNAL OF COMMERCE, June 25, 1998; Mary Sutter, "NAFTA 'Green' Panel Renews Pledge on Input," JOURNAL OF COMMERCE, June 29, 1998; Mark Bourrie, "Canada Failing to Enforce Environmental Laws," INTERPRESS SERVICE, June 2, 1998; Barry Wilson, "Government Under Attack Over Environment Record," THE WESTERN PRODUCER, June 11, 1998; "Audit Reveals Nation Failing to Meet Domestic, International Environmental Pledges," INTERNATIONAL ENVIRONMENTAL REPORTER, June 10, 1998; "Inadequate Enforcement of Regulations on Environment Found by Government Panel," INTERNATIONAL ENVIRONMENTAL REPORTER, June 10, 1998; "Authorities Toughen Air Quality Standards After Five Days of High-Level Contamination," INTERNATIONAL ENVIRONMENTAL REPORTER, June 10, 1998; "Seven Companies May Face Penalties for Alleged Failure to Curb Emissions," INTERNATIONAL ENVIRONMENTAL REPORTER, June 10, 1998; Sam Dillon, "Rainy Season Starts, But Mexico Fires Roar On," NEW YORK TIMES, June 6, 1998; Danielle Knight, "Concern Over Border Nuclear Waste Dump," INTERPRESS SERVICE, June 24, 1998; "Heavy Exposure Linked to Decreases in Mexican Children's Neurological Ability," INTERNATIONAL ENVIRONMENTAL REPORTER, June 10, 1998; Julie Vorman, "U.S. Pesticide Residue Shows No Decline," May 21, 1998; Sam Howe Verhovek, "Pollution Puts People in Peril on the Border With Mexico," NEW YORK TIMES, July 4, 1998; Mary Sutter, "Scope of NAFTA 'Green' Agency Narrows," JOURNAL OF COMMERCE, June 30, 1998.

FTAA & CIVIL SOCIETY INPUT

Negotiators working on the Free Trade Agreement of the Americas have delayed decisions on interim agreements and early implementation of business facilitation measures for six months. The United States and business groups have pushed for early implementation of agreements, especially business facilitation measures, such as streamlined customs procedures, by the year 2000. Kathryn McCallion, the Canadian chair of the FTAA Negotiating Committee, said that no interim agreements were likely until the United States passes fast-track legislation.

McCallion cited U.S. rigidity in its negotiating posture on agricultural policy as another barrier to early agreements, since Mercosur nations have responded by saying, "in that case, we will not reach fast agreement on an investment framework."

Non-governmental organizations across the Americas fear that "governments won't give their concerns the same treatment as that granted to the interests of multinationals when it comes to negotiating accords on trade and investment," according to a letter submitted to Kathryn McCallion by some 20 NGOs.

The NGOs expressed concern over the level of participation in the FTAA process that has been given to business forums. "We are not against the business community holding its own forums," said Atziri IbaÒez of the U.S. National Wildlife Federation, but he asked that businesses present their input through the civil society processes set up by governments, just as other NGOs must do. "That is the only way for everyone to participate on an equal footing," said IbaÒez.

U.S. Representative Richard Gephardt also expressed reservations about the process for allowing input from civil society in a June 15 letter to U.S. Trade Representative Charlene Barshefsky, warning: "This Committee [for Civil Society] will isolate the trade ministers from direct public participation by flitering all comments from labor and non-governmental organizations (ngos). The business community because of its ability to muster greater resources than the ngos and labor will dominate the process. . . . Just because the U.S. has failed to achieve working parties on labor and environmental issues thus far, doesn't mean that we should give up on the objective."

William New, "Hemispheric Officials Wrestle With Terms of FTAA Negotiation," INSIDE U.S. TRADE, June 26, 1998; "Food Exporters Form Free Trade Lobby Group," THE WESTERN PRODUCER, June 25, 1998; "U.S. Proposal for FTAA Civil Society," AMERICASTRADE, June 17, 1998; Marcela Valente, "Civil Society Fighting Hard for Inclusion in FTAA," INTERPRESS SERVICE, June 22, 1998; Kevin G. Hall & Beth Rubenstein, "Trade Ministers Give Clinton Time to Nail Fast Track," JOURNAL OF COMMERCE, June 23, 1998; Richard Gephardt, "Letter on Public Participation in FTAA Process," INSIDE U.S. TRADE, June 15, 1998.

FAST TRACK - ON AGAIN, OFF AGAIN

House Speaker Newt Gingrich (R-GA) announced at the end of June that he would schedule a September vote on legislation for fast-track negotiating authority. On July 6, President Bill Clinton said he would not support a fast-track debate and vote this fall. While reiterating his support for fast track, the president said that "if there is no reason [to] believe we can pass it, it would be a mistake" to bring fast-track legislation back before Congress at this time.

Clinton said that instead of focusing on fast-track, he will ask Congress to pass an Africa trade bill and the Caribbean Basin Initiative. Trade negotiators from Brazil, Argentina and other Latin American countries have warned that fast-track authority must be in place by September 1999 in order to continue to move negotiations on the Free Trade Area of the Americas to completion by the scheduled completion date of 2005.

Florida farmers pledged to fight against fast track in Florida and in other states where growers have been adversely affected by free trade, including California, Tennessee and Virginia.

The AG for Fast Track coalition supported Gingrich's call for a vote this fall, saying that they could see "absolutely no down side," but said that the alternative would be a vote in spring of 1999. Neither Gingrich nor the AG for Fast Track coalition addressed the concerns of other farm groups over the crisis situation of farmers in the midwest, northwest and north central states as wheat prices and exports to Asia fall. Republican Senators insisted that the farm sector needs increased foreign trade to prosper, and that the 1996 free-market "Freedom to Farm" law is not in need of overhaul.

"Clinton Indicates He Will Not Push for Fast Track This Year," CONGRESS DAILY, July 6, 1998; "Farm Industry Concedes It Faces Uphill Battle in Fight for Fast Track," INSIDE U.S. TRADE, July 3, 1998; Curt Anderson, "Senators: Foreign Trade Vital to Farming Sector," ASSOCIATED PRESS, June 22, 1996; Kevin G. Hall & Beth Rubenstein, "Trade Ministers Give Clinton Time to Nail Fast Track," JOURNAL OF COMMERCE, June 23, 1998; Ian Elliott, "FTAA Steams Ahead as APEC Sputters," FEEDSTUFFS, July 6, 1998.

U.S. FARMERS PROTEST LOW PRICES, SANCTIONS

The Montana Farmers Union called for increased grain prices in a rally at the Coutts, Alberta-Sweetgrass, Montana border port of entry in June. "We need the support of government and the people," said MFU president Ken Maki, blaming politics for the near-record-low grain prices. Montana winter wheat is now selling at $2.45 per bushel, and government loan prices are pegged at only $2.58.

House Minority Leader Richard Gephardt (D-MO) and Senate Minority Leader Tom Daschle (D-SD) in March introduced legislation making changes in the 1996 farm bill to allow farmers to pay back loans at the loan rate or at the price that they actually receive for their crops, if that is lower than the loan rate.

Maki blames the 1996 farm bill for many of the troubles of northern plains farmers. "Farmers here are really limited to winter wheat, spring wheat, barley and feed grains because it is so dry and such a short growing season," Maki explained. "Add to the condition, prevailing low grain prices and you have a situation that is putting these guys out of business."

U.S. sanctions against India and Pakistan further concern wheat farmers, since the sanctions end export credit programs used by the two countries to purchase U.S. wheat. Wheat farmers fear that the sanctions will cause already-low wheat prices to drop even further. Speakers at the Montana Farmers Union rally said that trade sanctions against various countries cost U.S. farmers sales worth about $26 billion per year.

Senator Richard Lugar (R-IN) said he will introduce legislation requiring Congress and the Administration to consult during formulation of sanctions policies and providing that all sanctions would expire after two years. President Clinton expressed sympathy for farmers, saying that, "Cutting off the supply (of U.S. wheat) will only hurt the citizens of Pakistan and American farmers, without furthering our goals of nonproliferation of nuclear weapons."

Canadian agriculture officials responded to recent reports of a 23 percent decline in prairie farm income this year, following a 50 percent drop last year, and a negative net income for farmers in Saskatchewan last year by saying that cash income was at record levels, so the situation was not bad. Canadian Senate agriculture committee chair Len Gustafson said that the officials of Agriculture Canada painted too rosy a picture, ignoring real problems of Canadian farmers.

Ric Swihart, "U.S. Farm Group Wants Grain Price Hike," THE WESTERN PRODUCER, June 25, 1998; "Farm Industry Concedes It Faces Uphill Battle in Fight for Fast Track," INSIDE U.S. TRADE, July 3, 1998; Barry Wilson, "Farm Economy Not That Bad, Says Agriculture Canada," THE WESTERN PRODUCER, June 18, 1998; Jerry Hagstrom, "Senate Action Concerns Wheat Producers," AGWEEK, June 15, 1998; "Farmers Take Anger to the Road," THE WESTERN PRODUCER, June 25,1998; "Lugar Seeks to Add Sanctions Proposal to Farm Appropriations Bill," INSIDE U.S. TRADE, June 26, 1998; Jim Lobe, "Anti-Sanctions Campaign Gathers Steam," INTERPRESS SERVICE, June 29, 1998; William Roberts, "Sanctions Flexibility Sought," JOURNAL OF COMMERCE, June 23, 1998.

FAO AGRICULTURE PRIORITIES SET

The 25th regional conference of the U.N. Food and Agriculture Organization in Nassau, Bahamas in June called for rural development as the key to the fight against poverty, and for reforms of international agricultural trade. The 33 Latin American and Caribbean agriculture ministers in attendance also agreed on the importance of sustainable management of natural resources while seeking food security, and emphasized the importance of the code of Conduct for Responsible Fishing in the region.

Gustavo Gonzalez, "FAO Conference Sets Priorities," INTERPRESS SERVICE, June 22, 1998.

ILLEGAL CHICKEN, PORK EXPORTS ALLEGED

Mexican chicken and hog producers allege illegal exports of U.S. fresh chicken parts and slaughter hogs, blaming both corrupt Mexican inspectors and U.S. producers.

Mexican chicken producers say that customs officials fail to adequately inspect trailers carrying imports of fresh chicken parts. U.S. producers sell the more profitable chicken breasts in the United States, sending the legs south, where they can get a higher price from Mexican consumers than from U.S. consumers. Fresh or frozen chickens from the United States pay duties of 240 percent on entry to Mexico, but salted or smoked meats pay only 8 percent. Smugglers claim that their fresh or frozen chicken parts are "brine-chicken." Allegedly-processed chicken imports have risen from 450 tons to 9,000 tons per year since NAFTA's effective date.

The Mexican Pork Producers Council claims that U.S. pork producers are dumping slaughter hogs on the Mexican market. The Council filed an anti-dumping petition with the International Commercial Practices Unit of Mexico's Secretariat of Commerce (SECOFI) at the beginning of June. At the World Pork Expo in Iowa at the beginning of June, University of Missouri agriculture economist Glenn Grimes told U.S. producers that they could expect a 40 percent increase in production during the next 18 months, taking the industry to a 137-million-head pig herd.

Joel Millman, "Illegal U.S. Chickens Pour Into Mexico," WALL STREET JOURNAL, June 24, 1998; Ian Elliott, "Mexican Pork Producers Start Antidumping Action Against U.S.," FEEDSTUFFS, June 29, 1998.

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Regional Integration and Multilateral Cooperation in the Global Economy, edited by Jan Joost Teunissen. Forum on Debt and Development (FONDAD), The Hague: 1998. Collected papers presented at 1997 conference on regional integration and multilateral cooperation, including consideration of prospects and priorities for integration in Latin America, Africa, Asia, the Middle East, and Eastern Europe; the issue of regionalism versus multilateralism; and economic globalization. Order from FONDAD at Noordeinde 107 A, 2514 GE The Hague, the Netherlands; telephone 31-70-3653820; fax 31-70-3463939; email Forum_fondad@wxs.nl

"Hazardous Waste Management on the Border: Problems With Practices and Oversight Continue," BORDERLINES, Vol. 6, Number 5, July 1998. Monthly publication of Interhemispheric Resource Center, Box 4506, Albuquerque, NM 87196-4506. Articles in this issue focus on hazardous waste issues on the border.

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NAFTA CHALLENGED AS TREATY

A court challenge to NAFTA, filed on July 13 by the United Steelworkers of America and the Made in the U.S.A. Foundation, alleges that NAFTA is invalid because it is a treaty but was not approved by the constitutionally-required two-thirds vote of the Senate.

NAFTA was approved by a majority vote of both houses of the U.S. Congress as a package of enabling legislation enacting the provisions of the agreement. Under the U.S. Constitution, international agreements classified as "treaties" must be approved by a two-thirds vote of the Senate. But the Constitution does not define what constitutes a treaty.

Former U.S. chief deputy NAFTA negotiator Chip Roh called the case "political grandstanding," and said that longstanding tradition supports the view that a trade agreement is not a treaty.

Steelworkers attorney Carl Frankel said that the courts, not the executive branch, should decide what a treaty is and predicted that, "Whenever the court draws that line, we're confident NAFTA will fall on the treaty side of it." The Steelworkers court pleadings note that the Mexican government considers NAFTA a treaty, and also cite other elements that make it similar to a treaty.

Christina Winters, "WAorkers Challenge NAFTA in Court Suit," JOURNAL OF COMMERCE, July 17, 1998; "Suit Calls NAFTA Invalid," YORK DAILY RECORD, July 14, 1998; William New, "Steelworkers File Constitutional Case Against NAFTA Approval Process," INSIDE U.S. TRADE, July 17, 1998; "Saying NAFTA is a Treaty, 2 Groups File Challenge," NEW YORK TIMES, July 14, 1998.

U.S. BEEF EXPORTS CHALLENGED

On July 1, the Mexican Association of Cattle Feeders (AMEG) and the National Cattlemen's Confederation (CNG) filed a formal request for an antidumping investigation of low-priced beef imports from the United States. The complaint goes to the Mexican Commerce Secretariat (Secofi), and will be accepted or rejected by Secofi within 30 days of filing.

Mexico is the second-largest market for U.S. beef exports, after Japan. Exports to Mexico in 1997 increased by 74 percent over 1996, to 146,000 metric tons worth $345 million. U.S. exporters claim that they are gaining market share in Mexico because of bad weather in Mexico, as well as limited access to credit for Mexican ranchers and the peso devaluation.

"Mexican Cattle Industry Files Antidumping Petition Against U.S.," AMERICASTRADE, July 9, 1998.

NO 'EARLY HARVEST' FOR FTAA

All business facilitation measures to be achieved by the year 2000 were removed from the draft work program for FTAA negotiators. Business facilitation, also called Early Harvest by many of the negotiators, provides concrete measures to ease trade and investment early in the negotiation process for the Free Trade Area of the Americas. There is disagreement among the negotiators on what measures should be classified as business facilitation.

Brazil and some other countries oppose Early Harvest, expressing concern that early agreements could remove important bargaining chips for the 7- year negotiating process. The United States wants Early Harvest, but is in a poor bargaining position because U.S. negotiators do not have "fast track" negotiating authority.

New OAS Trade Unit Director José Manuel Salazar pledged that he will make business facilitation a personal goal during his term. The Trade Negotiating committee for the FTAa has asked that the OAS Trade Unit make recommendations for concrete steps that could be taken by 2000. The Trade Unit is also part of the Tripartite Committee providing logistical support for the negotiations, along with the Inter-American Development Bank and the U.N. Economic Commission on Latin America and the Caribbean.

William New, "Buenos Aires FTAA Work Program Shows Wide Gaps in Three Areas," INSIDE U.S. TRADE, July 3, 1998; Kevin G. Hall, "OAS Official Makes Business His Business in Free Trade," JOURNAL OF COMMERCE, July 16, 1998.

BANANA BATTLE STILL ON

European Union agriculture and trade ministers in late June announced a complete overhaul of the EU banana trade regime, to bring it into compliance with World Trade Organization rulings. Acting on complaints by the United States and Latin American nations, the WTO dispute resolution process held that parts of the regime, such as trade import licensing agreements and the dividing up of quotas among the African, Caribbean and Pacific (ACP) states that are members of the Lomé Convention trade and aid pact, violate WTO trade rules.

The governments of the United States, Ecuador, Guatemala, Honduras, Mexico, and Panama, say the changes in the EU banana regime are not sufficient to comply with the WTO ruling, and have demanded that the EU agree to reconvening of the WTO dispute resolution panel. The U.S. government has threatened trade retaliation under WTO rules if the EU does not adopt a plan it finds acceptable. The EU's new plan preserves existing tariff quotas, one of 2.2 million metric tons and the other of 353,000 tons, with a duty of $83 per ton for non-ACP bananas and duty-free entry for ACP bananas. More significantly, the new plan abolishes country-specific quotas, granting the ACP quota to the entire 71-nation bloc. That will allow the three multinationals that dominate the international banana market - Dole, Del Monte and Chiquita Brands - to move large, industrialized production into West African ACP member states, undercutting the small Caribbean producers who have relied on quota protection in the past.

One-third of the work force in the Windward Islands depends on banana production, which occupies 70 percent of the islands' land area. Large, industrialized plantations produce bananas more cheaply than small, family-owned farms in the islands. "Take away the (Caribbean) banana industry and the economy collapses. There will be mass poverty. It's a simple equation," said Phil Bloomer of the British NGO Oxfam.

Of EU banana imports, 21 percent have historically come from twelve ACP countries: Cote d'Ivoire, Cameroon, Surinam, Somalia, Jamaica, St Lucia, St Vincent and the Grenadines, Dominica, Belize, Cape Verde, Grenada and Madagascar, with an additional three percent coming from other ACP states. Some 76 percent of EU banana imports come from third countries, mainly Ecuador, Colombia, Costa Rica and Honduras.

"U.S. and Latin Countries Challenge EC Banana Report," INSIDE U.S. TRADE, July 24, 1998; Niccolo Sarno, "EU's Vow To Caribbean Banana Farmers Hard To Keep," INTERPRESS SERVICE, July 3, 1998; "U.S., EU Set to Clash Over Banana Regime With Threats of Retaliation," INSIDE U.S. TRADE, June 19, 1998; Niccolo Sarno, "Lome Convention's Days Are Numbered," INTERPRESS SERVICE, June 29, 1998.

MOVEMENT ON NAFTA TRANSPORT ISSUES

The long-standing dispute over cross-border trucking between the United States and Mexico moved a step closer to resolution with the June signing of an 11-page agreement on harmonizing drug and alcohol testing procedures for truckers crossing the border. The U.S. Department of Transportation has blocked compliance with NAFTA provisions requiring opening of borders to cross-border long-distance trucking since 1995, citing concerns over safety and insurance and drug trafficking.

Despite recent progress, U.S. officials stressed the continuing disagreement over package delivery services. The United States wants Mexico to allow U.S. companies such as United Parcel Service and Federal Express to compete on an equal footing with Mexican companies, delivering packages throughout Mexico without restrictions on the size of packages or of delivery vehicles.

Mexico and the United States have agreed on several truck-safety measures, but Mexico has not yet deployed newly-trained inspectors to implement the Commercial Vehicle Safety Alliance. Mexico has also pledged to allow the 53-foot trailers, which are standard equipment in the United States and Canada.

Even when the trucking disputes are eventually resolved, border crossing may remain time-consuming and costly for many carriers. Although the United States and Canada have no conflicts over free passage of trucks, border inspection still slows the billion dollar a day traffic between the two countries. Canada and the United States are working to implement more computerized and automated inspection systems.

U.S.-Mexican border crossings face additional slowdowns as traffic backs up at ports, bridges, and railroad crossings, many of which are simply too small and too slow to handle the increased volume of cross-border traffic. U.S. drug detection efforts, including searches by trained dogs and drilling holes in truck trailers to look for hidden compartments, also slow traffic.

Scott Otteman, "Mexico Must Do More on Safety, Delivery to End NAFTA Truck Fight," AMERICASTRADE, July 9, 19998; Kevin G. Hall, "Mexico, U.S. Agree on Drug Testing for Truckers," JOURNAL OF COMMERCE, July 10, 1998; Anna Wilde Mathews, "NAFTA Reality Check: Trucks, Trains, Ships Face Costly Delays," WALL STREET JOURNAL, June 3, 1998; Mary Sutter & Kevin G. Hall, "Mexico Pledges to Legalize Big Trailers," JOURNAL OF COMMERCE, June 19, 1998; Suzanne Possehl, "Working Toward Seamlessness," JOURNAL OF COMMERCE, June 30, 1998; "Transport Minister Releases NAFTA Joint Statement of Accomplishments," CANADA NEWSWIRE, July 16, 1998.

IPR PROGRESS CLAIMED

Saying that Honduras has made progress in protecting intellectual property rights, U.S. Trade Representative Charlene Barshefsky announced on July 1 that the United States has restored duty-free access for Honduran products including watermelons, cucumbers, cigars and cigar products, restoring benefits revoked in March under Section 301 of U.S. trade law. "Among a number of recent actions in this area, the Honduran government temporarily shut down and collected fines from television stations which had pirated U.S. programming and videos," said Barshefsky.

The Mexican government also said it will launch a national campaign against copyright piracy in July, according to Mexican Undersecretary for International Trade Negotiations Jaime Zabludovsky. The campaign is expected to include increased personnel and funding for the Mexican Industrial Property Institute and the Attorney General's Office.

Office of the U.S. Trade Representative, "Trade Preferences for Honduras Restored," PRESS RELEASE, July 1, 1998; "U.S. Trade Representative Restores Trade Preferences to Honduras," AMERICASTRADE, July 9, 1998; Scott Otteman, "Mexico to Mount New Nationwide Anti-Piracy Campaign in July," INSIDE U.S. TRADE, July 10, 1998.

AUTO WORKERS UNDER NAFTA

The General Motors workers' strike at the Flint, Michigan plant, which began on June 4, has effectively shut down GM manufacturing throughout most of the United States, Canada and Mexico. More than 80,000 workers, including 30,000 in Mexico, have been idled and the strike is estimated to cost GM $75 million a day. A shift in manufacturing jobs from the United States to Mexico underlies the Flint autoworkers' strike. A primary objective of the workers is to prevent outsourcing of parts to non-union plants.

GM and its affiliates are Mexico's largest private employer, with 83,000 full-time workers. GM de

Mexico operates three car and truck assembly plants. GM's Delphi Automotive Systems has 53 parts plants. GM jobs in the United States have been cut by 38,000 workers to 224,000 between 1993 and 1998.

Auto manufacturers' shift of operations to Mexico, has resulted in a total of $7.7 billion in new auto and parts factories built there during the past four years and another $8 billion projected by 2000. The U.S. trade deficit with Mexico in the auto and auto-parts sector increased from $3.6 billion in 1993 to $7.4 billion in 1997. The Volkswagen Beetle is made exclusively in Mexico, as are many Ford pickups and Nissan wagons.

Workers' struggle for an independent union in the Han Young plant in Tijuana, Mexico typifies the difficulties faced by workers in Mexico. (See "NAFTA Labor Charges in U.S., Mexico," NAFTA & INTERAMERICAN TRADE MONITOR, May 29, 1998 and "Han Young Update," NAFTA & INTERAMERICAN TRADE MONITOR, March 6, 1998.) Han Young produces truck chassis for Hyundai. Han Young workers voted twice for an independent union, but have been blocked first by government refusal to recognize their union and then by the company's refusal to negotiate.

Auto workers in Canada are fighting to organize Magna International, one of the world's largest auto-parts suppliers, which is now moving into production of complete vehicles. Magna has 49,000 workers in 155 plants around the world, with more than 50 plants in Canada and about 30 in the United States.

The Canadian Auto Workers representation of workers in the auto-parts industry has fallen from 80 percent some 20 years ago to about 50 percent today, a drop attributed by CAW officials to Magna's growth. Only one Canadian Magna plant is unionized, and workers there voted in April to decertify the CAW. Wayne Gates, CAW local president at the St. Catharines, Ontario plant, said that the company laid off 10 of 50 workers before the vote and that company postings and letters implied that the plant would have more work without a union.

In the United States, only three Magna plants are unionized. CAW union officials say many non-unionized Magna workers make less than half of what UAW workers make in the United States.

Angelo B. Henderson, "GM's Idled Workers Support the Strikers in Flint," WALL STREET JOURNAL, July 13, 1998; Robert L. Simison and Gregory L. White, "GM's Strategy in Mexico May Skew Jobs Numbers," WALL STREET JOURNAL, July 13, 1998; Mark Heinzl, "Canadian Auto Workers Target Outsourcing Trend," WALL STREET JOURNAL, July 20, 1998; Joel Millman, "Mexico is Becoming Auto-Making Hot Spot," WALL STREET JOURNAL, June 23, 1998; Joel Millman, "Effects of the GM Strike Begin Crossing the Border Into Mexico," WALL STREET JOURNAL, June 24, 1998; Kevin G. Hall, "GM Strike Likely to Stall US-Mexican Supply Chain," June 26, 1998.

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Tyranny of the Bottom Line: why corporations make good people do bad things, Ralph Estes. San Francisco: Berrett-Koehler Publishers, 1996. 296 pp. $27.95. Examines the implications of a corporate purpose focused solely on profit, including numerous examples of corporate abuses of customers and employees, and concludes with a recommendation for legal requirement of extensive public disclosure of information by corporations. Order from Berrett-Koehler Publishers, 155 Montgomery Street, San Francisco, CA 94104; phone 800/929-2929.

Han Young Report. April 28, 1998. The first report on freedom of association issues and union organizing at the Han Young plant in Tijuana has been issued by the U.S. National Administrative Office, set up under NAFTA to hear complaints about non-enforcement of labor laws. To order, contact U.S. NAO, Department of Labor - OSHA, 200 Constitution Avenue NW, Room C-4327, Washington, DC, (202) 501-6653. A second report on failure to enforce health and safety regulations at the plant is due out this summer.

Hungry for Profit: Agriculture, Food, and Ecology, edited by Fred Magdoff, John Bellamy Foster and Frederick H. Buttel. Special issue of Monthly Review, July/August 1998. 160 pp. $10 each, discounts on quantity orders. Order from MONTHLY REVIEW, 122 West 27th St. New York, NY 10001. Telephone 212/691-2555; fax 212/727-3676; email mreview@igc.apc.org. Explores the historical roots of mature capitalist agriculture and structural transformations that are underway, along with effects of these developments on farmers and the environment, the various groups formed to try to resist these changes, alternative pathways attempted in developing countries, and an understanding of the perpetuation of hunger in the midst of plenty.

Commercial Trucking: Safety Concerns About Mexican Trucks Remain Even as Inspection Activity Increases. General Accounting Office report to Congressional Recipients: April, 1997. 27 pp. First copy free. Order from U.S. General Accounting Office, P.O. Box 6015, Gaithersburg, MD 20884-6015; telephone 202/512-6000; fax 301/258-4066. For internet access, send e-mail with "info" in the body to info@www.gao.gov. $2.

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FARM CRISIS ON GREAT PLAINS

A combination of bad weather, falling grain prices, and farm deregulation in the form of the "Freedom to Farm Act" have driven increasing numbers of U.S. farmers off the land this year, especially in North Dakota, South Dakota, and parts of Montana and Minnesota. North Dakota Agriculture Commissioner Roger Johnson said he had never seen a worse farm situation, including "farmers going broke en masse."

In July, U.S. President Bill Clinton announced plans to buy 2.5 million tons of wheat to give as food aid to Sudan, Ethiopia, Eritrea, Indonesia and North Korea. Administration officials said the $250 million program should increase U.S. wheat prices by up to 13 cents a bushel or about 5 percent. U.S. Agriculture Secretary Dan Glickman said that other commodities may be brought into the food aid program if they begin to show surpluses.

The Canadian Wheat Board is concerned about U.S. donations to Indonesia, which is now Canada's seventh largest market for wheat exports. Although the United States dominated the Indonesian wheat market in the late 1970s and early 1980s, its market share in Indonesia was only one percent last year. Canadian Wheat Board market analysis head Brian White expressed concern that the U.S. food aid was an attempt to win back market share. Australian and Canadian farm groups have criticized the U.S. food aid as a disguised subsidy to U.S. wheat producers.

U.S. Trade Representative Charlene Barshefsky said her office opposes proposed legislation that would require USTR staff to investigate Canadian Wheat Board pricing practices. Barshefsky said her agency did not have the resources and expertise to conduct the study proposed by North Dakota Senator Dorgan.

"Storage, Transport Woes Loom for U.S.," WESTERN PRODUCER, July 23, 1998; "Clinton Says Food Aid May Be Expanded," WESTERN PRODUCER, July 23, 1998; Ed White, "U.S. Grain Donation Could Pull Up Wheat Prices," WESTERN PRODUCER, July 23, 1998; Charlene Barshefsky, "Letter Against Dorgan Wheat Amendment," INSIDE U.S. TRADE, July 22, 1998; Pam Belluck, "A New Kind of Farm Crisis Pummels the Northern Plains," NEW YORK TIMES, July 19, 1998.

EU, MERCOSUR CONFLICT OVER AGRICULTURE

Speaking at the Mercosur presidential summit in Argentina in late July, Brazilian President Fernando Henrique Cardoso said that it makes "no sense for highly developed regions of Europe and the United States to continue to have [agricultural] subsidies." Cardoso said that agriculture presents the best opportunity for developing countries to have rapid growth, and criticized producer subsidies by developed countries as unfair.

The European Commission voted on July 23 to begin negotiation of a free trade accord with Mercosur (Argentina, Brazil, Uruguay and Paraguay and associate member Chile). The negotiations were approved over the objections of EC farm commissioner Franz Fischler and three other members, and despite European farm groups' calls for safeguards. An internal EU study projected agriculture sector losses of up to $15 billion under such an EU-Mercosur free trade accord. Mercosur beef prices, for example, are about half those of EU producers. Mercosur is the 4th-largest food exporter in the world and the EU is Mercosur's largest trading partner.

Some voices from within Mercosur, such as Domingo Cavallo, former Argentine finance minister, said agricultural negotiations would be better situated in a global forum, such as the millennium round of World Trade Organization talks. Peruvian trade minister Gustavo Caillaux Zazzali agreed that global talks would be preferable, but argued for continuing regional and inter-regional negotiations, saying "We can't just do nothing while we wait on the World Trade Organization."

The European Union and Mexico began trade talks on July 14. The EU has lost market share in Mexico as a result of NAFTA.

"EU Approves Controversial Plan to Negotiate an FTA With Mercosur," INSIDE U.S. TRADE, July 31, 1998; Kevin G. Hall, "Pressure Mounts for Global Trade Round," JOURNAL OF COMMERCE, July 24, 1998; David Thomas, "EU Agriculture Ministers Shovel Dirt Over Free-Trade Deal With Mercosur," JOURNAL OF COMMERCE, July 22, 1998; Kevin G. Hall, "Mercosur Economic Talks Open Against Backdrop of Concerns," JOURNAL OF COMMERCE, July 22, 1998; Neil Buckley, "Risks of EU Link With Mercosur 'Exaggerated,'" FINANCIAL TIMES, July 23, 1998; Michael Smith, "Brussels to Back Mercosur Talks," FINANCIAL TIMES, July 21, 1998; Michael Smith, "Mercosur Pact Would Cost EU $15bn," FINANCIAL TIMES, July 17, 1998; "Mercosur Wants EU to End Farm Subsidies," FINANCIAL TIMES, July 25-26, 1998; "Few Gains at Mercosur Summit," NOTISUR, July 31, 1998; Leslie Crawford, "Mexico and EU Start Talks on Free Trade Accord," FINANCIAL TIMES, July 15, 1998; Mary Sutter, "EU, Mexico to Begin Trade Talks July 14," JOURNAL OF COMMERCE, July 6, 1998.

INTERAMERICAN WEAPONS TRADE

According to the International Institute for Strategic Studies in London, military spending in Latin America has risen 35 percent since 1992, outstripping economic growth of 22 percent. The increase includes some raises in salary for military personnel, but also increased weapons procurement.

Chile, for example, plans to replace its aging light ground attack aircraft with newer models, buying up to 16 jets for about $600 million, while Brazil plans to spend $3-4 billion over the next 15 years to buy 70-100 fighting planes. With these sales in the offing, U.S. manufacturers successfully lobbied for an end to the 20-year U.S. ban on sales of advanced aircraft in Latin America. Chile is also asking to be allowed to buy an advanced missile system for the new aircraft.

Practical uses for the air forces are limited, since advanced aircraft are of little use against drug cartels or insurgents. The Chilean defense ministry said that "technology skills in the armed forces must match those in society." Admiral Mario César Flores, a former Brazilian navy minister and former head of his country's strategic policy unit, said the only real justification for the purchases is national pride.

U.S. arms manufacturers shipped $25 billion in exports worldwide in 1996, according to government records, compared to $2-3 billion annually during the cold war. Much of the export volume is made up of small military weapons, including assault rifles, pistols and mortars. Joost Hilterman, director of the Arms Control Project at Human Rights Watch pointed out that governments typically license weapon sales for commercial reasons without considering the consequences to the region where the weapons end up.

In July, the United States and 20 other countries called for greater control of legal and illegal sales of small arms and light weapons, but the group failed to agree on even a limited statement of "common understanding," with the United States and other countries objecting to Canadian efforts to restrict small-arms sales to "nonstate actors," such as rebels, terrorist groups and criminal organizations.

Raymond Bonner, "U.S. Joins 20 Nations in Urging Controls on Spread of Small Arms," NEW YORK TIMES, July 15, 1998; Jonathan Wheatley and Imogen Mark, "Weapon Makers Lured as National Pride Pushes South America to Rearm," FINANCIAL TIMES, June 25, 1998; Raymond Bonner, "For U.S., Gun Sales Are Good Business," NEW YORK TIMES, June 6, 1998; Gustavo Gonzalez, "U.S. Hurrying In Post-Pinochetism," INTERPRESS SERVICE, May 25, 1998.

MMT ADDITIVE BAN ENDED

In July, the Canadian government agreed to lift a year-old ban against MMT, a manganese-based gasoline additive produced by the U.S.-based Ethyl Corporation, settling the first-ever NAFTA investor-state challenge. Citing health and environmental risks, the Canadian government had banned MMT in 1997. Now it will allow trade in MMT and pay Ethyl $13 million in costs and lost profit.

Ethyl had sought $251 million in damages under its NAFTA Chapter 11 challenge. In an unusual alliance, Canadian auto makers and environmental advocates had joined in opposing the lifting of the ban. Both groups expressed fears that the decision was a move toward allowing private-sector firms to overturn laws through the investor-state clause of NAFTA.

The Canadian Vehicle Manufacturers Association called for a renewal of the ban on MMT under Canadian environmental law, saying "There is more than ample evidence of the harmful effects of MMT . . ." Canadian Environment Minister Christine Stewart said that the government does not have sufficient scientific evidence to support its claims of health and environmental risks from MMT.

"Canada Removes Its Ban on Ethyl Corp.'s Additive," WALL STREET JOURNAL, July 21, 1998; Randall Palmer, "Canada Backtracks on Controversial Additive Ban," REUTERS, July 20, 1998; "Canada Settles NAFTA Dispute by Lifting Ban on Gasoline Additive," INSIDE U.S. TRADE, July 24, 1998; Courtney Tower, "Canada Backs Away From U.S. Firm's NAFTA Challenge," JOURNAL OF COMMERCE, July 22, 1998; "Automakers, Greens Angered Over Canadian Lift of MMT Ban," AMERICASTRADE, July 23, 1998.

MEAT INSPECTION, LABELING CRITICIZED

Canadian Agriculture Minister Lyle Vanclief expressed strong opposition to U.S. Senate proposals for mandatory retail labeling on all beef, veal and lamb imports into the U.S. The Senate amendment to the Agriculture Appropriations Bill would require meat to be labeled as either "imported" or "U.S." Vanclief cited the high degree of integration of the North American cattle and beef industry, warning that "this initiative would undermine the successful bilateral trade that has been developed in this area in recent years."

U.S. packers and processors belonging to the American Meat Institute lobbied Congress in July in opposition to Clinton administration proposals to allow the Agriculture Department to recall tainted meat or poultry. The AMI said that it is in the food companies' best interests to voluntarily recall tainted food so federal regulation is not needed. The Clinton administration has also proposed spending $101 million to improve food inspection, research and education.

Canadian farmers oppose an array of new meat inspection initiatives designed to position Canada to compete in global meat markets. The Canadian Food Inspection Agency wants all meat processing facilities to adopt a system called Hazard Analysis Critical Control Points, which is now in use in the United States. Small Canadian butchers say the system will drive them out of business, to the benefit of large corporations. Ed Romanowski of Cushing's Meats in Fergus, Ontario complained that "I have to write everything down, document everything - what chemicals I use, when I use them, when did I clean up, who did the clean up. I say I need a knife in my hand, not a pencil."

Country-of-origin labeling requirements for fresh fruit and vegetable imports were included in the U.S. Senate version of the Agricultural Appropriations Bill for 1999, though they were not in the House of Representatives version of the bill. The Food Marketing Institute, a retail trade association, criticized the provision as "protectionistic burdens with no meaningful consumer benefit."

A U.S.-Mexican joint statement on food safety signed in June emphasizes cooperation to protect public health, beginning with general information sharing on agricultural growing and handling practices to prevent microbial contamination.

Tracy Rosselle, "Supporters of Bill Are Optimistic," THE PACKER, July 27, 1998; "Minister Vanclief Expresses Concerns Over Proposed U.S. Meat Labelling Requirements, Wheat Trade," INSIDE U.S. TRADE, July 31, 1998; "Free Hot Dogs Attract Congress to Food Safety," AGRINEWS, July 30, 1998; Chris Morris, "Small Farmers Against New Meat Standards," AGWEEK, July 27, 1998; "U.S.-Mexico Statement Focuses on Food Safety Cooperation," AMERICASTRADE, July 9, 1998.

FAST TRACK UPDATE

House Republicans say they will force a vote on fast-track legislation on September 21. It is not clear whether the House will vote on its own version of fast-track or on the Senate version. The House version includes language restricting trade agreements to elements "directly related to trade," while the Senate version allows the Administration to stipulate that signatories to a trade agreement cannot lower labor or environmental standards to attract investment.

While House Republicans clearly see fast track as a way to divide Democrats before this fall's mid-term elections, they also see the measure as a way to respond to shrinking agricultural export markets. While large agri-business organizations have generally been considered supporters of fast track, many farmers believe the U.S. Trade Representative's office has sacrificed U.S. access for agriculture products in negotiating market access for other sectors. Some cattle ranchers have talked of tying support for fast track to labeling of meat imports. [See "Meat Inspection, Labeling Criticized," this issue.]

Trade Representative Charlene Barshefsky said she did not think fast track should be brought up until after the elections, because "we don't wish to see fast track to be brought up to lose, and at this juncture, we don't believe that the votes are there on the Republican side or on the Democratic side." A Republican whip count during the first week of August confirmed that there are not yet enough Republican votes to win on fast track.

In the Senate, the fast track legislation is attached to the Africa trade bill. Fast track opponents have threatened to filibuster the bill to stop fast track. Representative Maxine Waters (D-CA), chair of the Black Caucus, said she will oppose the Africa trade bill because of the attachment of fast track and because of other Republican amendments that make the bill into "a 'Christmas tree' for multinational corporations."

Senate Minority Leader Tom Daschle (D-SD) said that fast track has "zero" chance to pass in the Senate. The Senate trade bill includes Africa trade measures, an expansion of Caribbean Basin trade benefits, and an extension of the Generalized System of Preferences.

Jerry Hagstrom, "Cattlemen Imply Fast Track Votes Hinge On Meat Labeling," "Republican Whip Count Comes Up Short on Votes for Fast Track," INSIDE U.S. TRADE, August 7, 1998; CONGRESSDAILY, August 7, 1998; Carter Dougherty, "Clinton Attacks Republican Strategy of Linking Fast Track to IMF Bill," INSIDE U.S. TRADE, July 24, 1998; "Senior Officials Say Fast-Track Push Ill-Timed Before Elections," INSIDE U.S. TRADE, July 24, 1998; William Roberts, "GOP-led Free-Trade Bill Raises Policy Row," JOURNAL OF COMMERCE, July 22, 1998; "Senate Democrats Fight Against Trade Bill as Lott Vows to Press On," INSIDE U.S. TRADE, July 31, 1998; "House Fast-Track Strategy Unclear Despite Planned September Vote," INSIDE U.S. TRADE, July 31, 1998; Maxine Waters, "Waters Letter on Trade Bill," INSIDE U.S. TRADE, July 31, 1998.

BRAZIL TELEPHONE PRIVATIZATION

On July 29, as protesters and police engaged in a six-hour battle in downtown Rio de Janeiro, management control of 12 operating units of Telebrás was sold, in the largest privatization in Latin American history. The sale was made largely to Spanish, Portuguese and U.S. investors, for $18.93 billion, an unexpected 64 percent over the minimum price. The sale drove up the prices of Brazilian stocks on the New York Stock Exchange. The privatization included just 19 percent of the company's equity stock, but more than 50 percent of voting shares.

Two consortiums led by Spanish Telefonica SA won the latent telephone market and the cellular company serving Brasilia, with Telefonica's chief executive Juan Villalonga promising "We've come to stay at least one hundred years in Brazil." MCI Communications Corp. of the United States won the bidding for the long-distance business.

At least 15 people were arrested and 10 people were wounded badly enough to require hospitalization in the protest demonstrations that pitted 3,000 police against anti-privatization demonstrators, including students, workers and peasant farmers. Some demonstrators threw stones at tear-gas wielding police and others set up burning barricades in the streets. Union and nationalist groups also failed in more than 100 legal actions brought to stop the sale of Telebrás, which provides a large number of public-sector jobs.

The Brazilian government plans to create four "mirror companies" to compete with four of the auctioned companies, in order to avoid monopolies in any area of the country. The "mirrors" will be auctioned off toward the end of the year.

El Salvador, Honduras and Guatemala are also seeking international buyers for their telephone companies this year. El Salvador, Honduras and Guatemala are also seeking international buyers for their telephone companies this year. A total of about 170 public enterprises in Latin America are projected to be sold to private firms in 1998 for a combined total of more than $80 billion. Some 827 Latin American public enterprises were privatized between 1990 and 1997. Brazil and Argentina lead the privatization list in 1998, with the largest total sales values, followed by El Salvador and Venezuela.

Peter Fritsch, "Auction Draws a Wide Circle of U.S. Firms," WALL STREET JOURNAL, July 29, 1998; "Brazil's Telebras Stake Goes for $18.85 Billion," WALL STREET JOURNAL, July 30, 1998; Richard Lapper, "Telebrás Sell-Off Proves a Fillip for Brazil and Emerging Markets," FINANCIAL TIMES, July 31, 1998; "Brazil Holds Its Breath as the Big Private Call Comes Through," FINANCIAL TIMES, July 25-26, 1998; Pamela Druckerman, "U.S. Deal Makers Snap Up Stakes in Latin Companies, Bucking Area Stock Slump," WALL STREET JOURNAL, July 23, 1998; Mario Osava, "Privatisation of Telebras Unexpectedly Successful," INTERPRESS SERVICE, July 29, 1998; Mario Osava, "Auction Outcome Shows Telebras Badly Valued," INTERPRESS SERVICE, July 29, 1998; Maricel Sequeira, "New Owners Sought for Telephone Companies," INTERPRESS SERVICE, July 3, 1998; Daniel Gatti, "Brazil and Argentina Head Race to Privatization," INTERPRESS SERVICE, June 17, 1998; Thierry Ogier, "Brazil Rings Up Billions in Sale of Phone Giant," JOURNAL OF COMMERCE, July 31, 1998; Thierry Ogier, "Brazil Plans to Throw Open Telecom Market by 1999," JOURNAL OF COMMERCE, August 4, 1998.

NAFTA & Inter-American Trade Monitor is produced by the Institute for Agriculture and Trade Policy, Mark Ritchie, President. Edited by Mary C. Turck. Electronic mail versions are available free of charge for subscribers. For information about fax subscriptions contact: IATP, 2105 1st Ave. S., Minneapolis, MN 55404. Phone: 612-870-0453; fax: 612-870-4846; e-mail: iatp@iatp.org. The Spanish version of this news bulletin, El Monitor de NAFTA y Comercio Interamericano, and a searchable archive of all back issues is available at: http://www.newsbulletin.org To subscribe/unsubscribe to the email version of this news bulletin, send email to: listserv@iatp.org. Leave the subject blank. In the body of the message type: subscribe nafta_monitor

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FTAA UPDATE

While acknowledging that the Free Trade Area of the Americas is not Mexico's priority at this time, Mexican Commerce Secretary Herminio Blanco said in July that the decision to set a 2005 deadline for the conclusion of FTAA talks sends a "bad signal" for negotiators and will slow the process. The seven years of FTAA talks begin in Miami on August 31 with the market access committee meeting, followed by the agriculture committee on September 3.

Talks will be held at the University of Miami-James L. Knight International Center in downtown Miami. No permanent administrative staffing is in place yet, and the FTAA cannot yet hire full-time staff because funding is not in place.

Kevin G. Hall, "FTAA Coordinator Tries to Put Details in the Right Order," JOURNAL OF COMMERCE, August 14, 1998; Kevin G. Hall, "FTAA Can't Hire Full-Time Staff Yet," JOURNAL OF COMMERCE, August 14, 1998; "Blanco Says 2005 Deadline Delays Substantive FTAA Talks for Years," AMERICASTRADE, August 6, 1998.

NAFTA LABOR COMPLAINTS CONTINUE

The Mexican government has sued the DeCoster Egg Farm in Maine, accusing it of civil, labor and human rights violations. The lawsuit charges that more than 1,500 former employees suffered from illegal work conditions during the past 10 years, because of racial discrimination aimed at Mexicans.

Former workers at the egg farm report physical abuse, false promises of housing and pay, denial of sick leave, and filthy, unsafe working conditions. A 1996 U.S. Occupational Safety and Health Administration case, still pending, accuses the farm of hundreds of violations.

The Federal Commission on Agricultural Workers estimates that there are 2.5 million migrant workers in the United States. In late July, the Senate approved an expansion of the H-2A program for temporary workers.

The Mexican National Administrative Office is also investigating complaints made by the Washington, D.C.-based International Labor Rights Fund, which involve migrant workers in apple orchards in the state of Washington. The complaints allege interference with attempts to organize unions, discrimination against migrant workers (the majority of whom are Mexican), and violations of health and safety laws. Washington apple growers characterized the case as a protectionist measure aimed at keeping their apples out of Mexican markets.

The U.S. National Labor Relations Board recently ruled that Stemilt Growers, an fruit-packing company, must negotiate with the Teamsters Union, finding reasonable cause to believe that Stemilt had threatened to fire workers who talked about unions and threatened raids by the Immigration and Naturalization Service if workers voted in a union.

The National Administrative Office recommended on July 31 that the United States and Mexico hold ministerial-level consultations over alleged violations of workers organizing rights and failure to enforce health and safety regulations at the Echlin auto parts plant, which is located in Mexico but owned by a U.S. company. The U.S. NAO found that an attack on workers outside the ITAPSA factory grounds in Ciudad de los Reyes raised questions about reprisals for union organizing. The Canadian NAO is considering a similar complaint against the same company, filed last April by Canadian unions, and will issue a report in early October.

Victoria Griffith, "Mexican Legal Case Shows Cross-Border Labour Strains," FINANCIAL TIMES, August 6, 1998; Paul Conley, "Amendment May Bring Relief," THE PACKER, August 3, 1998; Paul Conley, "Labor Dispute May Disrupt Exports," THE PACKER, August 3, 1998; "U.S. NAO Seeks Consultations With Mexico Over Echlin Workers Case," AMERICASTRADE, August 6, 1998; Paul Conley, "Ruling Supports Union," THE PACKER, August 3, 1998; Jodi Wilgoren, Martha Groves, "Senate Eases Rules for Agricultural Guest Work," LOS ANGELES TIMES, July 24, 1998.

AG EXPORTS FALL DRASTICALLY

Although the Asian economic crisis has hit West Coast producers particularly hard, U.S. agricultural exports have fallen across the country. Soybean exports in May fell 53 percent to $287 million, compared to May 1996. Corn exports for the same time period fell 52 percent and wheat fell 34 percent. The U.S. Department of Agriculture predicts that overall agricultural exports will fall from $59.8 billion in fiscal year 1996 to $55 billion this year, while agricultural imports increase from $32.6 billion in fiscal 1996 to $38.8 billion in 1998. Worldwide, agricultural trade declined by three percent from 1996 to 1997.

In a 420-4 vote on August 4, the House of Representatives called on the Clinton Administration to take measures to support farm exports. The non-binding resolution specifically called for pressure on the European Union to lower barriers to U.S. agricultural products and to implement WTO rulings on banana and beef imports. The EU bans imports of U.S. beef raised with growth hormones.

In an effort to limit Canadian wheat and barley shipments to the United States, Sen. Byron Dorgan (D-ND) introduced a bill requiring the Customs Service to study the "efficiency and effectiveness" of requiring Canadian wheat and barley to move through a single port of entry until the Canadian Wheat Board implements full disclosure of its grain pricing. Dorgan suggested that the single station be located at a small port of entry in Fortuna, N.D., where the Customs office closes at 10 p.m. nightly. The transparent attempt to curb grain imports is unlikely to become law.

Gene Linn, "Shriveling Agricultural Roots," JOURNAL OF COMMERCE, August 13, 1998; "House Implores Administration Over EU Barriers to Farm Exports," INSIDE U.S. TRADE, August 14, 1998; "Bill Would Force Canadian Wheat to Cross at One Station," JOURNAL OF COMMERCE, August 6, 1998; Ian Elliott, "World Trade in Farm Products Falls for First Time in Four Years," FEEDSTUFFS, July 27, 1998.

POTATO GROWERS PROTEST NAFTA

Potato growers in Idaho talked with U.S. Mike Crapo in July, criticizing competition from Canadian potato growers. Jim Chapman of the Potato Growers of Idaho warned that: "There's been 1.7 million acres in Saskatchewan identified as prime potato ground. Production's going to shift there." Potato Council representatives last year called for an investigation of Canadian trade practices, but said the resulting report from the International Trade Commission lacks meaningful data on Canadian potato producers' costs and pricing.

The Potato Council complained about rules that require U.S. growers to ship potatoes to Canada in 50-pound sacks, unless they receive a special dispensation from the Canadian government. No such rule governs Canadian potato exports to the United States.

Potato processors in the United States and Canada are highly competitive. Canadian french fry plants added 500 million pounds of new capacity in 1996-97, with all the production to be exported to the United States. The J.R. Simplot Company permanently closed a potato processing plant in Grand Rapids, Michigan in January due in part to Canadian competition. Simplot had previously reduced contracted acreage from 5,700 to 1,300 acres. Simplot also runs plants in Canada.

"Potato Growers Protest NAFTA," AGRI-VIEW, July 16, 1998; Matt McCallum, "Competition Too Much, Simplot Closes Michigan Plant," GREAT LAKES VEGETABLE GROWERS NEWS, February 1998; Paul Menser, "Idaho Farmers Are Struggling to See How NAFTA Benefits Their Bottom Line," IDAHO FALLS REGISTER, July 12, 1998.

FAST TRACK

Eight U.S. environmental organizations warned against passage of fast- track legislation scheduled for a House vote during the week of September 21, characterizing it as the "old, failed fast-track," and calling for new environmental safeguards in future trade agreements. Environmentalists cited examples of international trade rules undercutting environmental and public health laws in three areas: a WTO ruling against the U.S. ban on shrimp imports from countries not protecting endangered sea turtles; a NAFTA lawsuit that forced Canada to repeal a ban on the MMT gasoline additive; and weak pest control standards required by NAFTA and WTO rules, which may endanger U.S. forests.

While Republicans are trying to bring fast-track legislation to a vote on September 21, they lack sufficient votes to pass it. The Clinton administration has said that a fast-track vote should wait until after this fall's elections. House Majority Leader Newt Gingrich urged agricultural and trade groups to help win support for fast-track legislation in the House, especially in Florida, Georgia and some Midwestern states.

Nancy Dunne, "Congress Warned on 'Resurrected Fast-Track,'" FINANCIAL TIMES, August 13, 1998; "Republican Whip Count Comes Up Short on Votes for Fast Track," INSIDE U.S. TRADE, August 8, 1998; Cheryl Bolen, "Gingrich Asks Agriculture, Trade to Help Win Support for Fast Track," BUREAU OF NATIONAL AFFAIRS, August 7, 1998; "Republicans Target 155 House Members for Fast-Track Lobbying," INSIDE U.S. TRADE, August 14, 1998; Jerry Hagstrom, "Fast Track Passage Takes the Slow Train," AGWEEK, August 17, 1998.

NAFTA TRANSPORTATION ISSUES

As the U.S. government continued to refuse to open borders to international trucking, Mexico announced on July 24 that it will bring the issue to a NAFTA dispute resolution panel. NAFTA required Mexican and U.S. border states to open to international trucking on December 17, 1995, but the United States has kept the border closed, citing safety concerns over Mexican trucks. The United States has also insisted on resolution of disputes over package-express deliveries in Mexico as a pre-condition for compliance with the NAFTA open border provision.

Mexico called for a meeting of the Free Trade Commission (FTC), made up of the three NAFTA countries' trade ministers, to consider issues of cross-border truck access. Mexico also requested government-to- government consultations under NAFTA on the issue of cross-border bus access.

Kevin G. Hall, "Mexico "Turning to Arbitration to Open Border," JOURNAL OF COMMERCE, August 5, 1998; "Mexico Fights U.S. on Access for Buses, Trucks Under NAFTA Rules," AMERICASTRADE, August 6, 1998; "Mexico to Request NAFTA Meeting to end Road Cargo Carrier Dispute," INFOLATINA, July 24, 1998.

NEW MEXICAN TRADE BARRIER

The Mexican commerce agency, SECOFI, announced in July that prior-to- import notification requirements will be applied to 74 tariff categories, including textiles, apparel and steel. The new requirements target Asian importers, but will also affect many U.S. companies selling products in Mexico.

The plan provides for setting a reference price for affected products, and refusing imports if the unit price on billing documentation for customs varies more than 5 percent from that set price.

Secofi says a monitoring system put in place last March has found underpricing on some Asian imports and substantial increases in imports in some categories, and that the new system is intended to stop dumping. Mexico said that the new system complies with the World Trade Organization Agreement on Import Licensing.

Mary Sutter, "Mexico Erects Import Barrier," JOURNAL OF COMMERCE, July 29, 1998; "Mexico Launches Customs Measure to Crack Down on Low-Priced Imports," AMERICASTRADE, August 6, 1998.

RESOURCES/EVENTS

Independent Labor Organizing in Mexico. Borderlines, September 1998 issue. Published by the Interhemispheric Resource Center's (IRC) U.S.- Mexico Borderlands Project. Call (505) 842-8288 or email irc1@zianet.com; web site http://www.zianet.com/irc1/

U.S.-CANADIAN CULTURE WARS

With U.S. films capturing 85 percent of Canadian box office, U.S. television occupying 75 percent of English-speaking Canadian prime time, and U.S. magazines taking up about 80 percent of shelf space, Canada is struggling to maintain its own cultural identity and resources. In late July, Canada banned foreign publications from accepting advertising that directly targets Canadian audiences, in response to a World Trade Organization ruling that outlawed an 80 percent excise tax on split-run editions. A split-run edition is a separate edition of a foreign publication that is circulated in Canada and designed to attract Canadian advertising dollars.

Entertainment products are the second largest U.S. export, outranked only by aerospace.

U.S. Trade Representative Charlene Barshefsky said the new Canadian policy is unacceptable, and a USTR spokesperson said that the United States "will look at all our options" under the WTO and NAFTA.

Canada has also convened a group of culture ministers from 20 countries, not including the United States. The new network's goal is "to promote land protect cultural diversity." Sheila Copps, federal minister of Canadian Heritage, said that unless trade agreements respect cultural uniqueness, "we do run the risk of basically ending up with a global village where everyone is speaking only one language."

Edward Alden, "Move to Protect Cultural Identity," FINANCIAL TIMES, August 1-2, 1998; "Canadian Magazine Policy Could Face Uphill Fight Under WTO Rules," AMERICASTRADE, August 6, 1998; "Canada plans new law against split-runs," UNITED PRESS INTERNATIONAL, July 29, 1998; Courtney Tower, "Closing Curtain on Southern Exposure," JOURNAL OF COMMERCE, July 6, 1998.

FOOD SAFETY

In July, Congress appropriated $88 million for the Agricultural Quarantine Inspection program of the USDA's Animal and Plant Health Inspection Service, refusing a plea by produce trade groups for an additional $12 million to fund better protection from Med flies and other pests.

Paul Conley, "Congress Spurns Funding Request," THE PACKER, August 3, 1998;

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NAFTA-BASED SUITS ATTACK ENVIRONMENTAL LAWS

The Ohio-based S.D. Myers Company has filed a claim against the Canadian government over the Canadian ban on the export of polychlorinated biphenyls (PCB) waste. The hazardous waste clean-up company is asking for $6.3 million in compensation, charging that the 1995 ban effected an expropriation of its business. NAFTA allows a foreign corporation to make a claim for compensation against a government in a binding arbitration procedure.

Canada banned the export of highly toxic PCBs, from 1995 to 1997, when it lifted the ban after receiving assurances that PCBs were being safely handled in the United States. S.D. Myers said the ban violated NAFTA provisions for national treatment, performance requirements and expropriation, unfairly advantaging its Canadian competitors.

In August, Canada settled the first NAFTA case to demand compensation for the effect of national laws on a business. The case was brought by Ethyl, a U.S. manufacturer of a methanol-based gasoline additive known as MMT, . Canada agreed to pay $13 million to Ethyl and to rescind its ban on MMT imports. MMT had been banned in Canada as a health hazard.

A January 1997 case brought by U.S.-based Metalclad corporation against the Mexican state of San Luis Potosi claims that the Mexican state's zoning law change constitutes an effective seizure of the company's property. Metalclad had taken over a waste disposal plant, but the Mexican authorities declared the site a protected ecological zone after an environmental impact assessment revealed sensitive underground streams.

Andrew Chisholm, a policy analyst with Sierra Club, pointed out that most environmental legislation could be challenged as expropriation or denial of profit under NAFTA. Other critics observed that the cases are similar to those that would arise under a proposed Multilateral Agreement on Investment, which is being negotiated by the 29 members of the OECD.

Criticizing the Clinton administration's trade policy, Lori Wallach of Public Citizen Global Trade Watch observed, "Rather than slowing down and reassessing its trade policy, the [Clinton] administration is negotiating agreements that would apply these same anti-regulatory rules worldwide."

Scott Morrison and Edward Alden, "Ottawa Faces Claim Over PCB Waste Ban," FINANCIAL TIMES, September 2, 1998; Abid Aslam, "Corporations Use Trade Pact to Sue Countries," INTERPRESS SERVICE, September 2, 1998; Randall Palmer, "U.S. PCB-Cleanup Firm Suing Canada for Export Ban," REUTERS, August 31, 1998.

FARMERS FIGHT FAST TRACK

Vowing to cause "maximum trouble in minimum time," Sen. Byron Dorgan (D- ND) announced on September 8 that he will lead opposition to fast track trade negotiating authority legislation in the Senate. Dorgan's announcement was supported by the National Farmers Union, the National Family Farm Coalition, the National Farmers Organization, the American Corn Growers and more than 60 other farm groups. . Pointing out that the agricultural trade surplus is shrinking and that U.S.-Canadian agricultural trade has moved from a $1.1 billion surplus to a $400 million deficit, Dorgan called farm support for fast track a myth.

Although Republicans hope that farmers will support fast track as a way to increase exports, the outlook for the fast track legislation is dim. Senate Majority Leader Trent Lott (R-MS) delayed action on the bill for one week, until the week of September 21. Democratic support for fast track has weakened since last year and Republican support has not strengthened sufficiently to ensure passage.

In another blow to fast track farm support, the U.N. Food and Agriculture Organization reported that there is a worldwide over-capacity in dairy production, due in part to continuing expansion in domestic production in developing countries. U.S. dairy producers see foreign production as a threat to their market share, particularly in North America.

Although U.S. wheat farmers have strongly criticized the Canadian Wheat Board marketing practices in the past, some now look to the CWB as a model. North Dakota Governor Ed Schafer said that he and officials at the CWB will confer on various possibilities, including the CWB marketing North Dakota wheat and North Dakota setting up a state-backed wheat marketing pool. Schafer led a group of farmers and state officials to meet with the CWB in Manitoba in August.

"Farm Groups Attack Fast Track as Failing to Offset Current Crisis," INSIDE U.S. TRADE, September 11, 1998; "Senate Delays Action on Trade Bill, Could Lead to House Vote Delay," INSIDE U.S. TRADE, September 11, 1998; Jerry Hagstrom, "Dorgan Vows Concerted Effort to Stop Fast Track Measure," CONGRESSDAILY, September 8, 1998; Courtney Tower, "North Dakota Farmers Explore Ties to Canadian Wheat Board," JOURNAL OF COMMERCE, August 21, 1998; Dale Wetzel, "Task Force to Study Wheat Board Concept," AGWEEK, August 24, 1998; Dwayne Klassen, "Help is Just Across the Border," AGWEEK, August 24, 1998; Philip Brasher, "GOP Expects Dash for 'Fast-Track,'" JOURNAL OF COMMERCE, September 10, 1998.

HIT BY DROUGHT, LOW PRICES, FARMS FAILING

U.S. Representative David Minge (D-MN) warned that bumper crops and low prices would continue to drive farmers off the land. According to agricultural lenders, up to 20 percent of Minnesota farmers may be forced off the land this year due to low commodity prices. University of Minnesota Extension economist Kent Olson said farm income in corn and soybean areas may drop to negative levels in 1998. Minge called for changes in U.S. farm programs and for removal of grain embargoes that limit exports.

In Texas, the 1998 drought has cost farms and ranches an estimated $2.1 billion, making it the worst weather disaster since the 1950s. Wes Sims, president of the Texas Farmers Union, estimated that the state could lose one in four farmers, and said prices are "a disaster." Ranchers in Texas and Oklahoma, with grass and hay supplies cut by the drought, have dumped cattle on the market, driving beef prices to a five-year low.

Western Canadian farmers characterized their future as "grim" or "ugly" or "bleak," as they looked at low grain prices and rising input costs. Canadian Wheat Board chief commissioner Lorne Hehn said world wheat prices are the lowest they have been in four years, and blamed European wheat subsidies for increasing European production and driving the market down. World wheat and durum production is estimated at record levels this year.

Gretchen Vanderwal, "Minge Says There Is No Quick Farm Fix," AGRINEWS, August 20, 1998; Alan Guebert, "Politicians Look for Cover in Crisis," AGRINEWS, August 27, 1998; "Tough Times Get Tougher," AGWEEK, August 24, 1998; Ian Bell, "Outlook 'Ugly' for Prairie Farmers," WESTERN PRODUCER, August 1998; "Farm Income Down," UNITED PRESS INTERNATIONAL, September 3, 1998.

WORLD ECONOMIC CRISIS IMPACTS TRADE

As the impact of the Asian and Russian economic crises continued to spread, Brazilian markets dropped a record 15 percent on September 10, on top of more than 30 percent losses during August. Other Latin American markets have also been shaken by the world economic crisis, with the Argentine stock market during the first 20 days of August. Brazil spent billions of dollars of its foreign reserves during early September, attempting to stave off devaluation of its currency, the real, and increased interest rates by 10 percent to 29.75 percent on September 4, just two days after lowering them.

Also on September 10, the Mexican stock market plunged by nearly 10 percent, as the value of the peso continued to slide. The peso has decreased in value by more than 20 percent this year.

Increased foreign trade has been a keystone of Brazilian President Cardoso's economic strategy throughout his first term, but the trade deficit has been growing over recent months. With presidential elections approaching, the Brazilian government has set a goal of increasing exports by 15 percent a year to $100 billion by the year 2002. First steps toward reaching this goal include simplified export procedures and permission for foreigners to pay for exports with international credit cards, as well as a 20 percent across-the-board budget cut for federal agencies during the remainder of 1998.

The U.S. trade deficit has been growing steadily since February as a result of the Asian economic crisis. In May, for example, exports dropped by $1 billion, while imports rose by $500 million. Economists Robert Scott and Robert Blecker of the Economic Policy Institute warned that the country "is well on its way to a $100 billion increase in the trade deficit as a result of the Asia crisis," and said such an increase could eliminate one million U.S. jobs.

Canadians have seen their dollar decline to an all-time low of 65.39 U.S. cents in mid-August, after losing five percent of its value in three months. The sinking Canadian dollar has decreased Canadian imports from the United States and Canadian tourism in the United States. Falling commodity prices due to weakening Asian demand have limited Canadian export earnings, as commodities account for nearly 40 percent of Canadian merchandise exports. The Canadian unemployment rate stood at 8.4 percent in August.

Diana Jean Schemo, "Brazil Sees Record Drop in Markets," NEW YORK TIMES, September 11, 1998; David E. Sanger, "Recipe for Trouble: Falling Dominoes, Leadership Vacuum," NEW YORK TIMES, September 11, 1998; Sam Dillon, "Mexico's Central Bank Fails in Attempt to Prop Up Peso," NEW YORK TIMES, September 11, 1998; Mario Osava, "Russian Crisis Hits Markets and Currencies," INTERPRESS SERVICE, August 21, 1998; Gustavo Gonzalez, "Peso Under Speculative Attack," INTERPRESS SERVICE, August 25, 1998; Diego Cevallos, "Gov't Calls for Calm in Face of Financial Turmoil," INTERPRESS SERVICE, August 24, 1998; Mario Osava, "Growing Trade Deficit Causes Concern," INTERPRESS SERVICE, August 26, 1998; Thierry Ogier, "Brazil's Trade Community Wants to See Cardoso Win," JOURNAL OF COMMERCE, August 18, 1998; Diana Jean Schemo, "Brazil Plans Modest Steps to Spur Exports and Limit Spending," NEW YORK TIMES, September 9, 1998; Geoff Dyer, "Brazil's Fiscal Deficit Worsens," FINANCIAL TIMES, August 4, 1998; Robert E. Scott and Robert A. Blecker, "Risks of Trade-Induced Economic Slowdown Growing," ECONOMIC POLICY INSTITUTE, July 17, 1998; Edward Alden, "Peso of the North," FINANCIAL TIMES, August 12, 1998; Courtney Tower, "Currency Crisis Slows Exports Into Canada," JOURNAL OF COMMERCE, August 26, 1998.

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The Spanish version of this news bulletin, El Monitor de NAFTA y Comercio Interamericano, and a searchable archive of all back issues is available at: http://www.newsbulletin.org

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CHANGE IN PUBLICATION SCHEDULE

Due to a funding shortfall, the NAFTA & Inter-American Trade Monitor will appear once monthly until further notice.

GMO SOY IN BRAZIL

The Brazilian National Technical Commission for Biological Safety ruled on September 24 that production and consumption of Monsanto's genetically modified soybeans does not threaten the environment or human or animal health. This ruling clears only one of the barriers to planting St. Louis-based Monsanto's genetically modified soybeans in Brazil. The Agriculture Ministry and the Environment ministry must also approve.

In addition, a Brazilian court injunction issued in September blocks import of the Monsanto beans. Monsanto says it is confident that it will obtain a reversal of the injunction. Some Brazilian farmers want the Monsanto beans so much that they are smuggling the beans in from Argentina.

"Brazil Panel OKs Modified Soybeans," ASSOCIATED PRESS ONLINE, September 24, 1998; "Monsanto Soybeans Blocked in Brazil," UNITED PRESS INTERNATIONAL, September 20, 1998.

COLOMBIA: EXTINCTION OF PLANT SPECIES

The Colombian Ministry of Environment warned in August that 15 plant species have recently become extinct, and that 372 other species native to Colombia are at high risk of extinction. The report came after a two- year study by the Alexander von Humboldt Institute for Research into Biological Resources, with assistance from the Smithsonian Institution in the United

States. Habitats for plant species, particularly in the Andean zone, are threatened by urban growth, deforestation, disappearance of wetlands and increased use of agrochemicals, among other factors.

Some rare species are threatened because they are being harvested intensively for medicinal use.

"Ministry Report Cites Recent Extinction of 15 Plant Species, Risk to Hundreds More," INTERNATIONAL ENVIRONMENT REPORTER, September 2, 1998;

FREE TRADE MEETS FEDERALISM

While NAFTA provisions govern trade between the United States and Canada, individual states and provinces in each country may make decisions and impose rules that affect trade between the two nations. In such a case, how are differences between an individual state or province and the national government of either country to be resolved? This question has become more urgent with actions taken by governors of northern U.S. border states in recent months.

South Dakota, which does not border Canada, blocked trucks carrying Canadian grain and livestock unless the shipments met specific state standards. South Dakota Governor Bill Janklow imposed the requirement of certification that grain is free of Karnal bunt and wild oats and that livestock are free of six specific drugs. According to Cattle Buyers Weekly, at least three of the drugs have been cleared for use in the United States.

"The Canadians make us do extra testing on grain and they depress our cattle prices by dumping their excess cattle on our markets, so I'm going to make sure they are following our federal and state laws," said Janklow in a press release. Canadian Agriculture Minister Lyle Vanclief angrily accused Janklow of political posturing, trying to win votes by disrupting trade as he campaigns for re-election.

Jay Ziegler, a spokesperson for the U.S. Trade Representative's Office said on September 23 that South Dakota and other states may be acting legally, noting that "States do have legitimate rights to inspect for health, safety and environmental purposes."

In non-governmental action, farmers and ranchers in Sweetgrass, Montana acted on September 21 to block trucks carrying Canadian farm products from crossing the border.

On September 29, U.S. Secretary of Agriculture Dan Glickman met with governors of U.S. states bordering Canada to discuss state measures that have slowed the flow of Canadian agricultural imports into the United States. The governors agreed to provide the Department of Agriculture with a list of grievances, and Glickman will then seek consultation with Canada. The states of North Dakota, South Dakota, Montana and Minnesota all have trade deficits with Canada, as does the United States as a whole.

U.S. border state governors charged in their meeting with Glickman that Canada unfairly restricts access of U.S. slaughter, feeder and breeder cattle with unfair health requirements, and complained that the Canadian Wheat Board sets unfairly low prices for Canadian grain fed to cattle in Canada. While Canadian cattle exports to the United States are dramatically higher than in the mid-1980s, the imports in 1998 are running 6 percent lower than at the same time in 1997. Analysts attribute low cattle prices in the United States to an increase in total meat supplies in recent years.

On September 24, Canadian Trade Minister Sergio Marchi formally requested consultations with the United States under the provisions of NAFTA, saying that South Dakota's refusal of entry or transit to Canadian trucks carrying cattle, hogs or grain violates NAFTA's provisions. On September 25, the Canadian government requested consultation under the provisions of the World Trade Organization. U.S. Trade Representative Charlene Barshefsky said that Canada's protests were not helpful in resolving the dispute.

"Glickman Meets With Governors on Border Dispute With Canada," INSIDE US TRADE, October 2, 1998; "N. Dakota Group Urges All Wheat Tested," REUTERS, September 21, 1998; "Canadian Request for NAFTA Consultation," INSIDE US TRADE, October 2, 1998; "Canadian Request for WTO Consultation," INSIDE US TRADE, October 2, 1998; Irene Marushko, Canada Attacks South Dakota Governor's Trade Move," REUTERS, September 16, 1998; Andrea Hopkins, "Canada Taking U.S. Farm Dispute to NAFTA, WTO," REUTERS, September 24, 1998; Susan Gallagher, "Farmers Block Canada Border," ASSOCIATED PRESS, September 21, 1998; Courtney Tower, "Range War With Canada May End Up at WTO," JOURNAL OF COMMERCE, September 28, 1998; Kevin Bonham, "Trade Battle Strains U.S., Canada Ties," AGWEEK, September 21, 1998; Karen Briere and Barry Wilson, "U.S. Trade Action Escalates Against Canada," WESTERN PRODUCER, September 24, 1998; "Imports Spark Anger and Misinformation," CATTLE BUYERS WEEKLY, September 28, 1998.

MEAT TRADE IN THE AMERICAS

Argentina and Uruguay have failed in efforts to increase sales to U.S. markets. The total U.S. red meat import limit is 697,000 tons, most of which is allotted to Australia and New Zealand. The United States has allocated 20,000 metric ton quotas to both Uruguay and Argentina, and both countries will fail to fill their quotas this year. Uruguay gained permission to export to the United States in 1995, and Argentina only last year. Factors affecting this year's import picture include imports from Australia and New Zealand and slaughter of domestic U.S. breeding herds due to low prices and drought.

U.S. meat exports are expected to increase in tonnage, if not in dollar value, in 1998, due to increased exports to Mexico and Russia. Mexico boosted beef and pork imports from the United States by more than 40 percent during the first five months of 1998, and increased chicken imports from the United States by 16 percent. A weakening peso may decrease the market for U.S. meats in the near future. Increased imports have been partly attributed to low meat prices, and Mexico's National Feedlot Association is calling for anti-dumping duties on imports of U.S. beef.

U.S. meat producers charge that Mexican producers are dumping live cattle in the United States. On October 1, the Ranchers-Cattlemen Action Legal Foundation, which represents more than 7,700 ranchers and cattlemen, filed two separate antidumping cases against live cattle imports from Canada and Mexico. The petition was supported by the National Farmers' Union and more than 20 other organizations.

House and Senate conferees considering the agriculture appropriations bill agreed in late September to strike two provisions that would have required labeling of imported meat and fresh produce. Canada and Mexico both opposed the provisions, calling them unfair trade restraints. Instead, the conferees ordered that the U.S. Department of Agriculture move immediately to study the public and private cost of labeling proposals and produce a report within six months of final passage of the appropriations bill.

U.S. meat processors opposed the labeling provisions, fearing that it would trigger retaliatory measures by trading partners.

"U.S. Cattle Ranchers Launch Trade Cases Against Canada, Mexico," INSIDE US TRADE, October 2, 1998; "Farm Appropriators Strike Meat, Produce Labeling Provisions," INSIDE US TRADE, October 2, 1998; Dorothy Mobilia, "Argentine, Uruguayan Beef Finds U.S. Sales Tough," JOURNAL OF COMMERCE, September 17, 1998; Richard Lawrence, "U.S. Meat Exports Under Threat," JOURNAL OF COMMERCE, September 17, 1998.

NAFTA TRANSPORTATION UPDATE

On September 22, Mexico took the final step in its trucking dispute with the United States, requesting appointment of a dispute resolution panel under the provisions of NAFTA. The request came after expiration of the 30-day period for consultations among senior NAFTA officials.

NAFTA provides for the United States, Canada and Mexico to open their borders to commercial truck traffic in border states, beginning December 18, 1995. The United States refused to open its border, citing truck safety concerns, and still has not agreed to comply with the NAFTA provision, despite a lengthy series of government to government meetings.

Though the border has not opened yet, Texas is seeing growing truck traffic attributable to NAFTA, and is experiencing deteriorating roadways and bridges as a result. U.S. Senators Phil Gramm and Kay Bailey Hutchinson from Texas have succeeded in including a $700 million appropriation for states along the Mexican and Canadian borders and high-priority trade corridors in the Transportation Equity Act for the 21st century. The appropriation, spread over five years, will not compensate for all the increased traffic, since the Act would distribute $140 million per year over the whole country. The cost of a concrete four-lane highway in Texas is $1.3 million per mile.

"Mexico Calls for NAFTA Dispute Panel in Trucking Dispute With U.S.," INSIDE US TRADE, September 28, 1998; "Texas Deserves Federal Transportation Funds," AUSTIN AMERICAN-STATESMAN, September 18, 1998; Mary Sutter, "Mexico Asks Arbitration to Force Open Border," JOURNAL OF COMMERCE, September 24, 1998.

FAST TRACK DEAD FOR 1998

On September 25, the House of Representatives defeated the bill providing fast-track negotiating authority to the President for negotiating trade agreements. The House vote of 180-243 included only 29 Democrats among the bill's supporters and 71 Republicans among its opponents.

House Ways & Means Committee Chair Bill Archer (R-TX) warned that it may be very difficult to bring up the fast-track bill again next year.

Democrats said that no new trade legislation will be passed until Republicans agree to include trade negotiating authority on labor and environmental clauses.

"Bipartisan Opposition Leads to 180-243 House Defeat of Fast Track," INSIDE US TRADE, September 28, 1998; William Robert, "Fast-Track's Next Move Not Before January," JOURNAL OF COMMERCE, September 29, 1998; William Roberts, "Fast-Track or Slow Death? House to Vote," JOURNAL OF COMMERCE, September 21, 1998.

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MAQUILA 2001

Under Article 303 of NAFTA, Mexico must implement a new tariff structure after Dec. 31, 2000, eliminating the advantages that protect maquiladoras owned by non-NAFTA foreign companies from competition by Mexico's NAFTA partners, the United States and Canada. Maquiladoras are foreign-owned factories that mainly manufacture parts imported into Mexico duty-free and then export the final products. Under the current program, the non-NAFTA maquiladoras can import parts, machinery and equipment without paying tariffs. In 2001, the inputs will be subject to tariffs if they come from non-NAFTA countries but are also available in NAFTA countries.

At present, there are 2,895 maquiladoras in Mexico, employing more than a million workers. Some 80 percent of the maquiladoras source their parts from companies in Mexico, the United States and Canada. The 2001 change may significantly increase the cost of doing business for the other 20 percent, owned mostly by Korean, Japanese, and Taiwanese companies. According to statements by Mexican Commerce Secretary Herminio Blanco in late October, Mexico is looking for ways to protect the Asian maquiladoras by tailoring tariffs on a company-by-company basis.

"Maquila 2001: Plants Fear Changes in Favorable Tariffs and Tax Breaks," SAN DIEGO UNION AND TRIBUNE, October 20, 1998; "Mexico's Maquila Program Could Be the First Casualty of NAFTA on Jan. 1, 2001," JOURNAL OF COMMERCE, October 19, 1998; Kevin G. Hall, "Mexico May Give Asian Maquiladoras Same Tariff Exemptions as NAFTA Partners," JOURNAL OF COMMERCE, October 27, 1998.

PATENTING PLANTS AND THE TERMINATOR

At the First Latin American and Caribbean Indigenous Seminar in Mexico this year, participants charged that European and U.S. laboratories have patented medicinal properties of 5,000 of 13,000 plants used in traditional indigenous medicine in the Americas. Transnational agro- chemical giants, led by Pioneer, Monsanto and Novartis, have a "virtual high-tech stranglehold" on plant germ plasm at the molecular level, according to the Rural Advancement Foundation International (RAFI).

Transgenic or genetically engineered seeds developed from patented materials are touted by seed companies as necessary to sustainable agriculture. Genetic modification can make plants resistant to pests, enabling farmers to use less pesticides. One example is Monsanto's New Leaf potato, which has been genetically altered to contain the Bt protein that kills potato beetles. In effect, the New Leaf potatoes are both food and insecticide.

Pioneer, Monsanto and Novartis control an estimated $4 billion of the international $23 billion per year seed market. They aim to control more of it by licensing farmers to use their seeds and forbidding "brownbagging" or seed-saving from year to year. Monsanto sends out inspectors to insure that farmers are growing only licensed seed potatoes, and require farmers who purchase from it to sign contracts allowing this enforcement of its patent rights.

In cooperation with the U.S. Department of Agriculture, Delta and Pine company developed seeds with a gene called the "Terminator" by RAFI. Seeds produced by the plants containing such a gene are made sterile, so that farmers cannot use them for future plantings. Monsanto is in the process of acquiring Delta and Pine, as well as Cargill Inc.'s seed operations in Africa, Asia, Central and Latin America, and Europe.

The Consultative Group on International Agricultural Research (CGIAR), a global network of 16 international agricultural research centers, banned the Terminator and related gene seed sterilization technology from its crop breeding programs on October 30. Among its reasons for banning the Terminator, the CGIAR cited the importance of farm-saved seed for poor farmers, negative impacts on genetic diversity, and the importance of farmer seed-saving and plant breeding for sustainable agriculture.

European consumers have strongly resisted growing or marketing of genetically altered crops, sometimes destroying test plots of so-called "frankenplants." Europeans demand labeling of any genetically engineered produce that might be sold in markets. In the United States, such crops are grown on some 45 million acres and are sold in groceries without labeling.

"Terminator Seeds Rejected by Global Network of Agriculture Experts," RURAL ADVANCEMENT FOUNDATION INTERNATIONAL PRESS RELEASE, November 2, 1998; Danielle Knight, "Seed Industry Profiteers Threaten Farmers," INTERPRESS SERVICE, September 10, 1998; Danielle Knight, "Patent Plans Continue Despite International Outcry," INTERPRESS SERVICE, October 19, 1998; Daniel Gatti, "Patents, a New Form of Colonialism?" INTERPRESS SERVICE, August 27, 1998; Michael Pollan, "Playing God in the Garden," NEW YORK TIMES MAGAZINE, October 25, 1998.

RESISTANT WEEDS

Herbicide-resistant canola has turned up in a field where none was planted, demonstrating that the Roundup-tolerant trait can be transferred by pollen movement from one field to another. The Roundup-resistant canola turned up on a farm in northern Alberta, Canada. Gary Stringman, a University of Alberta professor who conducted canola pollination studies during the 1970s, said it was just a matter of time before cross-pollination spread the herbicide-resistant trait.

In two separate studies, researchers at the University of Chicago and at Ohio State University found that weeds that were genetically engineered to be more herbicide-resistant also proved more able to pollinate other plants and pass on the herbicide-resistant trait.

Mary MacArthur, "Canola Crossbreeds Create Tough Weed Problem," WESTERN PRODUCER, October 15, 1998; Mary MacArthur, "Resistant Canola Expected," WESTERN PRODUCER, October 15, 1998; "Genetically Altered Plant Raises Fears of Potential Superweeds," STAR TRIBUNE, September 3, 1998.

CANADIAN BST BATTLE

The Dairy Farmers of Canada have asked prime minister Jean Chretien to order an investigation of the Health Canada drug approval process before it decides whether to approve bovine somatotropin (BST) for use in Canada. The dairy farmers fear that approval of BST will scare consumers away from dairy products. Their criticism of Health Canada's drug approval process is shared by other farm groups and a group of scientists within the department. National Farmers Union Ontario co-ordinator Peter Dowling says the hearings on BST will determine whether Health Canada serves the Canadian public or the drug manufacturers.

The U.S. Food and Drug Administration approved the Monsanto corporation's marketing of bovine growth hormone in the United States in 1993, but no other country has done so. Monsanto has sought approval in Australia, New Zealand, the European Union and Canada. FDA data calling milk from treated cows safe for human consumption has been challenged by a recent Canadian government report, which says the findings reported in the FDA's 1990 article in SCIENCE magazine misreported the data. Two of the scientist authors of the Canadian report and four other Canadian scientists testified that their jobs have been threatened as a direct result of their challenge to the safety of the bovine growth hormone.

Barry Wilson, "Dairy Hormone Under Fire," WESTERN PRODUCER, October 15, 1998; "Milk Controversy Spills Into Canada," RACHEL'S ENVIRONMENT & HEALTH WEEKLY, October 22, 1998.

BANANAS, BEEF

The Clinton administration, under pressure from Congress, is considering trade sanctions against the European Union, claiming that the EU has not fulfilled the terms of the rulings against it by World Trade organization dispute panels that decided against its banana import regime and against its ban on hormone-treated beef.

The EU maintains that unilateral measures without prior WTO approval would violate world trade rules.

The EU is modifying its banana regime, but the United States claims that the modifications do not go far enough to conform with the WTO ruling. The EU banana regime has direct impacts on U.S. companies that control significant portions of banana production in Latin American countries.

The EU is retaining its hormone ban until it completes the scientific risk assessment required by the WTO. The United States maintains that the ban, since it has not yet been scientifically supported, must be eliminated immediately.

The EU says the United States must restart dispute proceedings in order to challenge its implementation. The United States maintains that it need not start new proceedings, but may take direct action based on what it insists is EU non-compliance with rulings in previous proceedings.

Guy de Jonquieres, "Bananas and Beef Take Trade Conflict to the Brink," FINANCIAL TIMES, October 22, 1998; William Roberts, "House Plan Slaps Punitive Tariffs on EU," JOURNAL OF COMMERCE, October 14, 1998; Bruce Barnard, "U.S. Holds Back in EU Banana Dispute, Pins Hopes on Last- Minute Negotiations," JOURNAL OF COMMERCE, October 23, 1998; "Administration Yields to Demands for Action Against EU on Bananas," INSIDE U.S. TRADE, October 16, 1998.

MEXICAN ANTI-DUMPING INQUIRY

Secofi, the Mexican Commerce Ministry, formally opened an anti-dumping investigation into U.S. imports of live pigs and cattle, as well as beef and beef products, in October. Secofi said its investigation is in response to local industry complaints that U.S. imports are selling below production costs.

The National Cattleman's Beef Association, a U.S. producer group, has proposed to Mexican private sector beef producer groups that they try to remove live cattle from the Mexican anti-dumping case in exchange for NCBA efforts to remove Mexican live-cattle imports from a U.S. anti- dumping investigation.

U.S. producers claim that they are not dumping, but that overall world cattle prices are low. Mexico is the third-largest importer of U.S. fresh and frozen beef and the fourth-largest importer of fresh and frozen U.S. pork. Under the provisions of NAFTA, trade in meat is completely tariff-free among the member countries.

Mary Sutter, "Mexico Starts Anti-Dumping Inquiry on Livestock," JOURNAL OF COMMERCE, October 22, 1998; Mary Sutter, "U.S. Producers Beef Over Mexican Probe," JOURNAL OF COMMERCE, October 16, 1998; Kevin G. Hall & Mary Sutter, "U.S. Fights Mexico Over Beef Exports," JOURNAL OF COMMERCE, November 2, 1998; "U.S. Cattle Group Offers Deal on Dumping Cases to Mexican Industry," INSIDE U.S. TRADE, October 30, 1998; "Cattlemen's Group Rejects Offer to Join Disputes Against Canada, Mexico," INSIDE U.S. TRADE, October 16, 1998; Barbara Duckworth, "Major American Cattle Group Rejects Petition," WESTERN PRODUCER, October 22, 1998.

ILLEGALLY IMPORTED AVOCADOES

The U.S. Department of Agriculture announced charges against Wal-Mart Stores Inc. for violating restrictions on imported Mexican avocados. The USDA accuses Wal-Mart of shipping the outside the 19 northeastern states and the District of Columbia where Mexican Hass are allowed to be sold.

The USDA lifted an 83-year avocado import ban last year, but strictly limited the areas from which avocadoes could come and to which they could be shipped, as well as the times of year when they could be shipped. California avocado growers had fought any imports from Mexico, saying that insect pests would come with the imports, and that restrictions on the areas of shipment would be difficult to enforce.

Kevin G. Hall, "USDA May Limit Imported Produce as Wal-Mart Charged With Violations," JOURNAL OF COMMERCE, October 23, 1998.

POLLUTION ACROSS NAFTA

A study of pollution in the United States and Canada, conducted by NAFTA's Commission for Environmental Cooperation and released on October 7, showed a 1.5 percent decrease in the amount of hazardous substances released into the air from 1994 to 1995. The decrease is due to a 2.1 percent drop in emissions by U.S. industry, while Canadian industry increased its pollution emissions by 3.9 percent. The United States is responsible for 88 percent of all the pollutants released by industries in the two countries. The study did not cover Mexico because reliable information is still not widely collected, despite NAFTA's requirement for environmental monitoring.

The study found that hazardous substances released directly into the air or water or transferred to landfills declined by 2.1 percent from 1994 to 1995 in the United States, while Canadian emissions increased 3.9 percent. According to the study, each Canadian plant emits, on average, almost twice as much pollution as each U.S. plant, though the United States has many more industrial sites.

In Mexico, industrialists are negotiating with environmental authorities to take some substances off the hazardous waste materials list. While none of the seven 1997 proposals for new hazardous waste disposal centers have been approved, only about 25 percent of the 8 million tons of hazardous waste generated in Mexico each year are disposed of in the two facilities currently operating.

"Canadian Excesses Offset U.S. Pollution Gains," MILWAUKEE SENTINEL & JOURNAL, October 18, 1998; "Industry in Talks With Environment Officials on Hazardous Waste Treatment Exclusions," INTERNATIONAL ENVIRONMENTAL REPORTER, September 2, 1998; "U.S.-Canada Pollutant Releases, Transfers Drop for 1995, CEC Says," INTERNATIONAL ENVIRONMENT REPORTER, October 14, 1998.

CANADA-U.S. AG TRADE AGREEMENT

On December 4, U.S. negotiators said they had reached an agreement with Canada to allow Montana and North Dakota farmers to ship grain directly to Canada; to implement U.S. quarterly monitoring of Canadian grain exports; and to eliminate a 30-day quarantine on live U.S. hog exports to Canada and karnal bunt testing for most U.S. wheat. U.S. Trade Representative Charlene Barshefsky described the agreement as an important first step in resolving a number of disputes over the two nations' $15 billion agricultural trade, but acknowledged that many issues remain to be resolved.

Farmers in Minnesota, Montana and North Dakota had threatened to physically block imports of Canadian goods, beginning on December 6, if no agreement were reached. While the agreement at least delayed that action, many U.S. farmers and representatives remained unsatisfied. Sen. Byron Dorgan (D-ND) said that farmers "know the central problem here is the increased volume of unfairly traded grain and livestock coming into the U.S. from Canada, cutting their price," and said the agreement fails to address that issue.

Canada and the United States began talks on agricultural trade disputes in October, after the Clinton administration got the states of North and South Dakota, Montana, Minnesota, Idaho and Wyoming to stop harassment of Canadian trucks carrying livestock and grain. Both the Canadian House of Commons and the U.S. House of Representatives plan hearings on the dispute. Farmers in both countries have been hit hard by recent decreases in world commodity prices. While the U.S. government insists on lower domestic subsidies, lower tariffs protecting sectors such as Canadian dairy and poultry, and reform of state trading organizations, Canadians point to the recent U.S. announcement of a $6 billion farm subsidy for emergency agricultural relief.

Doug Palmer, "Under Agreement, Canada Will Further Ease Way for US Agricultural Products," JOURNAL OF COMMERCE (from REUTERS), December 7, 1998; Edward Alden, "U.S. and Canada Call a Truce," FINANCIAL TIMES, December 4, 1998; Canada, U.S. Start Talks," JOURNAL OF COMMERCE, October 12, 1998; "U.S., Canada Ag Officials Set Work Plan to Address Trade Disputes," AMERICASTRADE, October 15, 1998; Barry Wilson, "U.S. Attacks Subsidies; Defends Its Own," WESTERN PRODUCER, November 18, 1998; Ian Elliott, "USTR Announces Concessions in U.S., Canada Trade Dispute," FEEDSTUFFS, December 7, 1998; Robert S. Greenberger, "U.S.- Canada Farm-Trade Pact Leaves Problems Requiring Much Longer to Solve," WALL STREET JOURNAL, December 7, 1998; Scott Edmonds, "A Familiar Story North of the Border, Too," AGWEEK, November 30, 1998; Kevin Bonham, "Border Standoff," AGWEEK, November 30, 1998; "Canadian Official Calls for U.S.-Canada Cooperation on Farm Trade," INSIDE US TRADE, November 13, 1998;

BRAZIL DAIRY

Dairy farmers are demanding import quotas and a common Mercosur foreign tariff of 23 percent on dairy imports from outside the region. Brazilian dairy producers allege a "triangular trade," by which European producers avoid Brazil's 33 percent tariff on dairy imports from outside Mercosur. They say EU producers sell dairy products to Argentina, which imposes only a 19 percent tariff, and then the dairy products come to Brazil, since there is no internal Mercosur tariff. Both milk production and milk consumption have increased in Brazil since 1994.

According to Milk Brazil, an association of dairy farmers, Brazil imported 273,000 metric tons of milk from January to August, 18.5 percent more than the same period in 1997. Milk Brazil says that Brazil buys one-third of Argentina's dairy production and 70 percent of Uruguay's.

Mario Osava, "Dairy Farmers Lash Out Against Imports," INTERPRESS SERVICE, October 28, 1998.

RESOURCES

TLC y Agricultura ¿Funciona el Experimento? NAFTA and Agriculture: Is the Experiment Working? coordinated by Rita Schwentesius Rindermann, Manuel Angel Gómez Cruz, Gary W. Williams. Juan Pablos Editor, S.A., 1998. (Spanish) Series of essays analyzing the impact of NAFTA on agriculture in Mexico, with particular focus on specific sectors including sugar, basic grains, dairy, etc. Includes more general introductory essays on impact of NAFTA on agriculture in United States and Canada. For information on availability, contact Centro de Investigaciones Económicas, Sociales y Tecnológicas de la Agroindustria y la Agricultura Mundial (CIESTAAM) de la Universidad Autónoma Chapingo, Carretera México-Texcoco km 38.5, C.P. 56230, Chapingo, México. Tel. and fax: (01-595) 502-79 or Juan Pablos Editor, S.A. Mexicali, 39, México, 06100, D.F. Tel. 286-61-08.

The Force of Irony: Power in the Everyday Life of Mexican Tomato Workers by Gabriel Torres. 1997. Berg Publishers, New York. 243 pp. $19.50 paper. $49.50 hardback. Order from Berg Publishers, 70 Washington Square South, 2nd Floor, New York, NY 10012. Explores the struggles of farm workers in Autlan-El Grullo, Jalisco, focusing on rural workers' responses to development of transnational production systems and transformations of agrarian structures.

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Vol. 5, Number 21 December 11, 1998

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CANADA-U.S. AG TRADE AGREEMENT

On December 4, U.S. negotiators said they had reached an agreement with Canada to allow Montana and North Dakota farmers to ship grain directly to Canada; to implement U.S. quarterly monitoring of Canadian grain exports; and to eliminate a 30-day quarantine on live U.S. hog exports to Canada and karnal bunt testing for most U.S. wheat. U.S. Trade Representative Charlene Barshefsky described the agreement as an important first step in resolving a number of disputes over the two nations' $15 billion agricultural trade, but acknowledged that many issues remain to be resolved.

Farmers in Minnesota, Montana and North Dakota had threatened to physically block imports of Canadian goods, beginning on December 6, if no agreement were reached. While the agreement at least delayed that action, many U.S. farmers and representatives remained unsatisfied. Sen. Byron Dorgan (D-ND) said that farmers "know the central problem here is the increased volume of unfairly traded grain and livestock coming into the U.S. from Canada, cutting their price," and said the agreement fails to address that issue.

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Doug Palmer, "Under Agreement, Canada Will Further Ease Way for US Agricultural Products," JOURNAL OF COMMERCE (from REUTERS), December 7, 1998; Edward Alden, "U.S. and Canada Call a Truce," FINANCIAL TIMES, December 4, 1998; Canada, U.S. Start Talks," JOURNAL OF COMMERCE, October 12, 1998; "U.S., Canada Ag Officials Set Work Plan to Address Trade Disputes," AMERICASTRADE, October 15, 1998; Barry Wilson, "U.S. Attacks Subsidies; Defends Its Own," WESTERN PRODUCER, November 18, 1998; Ian Elliott, "USTR Announces Concessions in U.S., Canada Trade Dispute," FEEDSTUFFS, December 7, 1998; Robert S. Greenberger, "U.S.- Canada Farm-Trade Pact Leaves Problems Requiring Much Longer to Solve," WALL STREET JOURNAL, December 7, 1998; Scott Edmonds, "A Familiar Story North of the Border, Too," AGWEEK, November 30, 1998; Kevin Bonham, "Border Standoff," AGWEEK, November 30, 1998; "Canadian Official Calls for U.S.-Canada Cooperation on Farm Trade," INSIDE US TRADE, November 13, 1998.

PEOPLE'S HEMISPHERIC AGREEMENT PROPOSED

Meeting in Washington in mid-November, an alliance of academics and activists proposed a "People's Hemispheric Agreement" as an alternative set of policies to the proposed Free Trade Area of the Americas. In a report titled "Alternatives for the Americas," conferees argued that "trade and investment should not be ends in themselves, but rather the instruments for achieving just and sustainable development." The report builds on an earlier draft prepared for the April 1998 Peoples' Summit of the Americas, held in Santiago, Chile in conjunction with an FTAA summit. Patty Barrera of Canada's Common Frontiers criticized the FTAA civil society committee as "little more than a mail drop" for grass roots organizations' input.

The report's principal sponsors include Canada's Common Frontiers, the Chilean Network for a People's Initiative (RECHIP), the Mexican Action Network on Free Trade (RMALC), the U.S.-based Alliance for Responsible Trade, and Reseau quebecois sur l'integration continentale (Quebec Network on Continental Integration).

The report urges building a common human rights agenda; channeling investment toward environmentally sustainable development; recognizing and protecting the rights of workers, including immigrant workers; taxing foreign exchange transactions and limiting the volatility of capital flows; exempting staple foods from trade agreements in order to assure food security; and using intellectual property laws to protect the rights of farmers and fisherfolk as well as artists and cultural workers.

"Labour, Environment Key to Alternative Trade Pact," INTERPRESS SERVICE, November 22, 1998; "Hemispheric Civil Society Coalition Spells Out Viewpoint on FTAA," AMERICASTRADE, November 26, 1998.

BANANA BATTLE RIPENS

On November 19, the United States called for a World Trade Organization panel to render a decision on the new European Union banana import regime by January 15. Negotiators for the two sides continued to argue into December over timetables for final dispute resolution. The panel ruled last year against the EU's preference system for banana imports from African, Caribbean and Pacific countries, and the United States maintains that the changes made by the EU are still insufficient to comply with that ruling. "The United States is twisting WTO procedures into their own arbitrary and illegal unilateral sanctions timetable," said an EU spokesperson.

The United States threatened in mid-November that it would use Section 301 to unilaterally impose a 100 percent tariff on about one billion dollars worth of European products in March unless the EU makes changes in its banana regime to meet U.S. demands. EU Trade Commissioner Leon Brittan responded that, "This unilateral action by the United States is politically unwise, is contrary to their WTO obligations, and risks doing wide damage to EU/US relations." The EU wants the United States to delay any action until after the WTO decision and appeals are complete, which could take up to 170 days.

Many Caribbean banana-producing countries depend on banana exports for their economic survival, and say they will not survive without EU preferences. Chiquita Brands International, a U.S. corporation that dominates the Central American banana market, opposes EU preferences and has pushed for a showdown with the EU for years. Chiquita's owner, Carl Lindner, contributes heavily to both Republican and Democratic candidates in the United States.

John Zaracostas, "US-EU tensions over bananas reach new height," JOURNAL OF COMMERCE, December 7, 1998; Neil Buckley, "EU and US Squabble in Banana Talks," FINANCIAL TIMES, December 4, 1998; Jim Lobe, "U.S. Renews Banana Battle With EU," INTERPRESS SERVICE, November 19, 1998; Neil Buckley, "EU and US Negotiators Squabble Over Timetable for Banana Talks," FINANCIAL TIMES, December 4, 1998; "U.S. Seeking Quick WTO Review of EU Banana Import Regime," AMERICASTRADE, November 26, 1998;

AGRICULTURE, HUNGER, TRADE

As NAFTA cut tariffs on U.S. corn and dairy products, Mexican farmers were inundated in a flood of cheaper U.S. corn. In 1998, corn imports were expected to reach 4.5 to 5 million metric tons, nearly double the 2.4 million metric tons imported in 1997.

Small Mexican producers, who farmed rocky or mountainous plots without modern equipment, cannot compete with mechanized U.S. farming of large, level midwestern fields. Exacerbating the disparity, the Mexican government eliminated farm subsidy payments about five years ago, calling them an inefficient use of funds.

Farmers forced off the land find few jobs in urban Mexico and many head north to the United States. As Mexico works at pulling out of its worst recession in 60 years, which occurred after the December 1994 peso devaluation, it has been hit by the Asian and Russian financial crises, slowing Mexican economic growth and further weakening the foreign exchange rate.

Adolfo Aguilar Zinser, an independent Mexican senator, said this year's government economic forecasts predict creation of only 300,000 new jobs, while 500,000 new people will enter the labor market. "So what is going to happen to the rest?" asked Aguilar. "They're either going to sell Chiclets on the street corner, or they're going to take up crime, or they're going to emigrate to the United States . . ."

On November 26, the U.N. Food and Agriculture Organization released its annual report (see RESOURCES/EVENTS, this issue), and the FAO's Global Information and Early Warning System warned that 40 nations face a food emergency today.

Some 200 legislators from 80 countries gathered at the Conference of the Interparliamentary Union. a U.N. Food and Agriculture Organization- sponsored conference that opened in Rome on November 29. Conferees issued a final document stressing the key role of agriculture and rural development and maintaining that "democracy, egalitarian participation by men and women, respect for human rights and the right to development are indispensable for ensuring lasting food security for all." Conferees also urged that international trade be facilitated by an equitable market-based global system of trade, and said that foreign debt poses an obstacle to agricultural development and alleviation of hunger in poor countries.

"NAFTA Gives Mexicans New Reasons to Leave Home," SAN FRANCISCO CHRONICLE, October 15, 1998; Michael J. Duncan, "USGC: Mexico to Import 4.5 to 5 MMT Corn in 1998;" FUTURESWORLD, August 6, 1998; Mary Sutter, "Growth Slow in Wake of Double Blow," JOURNAL OF COM-

MERCE, October 22, 1998; Jorge Pina, "Lawmakers from 80 Countries Urge Efforts Against Hunger," INTERPRESS SERVICE, December 2, 1998; Jorge Pina, "Hunger Index Creeps Up Steadily," INTERPRESS SERVICE, November 26, 1998.

NAFTA FUNERAL HOME CHALLENGE

A Canadian funeral services firm, the Loewen Group of British Columbia, sued the United States under NAFTA's investor-state clause on October 30. Loewen charges that a $500 million verdict against it in 1995 in a Mississippi court significantly harmed its business and violated national treatment provisions of NAFTA's Article 1102, minimum standard of treatment under Article 1105, and expropriation and compensation under Article 1110. The case was accepted for review at the World Bank International Centre for the Settlement of Investment Disputes on November 19.

"In NAFTA First, Canadian Firm Challenges U.S. on Investment Loss," AMERICASTRADE, November 26, 1998.

RADIOACTIVE WASTE FACILITY DENIED

After fierce opposition from environmentalists and Mexican government officials, the Texas Natural Resource Conservation Commission on October 22 denied a license application for a low-level radioactive waste facility in Sierra Blanca, Texas, about 12 miles from the Mexican border. Environmentalists on both sides of the border had been fighting the nuclear dump proposal since 1992, citing the earthquake-prone record of the area and the presence of water tables connected to the Rio Grande. The Commission also cited considerations of "environmental justice" in its decision, pointing out that the dump would have been built in an area where most residents were members of an ethnic minority. The Commission's decision came as a surprise to all sides, as approval of the nuclear dump had been considered virtually certain.

Kurt Fernandez and Patricia Ware, "Texas Commissioners Deny Application for Disposal Facility Near Mexican Border," INTERNATIONAL ENVIRONMENTAL REPORTER, October 28, 1998; David Crow and Javier Medina, "Victory in Sierra Blanca," MEXICO UPDATE, October 23, 1998; Diego Cevallos, "Broad Social Movement Halts Nuclear Dump," INTERPRESS SERVICE, October 23, 1998.

RESOURCES

"The Wars Within: Counterinsurgency in Chiapas and Colombia." Special issue of NACLA Report on the Americas. $5.75. Order from NACLA, PO Box 77, Hopewell, PA 16650-0077. Evaluates efforts to undermine the social bases of insurgent movements by terrorizing civilians in areas of conflict, with increasing dominance by paramilitaries allowing governments to deny involvement in human rights abuses. (Free copy with subscription - $27 per year.)

Trade and Development Report for 1998. U.N. Conference on Trade and Development, September 16, 1998. Includes comprehensive analysis of Asian crisis, financial crises in general, and IMF responses. Makes proposals for managing and preventing such crises. Order by email to UN Publications New York at publications@un.org (tel. 1-212-963-8302) or UN Publications Geneva at unpubli@un.org (tel. 41-22-9170027).

Gaviotas: A Village to Reinvent the World by Alan Weisman. Chelsea Green, 1998. 231 pp. U.S.$22.95/ Canada $32.95/UK£15.50. Order from Chelsea Green, P.O. Box 428, 205 Gates-Bridge Building, White River Junction, VT 05001. Tel. 1-800-639-4099. Reports on community of Gaviotas, a Colombian village of professors and peasants founded in 1971 by visionary Paolo Luggage on 25,000 acres.

World Hunger: Twelve Myths, Second Edition, by Frances Moore Lappe, Joseph Collins and Peter Rosset with Luis Esparza. Food First/Institute for Food and Development Policy, 1998. $13 plus $4.50 shipping. Order from Food First/Institute for Food and Development Policy, 398 60th Street, Oakland, CA 94618; phone (510) 654- 4400; email foodfirst@igc.org. When all foods are considered together, there is enough to provide at least 4.3 pounds of food per person a day, according to the new, updated edition of this classic source, first published in the 1970s. The authors point to national and corporate control of global food systems as the causes of widespread world hunger.

The State of Food and Agriculture 1998, United Nations Food and Agriculture Organization report, November 26, 1998. 396 pp. $55. The number of chronically undernourished people in the world has increased from 822 million in 1990-1992 to 828 million in 1994-1996, according to estimates in the report, as the global income gap continues to widen. Order through FAO distributors listed on the FAO web site at http:// www.fao.org/CATALOG/giphome.htm or directly from: Sales and Marketing Group, Information Division, FAO, Viale delle Terme di Caracalla - 00100 Rome, Italy; E-mail: Publications-Sales@fao.org.

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GROWING HUNGER IN MEXICO

The price of tortillas, the staple food of Mexicans, especially the poor, rose on January 1, as the government ended corn subsidies and price controls. The price of tortillas in Mexico City went up from about 15 cents a pound to about 20 cents a pound.

As part of government efforts to grapple with the global financial crisis, fuel prices increased by 15 percent in November and further increases of one percent per month beginning in December were announced along with a draft 1999 austerity budget. The government reduced the national budget three times during 1998, partly because of falling oil prices. The Mexican government receives 40 percent of its revenues from international oil sales. The average per-barrel price for Mexican crude oil was $9.21 in November, down from $10.43 in October, the lowest price since June, 1986. Mexico's trade deficit for the first 11 months of 1999 was $6.8 billion, including $825 million in November alone.

According to the Social Development Commission of the Chamber of Deputies, the number of poor in Mexico has increased by four million since 1994, leaving more than half of the country's 96 million people in poverty, including 26 million in extreme poverty. According to government figures, at least 24 million Mexicans suffer from malnutrition, with the concentration of poverty and malnutrition highest in rural areas. Adolfo Chavez, a physician and investigator with the government's National Nutrition Institute in Mexico City, observes: "Society remains deaf to the problems of the indigenous people, to the problems of the countryside, to the problems of the South."

The Confederación Nacional Campesino in December demanded a review of NAFTA, charging that grain imports hampered efforts of local corn farmers to sell their produce. Commerce and Industry Secretary Herminio Blanco said NAFTA is not the cause of the farmers' problems. Agriculture Secretary Romarico Arroyo Marroquín rejected farmers' demands to temporarily suspend the agricultural section of NAFTA, saying that Mexican corn farmers already get more government support than their U.S. and Canadian counterparts and that NAFTA is not to blame for their problems.

Ginger Thompson, "Tortilla Rises: Must Belts Tighten?" NEW YORK TIMES, January 4, 1998; Diego Cevallos, "More Adjustment and Sacrifice," INTERPRESS SERVICE, November 18, 1998; Diego Cevallos, "Out of the Woods, But Poverty Still Climbing," INTERPRESS SERVICE, December 1, 1998; "Indigenous Children of Southern Mexico Suffer From Malnutrition," LATINOLINK, December 27, 1998; "Mexico Posts $825 Million Trade Deficit in November," DAILY REPORT FOR EXECUTIVES, December 23, 1998; "Mexican Grain Farmers Demand a Review of NAFTA," INFOLATINA, December 11, 1998; "Agriculture Secretary Rejects Anti- NAFTA Demands of Corn Farmers," EL FINANCIERO/INFOLATINA, December 18, 1998.

BANANA WARS

Sir Leon Brittan, vice-president of the European Commission, called the U.S. list of unilateral trade sanctions issued December 15, "arbitrary in what it covers and arbitrary in its value. It threatens European firms and jobs which have no link with the banana dispute whatsoever. Put simply, it is an example of unilateralism at its worst."

Brittan criticized the United States for opting to implement unilateral sanctions under Section 301 of the U.S. Trade Act instead of working through the processes of the World Trade Organization. The EU's new regulations on banana imports and marketing go into effect on January 1, replacing a previous policy which a WTO panel in 1997, backed by an appeals board in 1998, found to be in violation of open trading rules.

The list of EU exports that will be hit with 100 percent tariffs as early as Feb. 1 includes Louis Vuitton handbags, cashmere sweaters, Belgian waffles, sheep's milk cheese, polypropylene, candles, bath salts, paper products, electric coffee pots and electric chandeliers. The list would affect about $540 million worth of EU exports, with the largest impact on Briotish, Italian, French and German exports.

Both the European Union and Ecuador - on opposite sides of the squabble involving the EU, the United States, Latin America and Caribbean countries - have agreed on a January 12 date for a special session of the WTO's Dispute Settlement Body (DSB).

Meanwhile, Dole Food Co., one of two major U.S. banana exporting companies, says it can live with the new EU rules. That leaves only Chiquita Brands of Ohio opposing the EU rules, backed by the United States government. Brittan noted that "78 percent of our [EU] bananas come from Latin America already (and)... American banana traders don't seem to be doing too badly out of the present set-up."

"USTR Releases Banana Retaliation List; Will Consider Adding Items," AMERICASTRADE, December 24, 1998; Statement by Sir Leon Brittan, Vice-President of the European Commission on U.S. Retaliatory List on the Banana Dispute, EUROPEAN COMMISSION PRESS RELEASE, December 21, 1998; Robert Evans, "WTO Sets Key Meet on Banana Dispute for Jan. 12," REUTERS, December 24, 1998; "Dole Says EU Banana Rules Acceptable, Undercuts U.S.," BLOOMBERG, December 23, 1998.

FAST TRACK, FTAA UPDATE

Both the ongoing impeachment hearings and a growing U.S. trade deficit threaten efforts to pass fast-track legislation in 1999. The Senate Finance Committee plans to begin hearings on trade issues, including fast-track negotiating authority, in late January or February. Lesser trade bills, such as expansion of benefits for Caribbean Basin Initiative countries, are more likely to be seriously considered, since CBI expansion is seen as one way of providing hurricane relief to Central America.

Grant Aldonas, the chief trade counsel on the Senate Finance Committee, said he believes the negotiating objectives need to take into account the fact that trade "is reaching ever more deeply into the area of domestic regulation and ever more deeply into the domestic policy process." Labor and environmental groups continue to insist on inclusion of their concerns in trade agreements.

The United States will host a World Trade Organization ministerial in November 1999. Speculation about a possible "Millennium Round" of WTO negotiations threatens to slow the progress of negotiations toward a Free Trade Area of the Americas (FTAA). Brazil considers the WTO a higher priority than FTAA, and many smaller nations would be hard-pressed to stretch resources to participate in both processes. If a WTO Millennium Round is scheduled, then attention and resources will be diverted to this process and away from FTAA negotiations.

Although actual negotiating on FTAA provisions began in 1998, the progress has been slow, in part due to delays in establishing FTAA infrastructure needed to support negotiations. The contract for an interim administrator expired on October 31, leaving funding in limbo. Michael Eastman, currently deputy chief of Canada's NAFTA Secretariat, was finally chosen as chief of the secretariat in December. Controversy over his appointment centered on lack of consultation by Canada and Argentina in making the choice and on Eastman's lack of Spanish- speaking ability. Eastman said he will immediately begin Spanish classes and will have a bilingual staff.

Both the global financial crisis, including Brazil's precarious financial status, and the U.S. failure to pass fast-track negotiating authority have further slowed negotiations. The FTAA process has, however, encouraged greater regional participation in groups like the Caribbean Community and the Andean Pact.

"Business Increasingly Questions Viability of Fast Track This Year," AMERICASTRADE, December 24, 1998; "House Seeks Consensus, White House Signal on CBI Hurricane Bill," AMERICASTRADE, December 24, 1998; "Senior Trade Staff Forecast Effort to Pass Major Trade Bill in 1999," INSIDE US TRADE, December 18, 1998; Kevin G. Hall, "Americas Pact Lacks Funds, Unity," JOURNAL OF COMMERCE, December 7, 1998; Kevin G. Hall, "FTAA Talks Refocus on Regionalism," JOURNAL OF COMMERCE, December 7, 1998; Kevin G. Hall, "FTAA Chooses Canadian as Secretariat Chief," JOURNAL OF COMMERCE, December 7, 1998; Kevin G. Hall, "Canada Raps Washington for Lack of Fast-Track, Fears Failure of FTAA Talks," JOURNAL OF COMMERCE, December 10, 1998.

NAFTA AT FIVE

In Mexico, the government of President Ernesto Zedillo continues to laud NAFTA as a benefit to Mexico, but opposition and labor movements charge that NAFTA has actually harmed poor and working people. Trade Minister Herminio Blanco says that NAFTA has turned Mexico into the 10th largest trading nation in the world, more than doubling export receipts from $102 billion in 1993 to more than $220 billion in 1998. He also said that the number of export companies in Mexico has risen from 21,000 to 34,000 during the same time period. Mexican government figures show that more than 40 percent of export sales are attributed to maquiladoras, which use less than six percent Mexican inputs, and about 300 firms, mostly transnationals, account for 70 percent of Mexican exports.

The United States government concurs with Zedillo government's positive appraisal of NAFTA. U.S. Ambassador to Mexico Jeffrey Davidow fears that the American people don't fully appreciate NAFTA, and suggests that, "We ought to use the fifth anniversary of NAFTA to encourage a celebration of NAFTA and its success."

In the United States, the AFL-CIO estimates between 300,000 and 400,000 American jobs have gone to Mexico since 1994. Official U.S. government figures show that more than 200,000 workers have qualified for retraining programs because they have lost jobs due to NAFTA. Companies that have moved operations to Mexico since NAFTA include Zenith Electronics Corp., Nintendo of America, Mattel, Sara Lee Knit Products, Vanity Fair Mills and Pendleton Woolen Mills. Auto makers have moved jobs from U.S. to Mexican plants. Mexico's minimum wage is $3.40 per day, while the U.S. minimum wage is $5.15 per hour.

The U.S.-Mexico Chamber of Commerce counters that 1.7 million export- related jobs have been created in the United States since 1993 largely because of NAFTA. The U.S. Department of Commerce uses a figure of 20,000 jobs per $1 billion of new trade in its analysis of NAFTA effects. But economists disagree on how to calculate creation of export- related jobs, with many calling the Commerce Department equation simplistic and unfounded.

According to Public Citizen, "Before NAFTA, the United States sent more goods to Mexico than Mexico sent here. Under NAFTA, the United States has a new $11.5 billion trade deficit with Mexico and about the same with Canada. Worse, 40 percent of U.S. "exports" to Mexico never reach Mexican markets, but are parts for assembly at low-wage, U.S.-owned plants, which quickly return the finished products to the United States for sale."

Diego Cevallos, "Opinions Sharply Divided on NAFTA," INTERPRESS SERVICE, December 11, 1998; Adolfo Garza, "5 Years Into NAFTA, Strong Survive," ASSOCIATED PRESS, January 4, 1999; "NAFTA Delivers Little Promised, Plenty Unforeseen," SACRAMENTO BEE, January 1, 1999; Geoffrey Mohan, "NAFTA's Impact/5 Years Later, Many Debate the Pact's Effectiveness," NEWSDAY, December 29, 1998.

RESOURCES

ALERT: CULTURAL & BIOLOGICAL DIVERSITY BULLETIN, an electronic news service distributed by email, carries translated summaries in Spanish of articles devoted to issues such as intellectual property rights, access to genetic resources, biosafety, bioprospecting, legislative initiatives, developments in international fora, etc. The texts originate from groups like GRAIN, RAFI and Third World Network, as well as Latin American activists and organizations. The free electronic newsletter is published by the Latin American Institute of Alternative Legal Services (ILSA) based in Bogotá, Colombia, together with the national Ad Hoc Group on Biodiversity. For more information, please contact Margarita Flórez, BOLETIN ALERTA, ILSA, Calle # 38 16-45, Santafé de Bogotá COLOMBIA; Fax: (571) 288 48 54; Email: silsa@col1.telecom.com.co Internet: http://www.ilsa.org.co

CANADIANS FEAR WATER SALE

Two companies are seeking legal permission to sell Canadian water in bulk, while the government and environmentalists argue that their water is not a tradable commodity. If the traders win, then U.S. companies could also enter the Canadian market, protected by NAFTA, and sell Canadian water abroad.

"Once the tap's open, nobody can turn it off," warns the Council of Canadians, which wants water removed from NAFTA. Other critics say little is known about the environmental impact of massive water sales.

McCurdy Enterprises Ltd., a Newfoundland company, wants to export water from spring-fed Gisborne Lake. McCurdy and other would-be exporters point out that Canada has one-fifth of the world's water, and claim that there is plenty for export.

The other water dispute involves the province of British Columbia, B.C.- based Western Canada Water Enterprises, California-based Sun Belt Water, Inc., and the California firm's Canadian partner, Snowcap Waters. This complex dispute over water exports and national treatment of foreign companies began in 1991, when Sun Belt and Snow Cap attempted to sell bulk water from British Columbia to the California city of Goleta.

Canadian Foreign Affairs and International Trade spokesman Andre Lemay says that the official Canadian position opposes all "bulk extracts and exports of Canadian water." Canadian Environment Minister Christine Stewart told the House of Commons in mid-December that the United States and Canada hope to reach "some kind of agreemnt" to prevent exports of fresh water in bulk.

"Canada Tries to Prevent its Water From Becoming a Commodity," SAN DIEGO UNION AND TRIBUNE, December 15, 1998; "Third NAFTA Investor-State Dispute Versus Canada Arises Over Water," AMERICASTRADE, December 24, 1998; Courtney Tower, "Canada, US Seek Pact to Ban Water Exports," JOURNAL OF COMMERCE, December 17, 1998.

TRUCKING DISPUTES CONTINUE

Three years after President Clinton limited entry of Mexican trucks into the United States, the United States still refuses to comply with NAFTA provisions opening U.S. border states to Mexican truck traffic. Martin Rojas, director of international relations at the American Transportation Association, says truck users are paying the price of "insufficient capacity to move the growing volume of Mexican-U.S. trade." Mexican truckers are allowed to operate only in commercial zones extending from three miles to 20 miles north of the border.

Canadian trucks travel freely throughout the United States, but U.S. officials claim that safety concerns bar admission of Mexican trucks. Under the terms of NAFTA, commercial trucks should be able to travel throughout the interiors of all three countries by January 1, 2000.

U.S. officials claim that truck inspections are inadequate, because border inspectors cannot check all Mexican trucks crossing the border. At one busy El Paso crossing, federal auditors found that the single inspector on duty could look at only 10 to 14 trucks per day out of the daily average of 1,300 trucks crossing. Some 44 percent of the Mexican trucks inspected during the 1997 fiscal year were put out of service. By comparison, the failure rate was 25 percent for U.S. trucks and 17 percent for Canadian trucks.

"Blocked Border Transport Reason for Long Lines of Trucks, Say ATA," INFOLATINA, December 21, 1998; Glen Johnson, "Border Truck Inspections Criticized," ASSOCIATED PRESS, January 4, 1999.

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Subject: NAFTA & Inter-American Trade Monitor Vol. 6, Number 2
Date Posted: 02/05/1999 Posted by: nafta_monitor@iatp.org

NAFTA & Inter-American Trade Monitor
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CANADIAN BGH BAN CONTINUED

In mid-January, Health Canada officials ruled that a ban on the use of recombinant bovine somatotrophin, the bovine growth hormone known as BGH or rBST, will continue. The Canadian ruling came three months before a temporary European Union ban on rBST is due to expire.

While the panel considering BGH health risks to humans found no conclusive evidence of risk, another panel found that BGH does adversely affect the health of dairy cows, causing a 50 percent increase in lameness, an 18 percent increase in infertility, and a 25 percent increase in mastitis. "It's a decision that's based on more than nine years of comprehensive review," said Joel Weiner, an acting director of the Health Protection Branch.

The Canadian government asked for reports from two outside panels after its own scientists testified before a Canadian Senate committee that they had been pressured by the chemical industry and politicians to approve BGH. Health Canada scientists agreed with the findings of the two panels and with the continuance of the ban on BGH.

Ray Mowling, a vice president of Monsanto Canada said that his company, which has invested millions in BGH research and development, will respond to the decision and charged that the investigative reports were full of errors. Mowling noted that Monsanto has the right to appeal the decision to the department or to take the case to court or to challenge the ruling under NAFTA. BGH was approved for use in the United States in 1993 and has been used in Mexico and Brazil since 1988. The U.S. Center for Food Safety (CFS) and other consumer groups have petitioned the U.S. Food and Drug Administration to reverse its 1993 decision. The Codex Alimentarius, an international food standards agency, will meet this summer to consider approval of BGH.

"Canada Upholds Hormone Ban; Could Rekindle Debate With US," ASSOCIATED PRESS, January 19, 1999; Mark Bourrie, "Canada Rejects Bovine Growth Hormone," INTERPRESS SERVICE, January 17, 1999; Kelly Morris, "Who's Crying Over Spilt Milk?" THE LANCET, January 23, 1999; Barry Wilson, "BST Decision Called Good and Bad," WESTERN PRODUCER, January 28, 1999; Scientists' Complaints About BST Dismissed," WESTERN PRODUCER, January 7, 1999; Barry Wilson, "BST Rejected; Issue Not Dead," WESTERN PRODUCER, January 21, 1999; Barry Wilson, "Dairy Producers Call BST Rejection a Victory," WESTERN PRODUCER, January 21, 1999; "Hormone Refused Over Cow Health Issues," WESTERN PRODUCER, January 21, 1999; Ed Maixner, "U.S., Canada Divided on Safety of BST to Cows," FEEDSTUFFS, February 1, 1999.

U.S. BLINKS ON BANANAS

Half a billion dollars in U.S. trade sanctions against half a billion dollars of European Union exports, scheduled for implementation on February 1, have been postponed until at least March 3. The delay, characterized as a victory by U.S. officials, came after a week of lobbying by Japan, Canada, India and other countries not directly involved in the U.S.-EU banana dispute. The other countries argued that the U.S. request for sanctions could not be considered until after a WTO panel had ruled that the EU's amended banana regime was illegal.

The United States says that the European Union's new banana regime, adopted after WTO rulings ordering the EU to end unfair discrimination against U.S. distributors of Latin American bananas, does not constitute full compliance with WTO rulings. The EU says it does.

The European Union formally notified the WTO disputes settlement panel that it intends to ask for a ruling on U.S. imposition of sanctions under Section 301 (of the U.S. Trade Act) at the February meeting of the dispute settlement body. The EU move came after the United States sought WTO approval of its sanctions in late January.

Frances Williams, "US Postpones EU Sanctions," FINANCIAL TIMES, January 30, 1999; "EU Mounts WTO Challenge to U.S. Trade Sanctions Law," REUTERS, January 29, 1999; "Legal Gaps in WTO Fan Flames of EU/US Banana Dispute," INTERPRESS SERVICE, January 13, 1999; Chakravarti Raghavan, "US-EC Raise Stakes in Banana War," INTERPRESS SERVICE, January 22,1999; Chakravarti Raghavan, "US-EC Banana Saga Continues With No Compromises," INTERPRESS SERVICE, January 28,1999; Earl Moxam, "Caribbean Bands Together in Banana Dispute," REUTERS, January 28, 1999; Robert Evans, "WTO Chief Pushes for End to Banana Trade Deadlock," REUTERS, January 29, 1999; "WTO Members Avert Procedural Crisis on Bananas; Will Meet Again Today," INSIDE US TRADE, January 29, 1999.

YANOMAMI CHARGE BIO-PIRACY

The Venezuelan Ministry of the Environment signed a contract with the University of Zurich in January, permitting the university access to genetic resources in the Yanomami area. Guillermo Guevara, coordinator of the Organization of Indigenous Peoples of the Amazon State (ORPIA), denounced the agreement because it was arrived at without notification to or approval of the Yanomami population that lives in the zone. Guevaro said that the agreement amounts to theft of the ancestral knowledge and bio-diversity of the community, because the university plans to patent life forms developed by the indigenous people over generations.

"ORPIA hasn't endorsed the agreement because it considers that it's another version of plundering our land's bio-diversity and our people's ancestral heritage," said Guevaro. "Amazon Basin Indigenous Community (COICA) groups have taken a decision against the westernized patent system. (Cartagena Decision No. 391)."

The agreement provides for payments to indigenous groups that cooperate with the university's activities and to the Ministry of the Environment.

Mireya Tabuas, "Biopirataria Suiza en Area Yanomami," EL NACIONAL (Caracas), January 26, 1999; "Yanomami Indian Elders Accuse Swiss University of Hidden Agenda," VENEWS, January 27, 1999.

TRADE AND BIO-SAFETY AGREEMENTS

Some 150 signatories to the Convention on Biological Diversity are negotiating a Biosafety Protocol that would affect trade in products containing genetically modified organisms. The United States has not ratified the Convention on Biological Diversity, so it cannot vote on the Protocol, which is scheduled for adoption in February.

The United States wants to keep the scope of the protocol narrow, so that it applies only to GMOs that might be planted in the environment, not to food or other products that will be consumed directly by animals or humans. A number of developing countries want the protocol to provide for labeling of any products containing GMOs.

The purpose of the protocol is ensuring the safety of existing species by restricting import of agricultural products that might threaten those species. A December 14 industry letter to President Clinton objects to the inclusion of food, beverage and consumer products in the biosafety protocol, alleging that such inclusion would conflict with WTO rules proscribing any regulation not based on science. A December 21 letter signed by more than 70 NGOs and individuals advocated agreement to a "rigorous protocol based on the Precautionary Principle, which the United States endorsed at the 1992 Earth Summit."

"U.S. Fights to Reduce Impact of Biosafety Protocol on GMO Trade," INSIDE US TRADE, January 8, 1999.

MEXICAN BUDGET CUTS AG EMPHASIS

Measured as a percentage of the country's Gross Domestic Product, Mexico's 1999 agriculture development budget is at the lowest level in the last 25 years and is 20% less the 1998 agricultural development budget. The 1999 Mexican federal budget calls for agriculture to receive approximately four percent of total expenditures, compared to 5.18 percent in 1998 and up to 10 percent in past decades.

The lower agricultural development budget comes as staple food prices are being allowed to rise. The quasi-public company LICONSA, which assists the poor with low-cost milk, increased its milk prices from 2.00 to 2.50 pesos per liter in mid-January. Lifting of price controls resulted in tortilla prices increasing from 3 pesos per kilogram to as much as 7 pesos at the beginning of January. Corn tortillas account for about half of the daily caloric intake of poor Mexicans. By late January, corn flour producer and tortilla association representatives said they would voluntarily limit the price of tortillas to 3.5 pesos per kilogram.

"Lower Ag Budget for 1999," FUTURES WORLD, January 21, 1999; "LICONSA Increases Milk Prices to the Poor," FUTURES WORLD, January 21, 1999; Ginger Thompson, "Tortilla Rises: Must Belts Tighten?" NEW YORK TIMES, January 4, 1999; John Ward Anderson, "Tortilla Price Hike Hits Mexico's Poorest: Five Years After NAFTA, Trickle-Down Has Yet to Trickle," WASHINGTON POST, January 12, 1999; Dudley Althaus, "Malnutrition Gnaws at the Children of Mexico," HOUSTON CHRONICLE, December 27, 1998; Robert Randolph, "Mexico Untethers the Price of Corn Tortillas," JOURNAL OF COMMERCE, January 8, 1999; "Voluntary Pact Ends Tortilla Price Surge in Mexico," MILLING AND BAKING NEWS, January 19, 1999.

CORN TRQ EXCEEDED

According to Mexico's Secretariat of Commerce and Industrial Development (SECOFI), import certificates for 5.862 million metric tons (MMT) of U.S. corn were issued for 1998. The NAFTA tariff rate quota (TRQ) is only 2.815 MMT of U.S. corn. Not all of the import certificates were used, however. SECOFI said that 4.375 MMT of corn was imported from January-November and estimates that the final 1998 figure will be no more than 5 MMT. The United States was apparently the sole supplier of imported corn to Mexico in 1998.

On December 11, SECOFI's Corn Allocation Committee decided to delay the initial allocation of 1999 import permits until January, in order to obtain more information on the results of Mexico's corn harvest, which was delayed due to late rains.

According to the Foreign Agricultural Service of the U.S. Department of Agriculture, U.S. corn exports are expected to increase by about 5.8 million tons in 1999 to a global total of 43.5 million tons, but the average price for export corn for 1998-1999 will probably fall 13 percent to $98 a ton.

"Mexico Reports 1998 Corn Imports Exceed NAFTA TRQ," FUTURES WORLD, January 13, 1999; "Farmers Seek Spark in Grain Export Bottom Line," JOURNAL OF COMMERCE, January 27, 1999.

TOUGH TIMES FOR TRADE LEGISLATION

In addition to seeking fast-track trade negotiating authority, the Clinton administration trade agenda for 1999 includes initiatives ranging from new trade preferences for Africa and the Caribbean Basin to the opening of a new round of global trade negotiations to reduce tariffs in Seattle in November. Fast-track authority would allow the president to negotiate trade deals that the Senate would have to accept or reject without amendment.

U.S. public opposition to expanded trade has increased with recent expansion in steel imports from Japan, Russia, Korea and Brazil. Japan's steel exports to the United States grew 500 percent last year. The 1998 U.S. trade deficit is forecast at a record-breaking $170 billion, and some analysts predict a1999 deficit approaching $300 billion.

Fast-track negotiating authority still faces an uphill battle in Congress, where Democrats and a few Republican allies want to see inclusion of labor and environmental protection provisions. Even if the fast track legislation authorized inclusion of such provisions in trade agreements, other countries could be expected to oppose their inclusion. Mexico, for example, continues to oppose any environmental protection provisions in trade agreements, arguing that dialogue with environmental and other groups is best done on a domestic level and has no place in international trade accords.

Jim Lobe, "Clinton Faces Tough Fight for Trade Agenda," INTERPRESS SERVICE, January 27, 1999; Kevin G. Hall, "Mexico Adamant About Keeping Environment Out of Trade Talks," JOURNAL OF COMMERCE, January 26, 1999; Kevin Galvin, "Clinton Seeks Trade Authority," ASSOCIATED PRESS, January 28, 1999; "Industry Groups Cautious on Push for Fast Track This Year," INSIDE US TRADE, January 29, 1999; "Lott Urges CBI Action This Year; USTR to Hold Off on Proposal," INSIDE US TRADE, January 29, 1999; William Roberts, "Executives Lobby to Pass Fast-Track," JOURNAL OF COMMERCE, January 28, 1999; William Roberts, "Clinton Seeks Consensus on Freer Trade," JOURNAL OF COMMERCE, January 21, 1999.

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GMO AGREEMENT BLOCKED

Delegates from 132 countries met in Cartagena, Colombia in mid- February to negotiate the language of the Biosafety Protocol to the Convention on Biological Diversity (CBD), an agreement regulating cross-border trade in genetically modified organisms (GMOs). Talks broke down on February 24, after the United States, Canada, Australia, Chile, Argentina and Uruguay joined forces to block approval of a new Biosafety Protocol. If a protocol had been approved, it would have been submitted to the second conference of the parties to the CBD, which met in Cartagena on February 22 and 23.

The United States was not a party to the CBD, but participated in the negotiations on trade in GMOs as an observer. An estimated 25 to 35 percent of major U.S. crops are already genetically modified. The United States fears that approval of the Protocol would have weakened the power of the World Trade Organization and made it easier for countries to block imports of GMO crops.

Ethiopia led African nations in seeking stricter regulation of GMOs, based on fears of potential threats to bio-diversity and socio-economic well-being. Colombia advocated language that would allow a country to bar GMOs if clear scientific evidence on the possible consequences of introduction was lacking.

According to European environment commissioner Ritt Bejerregaard, the EU wanted a protocol "based on the precautionary principle," but which takes into account "environmental and trade concerns in a balanced manner." This left the EU in the middle, trying to broker an agreement between the U.S. bloc and those countries that want stricter limits on GMOs.

Delegates of NGOs from Latin America, Africa, Asia, the United States and Europe, meeting at Cartagena at the same time as the government delegates, called for a moratorium on trade in GMOs. They warned that the use of "marker genes" has been found to increase resistance to antibiotics, that transgenic seeds designed to resist antibiotics could migrate to other species and create "superweeds." The NGOs called for assessment of "the risks posed to human health and biological and cultural diversity by the consumption and release of GMOs," and for careful evaluation of their effect on developing economies.

Greenpeace environmental activists boarded a ship carrying U.S. corn in Colombia on February 19, protesting the shipment of genetically modified organisms. Other protesters at the port carried banners reading "No genetic imperialism."

Adam Thompson, "UN Talks Make Little Headway," FINANCIAL TIMES, February 19, 1999; "Greenpeace Boards Ship in Colombia in a Protest Against Genetically Altered Food," JOURNAL OF COMMERCE, February 22, 1999; Yadira Ferrer, "Hammering Out a Biosecurity Treaty in Colombia," INTERPRESS SERVICE, February 15, 1999; Angela Sanchez, "NGOs Demand Moratorium on Trade and Release of GMOs," INTERPRESS SERVICE, February 17, 1999; "130 to 5 on Biosafety Treaty: Guess Which Side U.S. Is On," THE PROGRESSIVE RESPONSE, February 26, 1999; Kristin Dawkins, "Intellectual Property Rights and the Privatization of Life," THE PROGRESSIVE RESPONSE, February 26, 1999; Sean Poulter, "Blank Out Labels, Says U.S.," DAILY MAIL, February 11, 1999; Andrew Duffy, "Canada Favours Pact on Genetically Engineered Foods," EDMONTON JOURNAL, February 12, 1999; Angela Sanchez, "Debate Over Transgenics Heats Up," INTERPRESS SERVICE, February 23, 1999.

LAWSUIT ON GMOs

More than 650 environmental, farmer and consumer groups, including the Institute for Agriculture and Trade Policy, sued the U.S. Environmental Protection Agency on February 18 over the EPA's registration of genetically modified crops containing Bt. Bt is a soil bacterium, Bacillus thuringiensis, that produces toxins to kill insects. Many of the genetically modified crops on the market contain the Bt insecticide, which organic farmers have used for years as a spray. The coalition charged that the EPA has not adequately studied the environmental safety of the Bt- containing crops.

Organic farmers and some scientists warn that the widespread use of Bt in genetically altered seeds will probably lead to insect resistance to the pesticide. When Bt is used as a spray, the toxin breaks down in sunlight, which minimizes the risk of developing resistance. The coalition suing the EPA also warned that there have been reports of gene flow or outcrossing in Germany and the United States. Gene flow occurs when the Bt toxin is carried to other plants by cross pollination.

Chuck Walker, spokesperson for Terra Prima, an organic food producer based in the state of Wisconsin, said the company lost more than $100,000 when it recalled tortilla chips that had been contaminated with genetically engineered corn. The organic farmer who supplied the corn had not planted Bt corn, but tests on the chips showed positive for Bt during a routine check. "Unless Bt is withdrawn it will soon contaminate fields across the nation," Walker warned. Several European countries have banned Bt crops.

Danielle Knight, "US Government Sued Over Genetic Crops," INTERPRESS SERVICE, February 18, 1999; Janelle Carter, "Environmentalists File Suit Against EPA," AGWEEK, March 1, 1999.

LUMBER COMPANY SUES UNDER NAFTA

Pope & Talbot, a forest products company based in Oregon, has sued the Canadian government claiming $30 million in damages under NAFTA's investor-state provisions. Pope & Talbot claims the five-year, U.S.-Canadian softwood lumber agreement discriminates against the company because the agreement only applies in four provinces. Though Pope & Talbot is a U.S. company, the agreement limits its exports to the United States from British Columbia.

A confidential Canadian government memo set forth various options for restricting the right of private parties to sue governments for compensation under NAFTA. One possible option would be to exclude regulatory practices of governments from challenge by private parties.

Heather Scoffield, "Another U.S. Firm Sues Ottawa Under NAFTA," THE GLOBE AND MAIL, February 16, 1999; "Oregon Firm Sues Canada Under NAFTA," COLUMBIAN, February 16, 1999; "New NAFTA Investor-State Case Targets U.S.-Canada Lumber Deal," INSIDE US TRADE, February 26, 1999; "Canadian Memo Identifies Options for Changing NAFTA Investment Rules," INSIDE US TRADE, February 12, 1999; Edward Alden, "Canada Seeks Tighter NAFTA Rules to Limit Compensation," FINANCIAL TIMES, January 22, 1999.

BRAZIL AG PRICES DROP, BEEF EXPORTS RISE

According to a World Bank report, Brazil's agricultural producers will be big losers under the devaluation of the real. Brazil is the world's biggest exporter of coffee, sugar, soya and orange juice and is a leading exporter of beef, pork and chicken. Brazil imports wheat, cotton, rice, corn, beans and dairy products.

Brazil's beef exports increased last year and are expected to rise by an additional 25 percent in 1999, due to the 50 percent decline in the value of the real. Some of last year's increased exports are attributable to a rise in price of Argentine beef, which meant increased Argentine purchases of Brazilian beef. The European Union buys about two- thirds of Brazil's beef exports and the United States absorbs another 15 percent.

Argentina, the world's fourth-largest exporter of beef, is hoping for a recovery of exports this year. Last year its exports declined after a drought and low world beef prices.

Mario Osava, "Brazil Beefs Up Exports at Argentina's Expense," INTERPRESS SERVICE, February 18, 1999; Mario Osava, "Crisis Pushes Agricultural Prices Floorward," INTERPRESS SERVICE, February 5, 1999; Susan Schneider, "Argentina Hopes for Recovery," AGWEEK, March 1, 1999.

MONSANTO GENE POLICE

Monsanto is suing 68-year-old Percy Schmeiser, a Canadian farmer, for "seed piracy." Schmeiser is one of hundreds of farmers in the United States and Canada accused by Monsanto of replanting the company's genetically modified seeds, instead of following company rules and buying new seeds each year. Farmers who use patented seeds are often required to sign agreements allowing the seed company to inspect their fields for years into the future. The difference in Schmeiser's case is that he never bought the Monsanto seeds and never signed the agreement.

Monsanto sent detectives into Schmeiser's fields and found plant DNA from its Roundup-resistant canola varieties. Schmeiser says he never planted Monsanto seeds, and claims the pollen or seeds must have blown onto his farm from a neighbor's land. He cites dozens of studies showing that such cross- pollination occurs.

While Monsanto is marketing Roundup-resistant seeds under restrictive agreements, other protections for the genetically modified seeds are under development. International seed corporations hold dozens of patents on "terminator technology," which ensures that gene-altered seeds cannot reproduce seeds of their own. The technology prevents farmers from gathering seeds from one year's crop to plant for the following year. Seed companies are also developing seeds whose genetic traits can be turned on and off by an external chemical "inducer"- mixed with patented pesticides or fertilizers produced by the same company. These seeds would not produce a crop unless the farmer also applied the companion pesticide or fertilizer.

Small scale farmers, especially in developing countries, depend on seed saving rather than buying expensive seeds each year. Agricultural research is increasingly private rather than public, so that new seeds are developed and patented by companies rather than by public research supporting increased food production.

Rick Weiss, "Gene Police Raise Farmers Fears," WASHINGTON POST, February 3, 1999; Daniel Knight, "Seed Giants Increase Sterile Technology," INTERPRESS SERVICE, February 10, 1999.

WATER WARS

The Canadian House of Commons voted on February 9 to stop exports of fresh water and to ask the federal government and provinces to avoid entering into any international treaties that could force them to export water. The unanimously- passed resolution is non-binding. Canada, with one-fifth of the world's fresh water, is under pressure from NAFTA allies to sell water to dry areas of the United States and Mexico. Critics of water sales fear that selling any water would make water a tradable good under NAFTA.

As Canada struggles with water export issues, water issues also surfaced on the Mexico-U.S. border. Surface water issues are covered in treaties, but no agreements govern ground water, and ground water basins don't follow international borders. The Hueco Bolson aquifer, for example, serves municipal water use on both sides of the border from Las Cruces to El Paso to Ciudad Juarez, Mexico. This aquifer is being depleted.

Another border water dispute involves a proposal to line the All- American Canal serving California's Imperial Valley. U.S. water planners say the lining of the canal is a water conservation measure, but Mexicans in the Mexicali Valley across the border from the canal see it as an unjust taking of water that would otherwise flow to them.

Maria Babbage, "Canada Seeks to Dam the Flow of Water Exports," REUTERS, February 10, 1999; "Border Ground Water Conflict Looms," ALBUQUERQUE JOURNAL, February 21, 1999; "Canal Fight Shows Water Conservation Has Consequences," ALBUQUERQUE JOURNAL, February 24, 1999.

U.S. FARM CRISIS

U.S. Department of Agriculture officials predicted in late February that U.S. farm exports will fall to $49 billion in 1999, down from the record high of $60 billion in 1996. USDA officials said about $9 billion of the drop will result from reduced sales to Asia. This is the first drop in U.S. agricultural exports to Asia since 1985. U.S. prices for wheat, corn, soybeans, hogs, cotton, and rice have fallen drastically since last year.

As U.S. Secretary of Agriculture Dan Glickman continues to promise help to U.S. farmers hard-hit by recent price drops, some European Union officials question the commitment of the United States to reducing subsidies for agricultural products. Glickman warned U.S. farmers that trade cannot be their only safety net, and said the United States needs a more permanent mechanism to respond to price drops and shrinking export markets.

"U.S. Farm Safety Net Could Hurt U.S. Position in WTO Talks," INSIDE US TRADE, February 26, 1999; Scott Kilman, "Outlook for Farm Economy Darkens As More Prices of Commodities Fall," WALL STREET JOURNAL, February 11(?), 1999; Lisa Lieberman, "Experts Keep Eye on Export Drop," THE PACKER, February 22, 1999; "Soybean, Wheat Surpluses Mount," AGRINEWS, February 18, 1999.

MEXICO HOG DUTIES

Mexico announced on January 31 that it would impose "compensatory" duties on U.S. hog exporters accused of dumping pigs at below- market prices. The pigs at issue are live hogs weighing 110 to 242 pounds and sold for less than 49 cents a pound. U.S. hog prices plunged to record lows of 8.5 cents a pound in December, far below the break-even cost of about 40 cents a pound.

"Mexico to Slap Duties on Accused U.S. Hog Dumpers," REUTERS, January 31, 1999; "Mexico Imposes Compensatory Duty on U.S. Hogs," NAFTA ATTACHE WEEKLY HIGHLIGHTS, February 9, 1999; "U.S. Hog Industry Faces Mexican AD Duties as Canada Logjam Breaks," AMERICASTRADE, February 11, 1999; Henry Tricks, "Mexico's Ailing Pig Producers Struggle to Save Their Skins," FINANCIAL TIMES, February 17, 1999; Theopolis Waters, "Canada Opposes Hog Dumping Cases Based on Cost of Production," AGWEEK, February 15, 1999.

RESOURCES

NAFTA at 5, Public Citizen report card on NAFTA, 25 pp., December, 1998. "School of Real-Life Results Report Card" gives NAFTA a failing grade on job creation, agriculture, the environment, public health, wage levels in the U.S. and Mexico, and other issues. To order, contact Public Citizen, 215 Pennsylvania Avenue SE, Washington, DC 20003; telephone 202/ 546-4996.

The MAI Shell Game, Public Citizen, 25 pp., 1998. Identifies components of the Multilateral Agreement on Investment in policies and structures of the International Monetary Fund, Organization for Economic Cooperation and Development, World Trade Organization, Free Trade Area of the Americas. To order, contact Public Citizen, 215 Pennsylvania Avenue SE, Washington, DC 20003; telephone 202/546-4996.

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WTO BANANA DECISION

The World Trade Organization panel reviewing U.S. complaints against the European Union banana import regime ruled on April 6 that the EU banana regime violates WTO rules and that the United States may impose compensatory tariffs on other EU exports. The United States hailed the decision as a victory. The European Union formally requested that the United States reduce its compensatory tariffs to the level set by the WTO, and reserved its right to appeal the WTO decision.

In March, the United States imposed 100 percent tariffs on selected European Union exports, effectively stopping exports of the targeted products. These provisional tariffs covered some $520 million in exports. The WTO decision restricts tariffs to $191.4 million in exports.

In addition to the U.S. attack on European Union trade preferences for African, Caribbean and Pacific bananas, other changes in preferential treatment for Caribbean products entering Europe also threaten Caribbean businesses. The European Union two years ago restricted rice exports from some Caribbean countries, and has indicated that special arrangements for sugar exports could be reviewed next. The sugar export protocol was supposed to run for an indefinite period.

In addition, an agreement between the EU and the United States will open the EU market to any producer of rum by 2003, ending any supports for Caribbean distillers. David Jessop, Executive Director of the Caribbean Council for Europe, said the regional rum and spirits industry exports up to $160 million of the product to the EU market each year, and employs at least 10,000 people. Jessop says many will be displaced unless the United States and Europe come to a new agreement by the end of the year. While up to 87 percent of global alcohol production is subsidized, most Caribbean producers rely on a high volume of exports to survive. Caribbean exports now comprise 7.5 percent of rum exports to Europe and 2 percent of banana exports to Europe.

U.S. transnational corporations account for some 65 percent of banana exports to Europe. The International Confederation of Free Trade Unions (ICFTU) charged in mid- March that Dole, Del Monte, Chiquita Brands, Fyffes and their subsidiaries are responsible for "massive dismissals, repression of unions, human rights violations, failure to comply with collective bargaining agreements and even arrests of workers and union leaders." The ICFTU wanted the WTO to include social concerns in its ongoing examination of the U.S.-EU dispute over banana exports.

"Confidential WTO Report Rejects EU Banana Regime, Suggests Changes," INSIDE US TRADE, April 9, 1999; "WTO Rules U.S. Can Impose Sanctions on $191.4 Mln in EU Goods," BLOOMBERG, April 6, 1999; Donna Smith, "U.S. Calls WTO Banana Ruling a Major Victory," REUTERS, April 6, 1999; "EU Says Can Still Appeal Banana Ruling," REUTERS, April 7, 1999; "Chiquita Statement on WTO Arbitrator's Decision," CHIQUITA BRANDS PRESS RELEASE, April 7, 1999; "EU Reacts to WTO Banana Dispute Report," EUROPEAN UNION PRESS RELEASE, April 7, 1999; Bert Wilkinson, "Explaining Away Changes in Trading Relations," INTERPRESS SERVICE, March 31, 1999; Chakravarthi Raghavan, "US and EC Asked to End 'Banana Dispute,'" SOUTH- NORTH DEVELOPMENT MONITOR, March 8, 1999; Adrian Croft, "EU Blasts US Sanctions Threat in Hormone Row," REUTERS, March 23, 1999; "U.S.'s Eizenstat Slams EU for Trade Disputes," BLOOMBERG, March 24, 1999; Alicia Fraerman, "US Transnationals Accused of Waging Dirty War," INTERPRESS SERVICE, March 15, 1999.

NAFTA ENVIRONMENTAL REPORT

On March 17, the Montreal-based Commission for Environmental Cooperation (CEC) issued a 384-page technical study on three trade and environmental issues: production of white corn crops in Mexico, feedlot cattle production in the United States, and electricity demand in all three NAFTA countries. The study, titled "Assessing Environmental Effects of the North American Free Trade Agreement," was begun in 1995. The CEC has no enforcement authority, but was designed to publicize environmental concerns. Among its findings:

o Mexico is importing more U.S. corn to meet domestic demand, and U.S. farmers have exceeded their tariff-rate export quota every year under NAFTA, even in years when production in Mexico was good.

o Growing reliance on imports and on high- yielding, genetically modified crops may threaten biodiversity in Mexico's rural eco- system and drive small farmers out of business.

o Concentration of cattle feed lots affects feed grain production. Runoff from fertilizers and pesticides in major U.S. grain producing states end up in the Mississippi river system. This may be a factor in a growing offshore "dead zone" in the Gulf of Mexico.

o Concentration of animals and manure production affects both water and air quality.

o Older U.S. electric plants, which account for 35 percent if installed capacity in North America, have much higher pollution from emissions than do newer, cleaner power generators.

Kevin G. Hall, "Nafta Panel Highlights Trade and Environment," JOURNAL OF COMMERCE, March 18, 1999; "NAFTA: Environmental Commission Issues Technical Report," NATIONAL JOURNAL'S GREENWIRE, March 18, 1999; CEC PRESS RELEASE, March 17, 1999.

SUIT OVER PLANT PATENT

The Coordinating Body of Indigenous Organizations of the Amazon Basin (COICA) has filed a request in Washington to cancel the patent covering the Ayahuasca (Yage) plant. The coalition of more than 400 groups claims that the patented version of the plant has not been altered by the patent holder from the version that is indigenous to and is grown throughout the Amazon.

Antonio Jacanamijoy, general coordinator of COICA, told reporters in Washington that "According to tradition, only shamans are authorized to prepare the ceremonial drink made from the sacred plant, and no member of the community can drink it without the guidance of a shaman."

Loren Miller, director of the California -based International Plant Medicine Corporation, said in 1986 that he had altered the Ayahuasca plant with the permission of an indigenous group. Miller claims the patented plant is distinct because it bears different-colored flowers from other plants of the species. William Anderson, director of the University of Michigan's herbarium, said the flowers are typical of the species, a statement which supports COICA's allegations.

After COICA adopted a policy resolution in 1996, calling Miller an "enemy of indigenous people" and calling for prevention of his entry into any indigenous territory, the Inter-American Foundation threatened to withhold further grants to COICA. The IAF is a U.S. government developmental agency.

David Downes, senior attorney for the Washington-based Center for International Environmental Law, said the patent "exemplifies the problems that can arise when the Western patent system encounters the radically different systems for creating and managing knowledge that have been developed in many other cultures."

Danielle Knight, "Amazon Groups Challenge U.S. Plant Patent," INTERPRESS SERVICE, March 31, 1999.

THREATS TO GMO APPROVAL

Agriculture Secretary Jose Hermeto Hoffamann of Brazil's Rio Grande Do Sul state said that the state government may destroy genetically-modified grown in the state by Monsanto Company. The threat is based on Monsanto's failure to provide an environmental risk analysis for the test plot, as required under a state law passed on March 3.

In England, the government requires a 200 meter exclusion zone around genetically modified (GM) trial crops. Dr. Jean Emberlin, Director of the National Pollen Research Unit believes that the exclusion zone is inadequate, since bees or strong winds can take pollen further.

Proponents of GM crops say that, while corn pollen may be spread over a long distance by the wind, pollen from genetically modified (GM) plants faces increased dispersal and competition from other pollen as it travels.

Phil Stewart, "Brazil State Threatens to Destroy Soya," REUTERS, March 18, 1999; "GM Pollen Warning," BBC ON-LINE, March 2, 1999; Alex Kirby, "The Perils of Far-Flung Pollen," BBC ON-LINE, March 2, 1999.

TEXTILE JOBS MOVE SOUTH

After announcing plans to close half its 22 U.S. plants and fire 5,900 workers to cut costs, Levi Strauss will subcontract with lower-priced manufacturers in Colombia and Mexico, and possibly also in the United States. Under NAFTA, Mexico has taken the place of China as the leading supplier of textiles to the United States, expanding its low-wage "cut-and-sew" garment production plants.

Nien Hsing International, a Taiwanese textile company, will spend $189 million to build and expand a denim and jeans plant at Ciudad Victoria, in the northeastern Mexican state of Tamaulipas. Company manager Peter Wan says the proximity to the Untied States helps because the manufacturer can respond quickly to new fashions and because the United States is the ultimate market. He says production costs in Mexico are 10-20 percent cheaper than in the Untied States.

Guilford Mills of North Carolina will participate in Tamaulipas state government plans for a $400 million textile complex using synthetic fibers from nearby petrochemical companies and Mexican-grown cotton. Guilford Mills will invest $100 million and will invite its garment- producing customers to locate nearby.

The Nien Hsing and Guilford Mills projects, along with two other Taiwanese and Korean plants worth $60 million, will create 15,000 manufacturing jobs.

Henry Tricks and Richard Lapper, "Plan Threatens US-Based Producers," FINANCIAL TIMES, March 31, 1999; "Levi Strauss to Increase Output in Colombia, Mexico," BLOOMBERG, March 24, 1999.

MEXICO-EU NEGOTIATIONS

Negotiations for a free trade agreement between Mexico and the European Union, which began in July 1998, hit a snag early this year when Mexico imposed a 10 percent fee on imports from Europe. Nonetheless, the negotiations continue, with both sides expressing optimism about concluding an agreement before the end of the year. Mexican President Ernesto Zedillo said the negotiations are "advancing with extraordinary speed and with really satisfactory results."

Since NAFTA took effect, US exports to Mexico have increased from 66 to 75 percent, while EU exports have fallen from 17 to 9 percent of total exports to Mexico. Mexico is also negotiating a free trade agreement with Honduras and El Salvador and has bilateral treaties with Bolivia, Colombia, Costa Rica, Chile, Venezuela and Nicaragua.

Pilar Franco, "The Obstacle Course for Free Trade," INTERPRESS SERVICE, March 15, 1999; "Mexico President Says EU Trade Talks Progressing," REUTERS, March 16, 1999; Daniel J. McCosh, "US Exporters Ffear Losing Advantage as EU, Mexico Talk," JOURNAL OF COMMERCE, March 22, 1999.

TOMATO GROWERS LOSE GROUND

Florida tomato growers say that prices are plummeting but that consumers are still paying plenty for their crops. With good weather for tomatoes in both Mexico and Florida this year, Florida growers say they are being forced out of business by Mexican exports. Prior to NAFTA, Florida supplied 65 percent of the U.S. tomato market and Mexico supplied about 35 percent. That proportion is now reversed, thanks to cheap land, abundant water, and low labor costs in Mexico.

While Mexican and Florida growers agreed on a floor price of 21 cents a pound for tomatoes, in settlement of 1996 Florida anti- dumping claims, that price is not enough to make a profit. According to the Florida Tomato Committee, 28-32 cents a pound is the break-even point.

Karen L. Shaw, "Tomato Glut Hurts Grower, Consumer," ASSOCIATED PRESS, March 25, 1999; Tracy Rosselle, "Group Renews Effort to Eliminate No. 2 Fruit," THE PACKER, March 22, 1999; "Tomato Growers Squeezed by Falling Prices, Mexico," JOURNAL OF COMMERCE, March 31, 1999.

NAFTA AND BORDER TRAFFIC

Laredo, Texas, where up to 6,000 trucks cross the bridge from Mexico each day, is "a chokepoint instead of a checkpoint," according to Laredo Mayor Betty Flores. Three Texas border counties are among the state's 10 fastest-growing populations. The border cities, hard-hit by increasing infrastructure costs, are asking for nearly a billion dollars in state highway spending.

The increased congestion comes even without implementation of the NAFTA provision that would allow truckers from both countries to drive freely in the United States and Mexico. The U.S. government has refused to implement this provision of the NAFTA agreement, citing safety concerns over Mexican trucks and truckers. Therefore, loads going over the river have to use a short-hauler system - one truck to get to the border, another to cross the bridge, and a third to haul the load into the receiving country.

Southwestern business leaders attending a conference sponsored by the U.S.-Mexico Chamber of Commerce and the El Paso Hispanic Chamber of Commerce, also complained that neither country has put in place sufficient infrastructure improvements to keep up with trade. Some complained that increased efforts to interdict illegal drugs and to stop illegal immigration are blocking trade.

"NAFTA Loads Up Border's Roads," AUSTIN AMERICAN-STATESMAN, March 13, 1999; Gary Martin, "Business Leaders Believe Border Security Disrupts Trade," SAN ANTONIO EXPRESS-NEWS, March 24, 1999; "U.S., Mexico Narrowing Gap on Cross-Border Truck Opening," AMERICASTRADE, March 11, 1999; Jack Lucentini, "Trade Sector Fears More Delay If Data System is Implemented," JOURNAL OF COMMERCE, March 12, 1999.

NORTHERN NAFTA DISPUTES

On March 25, Canadian trade minister Sergio Marchi called on members of the World Trade Organization to review rules on unfair pricing, application of trade remedies to services, the rule on limiting subsidies, and import curbs. The Canadian International Market Access Report, released on March 25, criticizes NAFTA and WTO government procurement exceptions, saying U.S. set-aside programs for small and minority-owned businesses and Buy American provisions of U.S. law are particularly onerous.

Other long-standing U.S.-Canadian trade disputes include Canadian rules that effectively block many foreign-owned magazines from access to the Canadian advertising market and a recently-successful challenge to Canadian dairy export and import practices, brought by the United States and other countries in a WTO forum.

Canadian critics of NAFTA also complain that the agreement gives transnational corporations the power to erode Canadian laws. Canada faces several lawsuits filed by U.S. companies to force Canada to back off on enforcement of environmental or cultural protections. The lawsuits include claims by Pope-and-Talbot forestry company (pending - re lumber), Ethyl Corporation (settled in favor of the oil company), Sunfresh (pending - re water exports), S.D. Meyers (pending - re waste management and PCB ban).

The Council of Canadians charges that NAFTA e rodes Canadian sovereignty. NAFTA allows corporations to bypass the U.S. government and sue the Canadian or Mexican government directly. Gordon Laxer, a political economy professor at the University of Alberta, characterizes NAFTA and other modern trade deals as "corporate rights" agreements.

Meanwhile, the Canadian government objects to a proposed North Dakota law that would restrict entry of Canadian products into North Dakota. Canadian Agriculture Minister Lyle Vanclief said that the proposed law "would prohibit a wide range of Canadian agricultural products from entering North Dakota without the necessary scientific justification required by NAFTA and by domestic U.S. regulations."

And a group of Minnesota resorts and tourism businesses on March 17 filed a petition with the Office of the U.S. Trade Representative asking for dispute settlement proceedings under NAFTA regarding Ontario rules for anglers and for fishing guides. Beginning in 1994, Ontario required that nonresidents who wanted to keep fish caught on the Canadian side of a border lake spend the night in Canada or spend money on the Ontario tourism industry.

"Marchi Calls for Review of Trade Remedies, Unveils Canada Priorities," INSIDE US TRADE, April 9, 1999; "NAFTA Officials Consider Changes to Tariff Acceleration Process," INSIDE US TRADE, April 9, 1999; "U.S. Holds Off Move to Retaliate in Split-Run Dispute With Canada," AMERICASTRADE, March 25, 1999; "Canada Wrestles With Ways to Change NAFTA Investor-State Clause," AMERICASTRADE, March 11, 1999; "Newest Investor-State Case in Canada Targets Softwood Lumber Accord," AMERICASTRADE, February 25, 1999; "North Dakota House Moves to Restrict Ag Imports From Canada," AMERICASTRADE, February 25, 1999; "Canada Will Fight Nontariff Trade Legislation," AGWEEK, March 1, 1999; Barry Wilson and Sylvia MacBean, "U.S. Reminded to Discipline States Over Border Action," WESTERN PRODUCER, February 25, 1999; Mark Bourrie, "Canadian Business Complains About NAFTA," INTERPRESS SERVICE, March 22, 1999; "Minnesota Resorts Petition U.S. Trade Representative to Take Action in Border Dispute With Canada," BUSINESS WIRE, March 17, 1999; "Canada Wants NAFTA Talks on Proposed N. Dakota Law," REUTERS, April 1, 1999; Ian Elliott, "Unsettled Times Continue on U.S.-Canada Border," FEEDSTUFFS, March 29, 1999; Courtney Tower, "Canada May Fight WTO Ruling," JOURNAL OF COMMERCE, March 19, 1999; "Final WTO Panel Gives U.S., New Zealand Solid Win on Canada Dairy," INSIDE US TRADE, March 26, 1999; "U.S.-Canada Lumber Fight Heats Up Again Over New Customs Effort," INSIDE US TRADE, March 26, 1999.

NAFTA & Inter-American Trade Monitor is produced by the Institute for Agriculture and Trade Policy, Mark Ritchie, President. Edited by Mary C. Turck. Electronic mail versions are available free of charge for subscribers. For information about fax subscriptions contact: IATP, 2105 1st Ave. S., Minneapolis, MN 55404. Phone: 612-870-0453; fax: 612-870-4846; e-mail: iatp@iatp.org. The Spanish version of this news bulletin, El Monitor de NAFTA y Comercio Interamericano, and a searchable archive of all back issues is available at: http://www.newsbulletin.org To subscribe/unsubscribe to the email version of this news bulletin, send email to: listserv@iatp.org. Leave the subject blank. In the body of the message type: subscribe nafta_monitor

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Vol. 6, Number 5 May 7, 1999

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TERMINATOR IN TROUBLE

Two major corn-processing companies announced in April that they will no longer accept genetically-altered corn varieties that have not been approved by the European Union. Illinois-based A.E. Staley Manufacturing Co. and Archer Daniels Midland (ADM) will not accept the Roundup Ready corn patented and marketed by Monsanto, or other Bt corn varieties not accepted by the EU. The EU imports up to 2.5 million metric tons of corn yearly. Staley said that it would not test corn, but would rely on grower self-reporting and compliance.

According to Doug Wilson, president of the Illinois Corn Growers Association, "The timing of the announcement couldn't come at a worse time. Most producers have their seed in their shed and it's hard to make adjustments. We're in prime planting time." U.S. corn growers plant about 30 million acres of genetically modified corn, and about 20 percent of that corn is not acceptable to the EU. Some 70-80 percent of U.S.-grown corn is consumed domestically.

Minneapolis-based Cargill said that it "will accept all genetically modified crops on contract that have been approved for commercial sale in the United States and will work with producers to find appropriate non-EU markets for varieties that do not yet have EU approval." Cargill said producers bringing non-EU approved grain to elevators must identify it at time of delivery.

More than two dozen patent claims have been filed for "Traitor" plant technology, according to the Rural Advancement Foundation International (RAFI), a Canada- based NGO. ("Traitor" is RAFI's characterization of the technologies.) The Traitor technologies consist of negative traits bred into a seed. They are a further development from the Terminator genes, which prevent farmers from saving seeds to replant the following season. The new Traitor patent claims connect the Terminator gene sequence to enhanced herbicide or fertilizer applications. RAFI warns that Traitor technology could control nearly 80 percent of the world's seed market by 2010, increasing farmers' dependence on a handful of companies for seeds, fertilizers, herbicides and pesticides.

RAFI called on governments to invoke the public order exception available under Article 27.2 of the World Trade Organization TRIPS agreement to reject patent claims for Terminator and Traitor technologies. Seed companies have applied for patents to control a variety of traits, including germination, flowering, herbicide resistance, insect resistance, nutritional qualities and flavor qualities.

Robin K. Taylor, "US Corn Growers Hit by Processor Bans on Gene-Altered Types," DOW JONES NEWS, April 14, 1999; "Cargill Joins List Avoiding Non-EU Approved Corn," REUTERS, April 16, 1999; Chakravarthi Raghavan, "From Terminator to Traitor," SOUTH-NORTH DEVELOPMENT MONITOR, April 29, 1999; Jean Caspers- Simmet, "Farmers Must Prepare Now for Harvest of GMO Hybrids," AGRINEWS, May 6, 1999; Jean Caspers-Simmet, "On-farm Storage is Good Option for GMO Hybrids," AGRINEWS, May 6, 1999; Paul Brinkmann, DECATUR HERALD AND REVIEW, April 13, 1999.

WIND, BEES AND LAWSUITS

Monsanto is suing Canadian farmer Percy Schmeiser for allegedly planting Roundup Ready canola in 1997 without a contract with Monsanto. The company says it received a tip that Schmeiser illegally bought the seed from other growers and then kept some of the seed for the 1998 crop year. Inspectors tested samples from Schmeiser's field and found Roundup Ready canola. Schmeiser maintains that the Roundup Ready canola pollen drifted into his field by wind or from trucks carrying grain to a local elevator.

Meanwhile, Grant Jackson, an Alberta farmer, is organizing meetings to protest Monsanto's mandatory contracts. According to Jackson, "Farmers just don't like the invasive nature of it, that it ties them up for three years and allows Monsanto to come on to their farm at any time."

Two British scientists, Jeremy Sweet and Euan Simpson of the National Institute of Agricultural Botany in Cambridge, reported that their research on transgenic oilseed rape indicates that even at sites 400 meters away from transgenic plots, as many as 7 per cent of the seeds were herbicide resistant.

Another study conducted at the Scottish Crop Research Institute in Dundee found that bees may carry pollen four kilometers from test sites.

A Wisconsin-based organic company is struggling to regain lost business after genetically modified corn was found in its organic corn chips. Terra Prima's president, Chuck Walker, called the episode a nightmare and estimated that it lost a quarter of a million dollars because of the incident. The GMO corn was traced to a Texas organic farmer whose field was apparently contaminated with pollen from another field.

Penny Yeager, "Contract Terms Pit Farmers Against Monsanto," WESTERN PRODUCER, April 15, 1999; Penny Yeager, "Monsanto Contracts Ask Too Much, Farmer Says," WESTERN PRODUCER, April 15, 1999; Andy Coghlan, "Gone With the Wind," NEW SCIENTIST, April 17, 1999; Nick Nutall, "Bees Spread Genes from GM Crops," THE BRITISH TIMES, April 15, 1999; Christine Blank, "GMO Discovery Sideswipes Organic Firm," WESTERN PRODUCER, April 29, 1999.

FEAR FOREIGN INVESTORS

As delegates from 35 countries met in Miami in April for a third round of talks on the Free Trade Area of the Americas and for discussion of a proposed multilateral agreement on investment, non-governmental organizations warned of possible dangers associated with the proposed Free Trade Area of the Americas (FTAA). According to the NGOs, integration could give foreign investors legal weapons to affect national governments, economies, security, health and the environment. They pointed to lawsuits filed against Canada's strict environmental legislation by private companies.

Meanwhile, in Brazil, the governor of the state of Rio Grande do Sul is demanding an end to tax breaks and millions of dollars in government loans granted to Ford Motor Company and General Motors. The two companies plan assembly plants in Rio Grande do Sul to produce vehicles for Mercosur (Brazil, Argentina, Uruguay and Paraguay.)

The tax breaks and loans in question were granted by Governor Dutra's predecessor. Governor Dutra maintains that the tax incentives and credits for GM and Ford divert funds desperately needed for the salaries of public employees and health, education and essential infrastructure works. After Dutra ordered a freeze on disbursement of the hundreds of millions of dollars of loans, Ford and GM threatened to pull out and locate elsewhere. The companies can do so without losing money, since they have not put any of their own money into the new plants yet.

Business facilitation measures, including proposals for streamlining customs procedures, were the main topic of discussion at the Miami meeting on the Free Trade Area of the Americas. The next FTAA meeting will be held in November. Negotiators delayed a previously-scheduled May 12 meeting of the committee on civil society.

Lyng-hou Ramirez, "NGO Concern at Power of Foreign Investors," INTERPRESS SERVICE, April 22, 1999; Carlos Castilho, "Workers Party Governor Locks Horns with GM, Ford," INTERPRESS SERVICE, April 5, 1999; Kevin G. Hall, "Key Hemisphere Trade Meetings Take Place Today," JOURNAL OF COMMERCE, April 26, 1999; Kevin G. Hall, "Negotiators Find Ways to Accelerate Customs Flow," JOURNAL OF COMMERCE, April 29, 1999; "FTAA Vice-Ministers Face Fight for Consensus on Business Measures," AMERICASTRADE, April 22, 1999; "FTAA Officials May Postpone Civil Society Committee Meeting," AMERICASTRADE, April 22, 1999.

MEXICO-EU ON AGAIN, OFF AGAIN

Though Mexico and the European Union have been negotiating toward the goal of a free trade agreement in 1999, substantial differences remained after the fourth round of talks in Mexico City in April. The EU wants a quicker lifting of duties than Mexico has offered, and is also demanding preferences analogous to those provided in NAFTA.

Mexico and the EU have an annual trade of about $14 billion. The combined gross domestic product (GDP) of the EU exceeds eight trillion dollars, compared to Mexico's $414 billion.

The Mexican Network of Action Against Free Trade demands that labor, human rights and environmental protection be covered in the negotiations. Mexican Trade Secretary Herminio Blanco said the talks cover exclusively commercial concerns and so will not cover these questions.

Diego Cevallos, "Mexico-EU Agreement Unlikely This Year," INTERPRESS SERVICE, April 16, 1999; "Negotiations Between Mexico and EU Hang by a Thin Thread," REFORMA/ INFOLATINA, April 14, 1999.

WORKERS PROTEST TEXTILE JOB MOVEMENT

About 40 workers from the Union of Needle Trade Industrial and Textile (UNITE) confronted U.S. Commerce Secretary Bill Daley as he began a series of bus trips promoting international trade. The UNITE workers confronted Daley in Fall River, an aging mill town near Boston which suffers from a 7.8 percent unemployment rate. Workers told Daley they blamed NAFTA for shipping manufacturing jobs to Mexico. The workers were kept outside the meeting room, while Daley spoke with assembled business owners.

As maquiladora employment in Mexico passed the one million mark, two North Carolina corporations announced plans to develop a new textile and apparel industrial park in Mexico. Guilford Mills and Cone Mills Corporation said their development will be the first in which textile plants, garment manufacturing, and laundering facilities are located near one another. The new park will be located in Altamira in Tamaulipas, near Tampico.

According to John Bakane, president and CEO of Cone Mills, "We know how to make denim and how to operate world-class facilities in Mexico. With the benefits of NAFTA, cut-and-sew operations of our customers are continuing to move back to this hemisphere. This concept allows us to more closely integrate with garment manufacturing without competing with our customers."

At hearings on NAFTA before the Senate Foreign Relations Committee, North Carolina Senator Jesse Helms charged that NAFTA had cost the United States more than 200,000 jobs, including more than 20,000 in North Carolina's textile industry. Burlington Industries recently announced its decision to close nine plants in the Carolinas, including a large denim weaving factory that will be replaced by a similar facility in Mexico. Richard Fisher, deputy U.S. trade representative, responded that total exports have risen by two-thirds, or $93 billion, since 1993, he said, with North Carolina enjoying a 95.8 percent increase.

"Guilford Mills and Cone Mills Join to Create Mexican Industrial Park," PRNEWSWIRE, April 30, 1999; Leslie Gevirtz, "Textile Workers Needle US Official as He Touts Trade," REUTERS, May 3, 1999; James Rosen, "Two Sides to NAFTA on Display at Hearing," RALEIGH NEWS AND OBSERVER, April 14, 1999.

WTO MILLENIUM ROUND APPROACHES

In November, officials from 130 countries will meet in Seattle for the WTO's third ministerial conference, during which a negotiations agenda for the coming decade will be set. The European Union (EU), backed by Canada, Japan, the United States and other industrial nations want the meeting to set the stage for a new round of trade negotiations, the so-called Millennium round. Many developing countries in Africa and Asia have spoken out against the Millennium round, but most Latin American countries, and some Asian countries, back it.

The round could be narrowly focused on agriculture and/or services, or broadly conceived to include issues of investment, competition and government procurement.

As the WTO round negotiations approach, U.S. Secretary of Agriculture Dan Glickman is reaching out to Canadian agriculture industry leaders this week to form a U.S.-Canada consensus on global farm trade issues. The two countries remain far apart on issues such as the Canadian Wheat Board, which markets all Western Canada's export wheat and barley, about a fifth of world wheat exports. The United States maintains that the CWB effectively subsidizes wheat exports.

While denying that the CWB is a mechanism for subsidy, Canadians point to the many agricultural support programs of the United States, including $6 billion in emergency support allocated last year. Glickman says that this aid did not distort trade.

Some 350 non-governmental organizations worldwide have committed themselves to campaign against any effort to expand the powers of the WTO through the round. They are particularly worried that a wide-open round "would take the WTO and its dispute settlement mechanism further into the social and environmental dimensions of national economies," according to Roy Jones, Senior Policy Advisor at the Trade Union Advisory Committee to the OECD. The coalition says that the WTO has contributed to the concentration of wealth and power in the hands of the rich and has increased poverty for the majority of the world's population over the past five years.

Niccolo Sarno, "WTO: 'Millennium Round' Challenged by NGOs," INTERPRESS SERVICE, April 28, 1999; Courtney Tower, "US Agriculture Secretary Mending Fences in Canada," JOURNAL OF COMMERCE, April 21, 1999; "WTO Ministerial Preparations Slowed by Major Trading Partners," INSIDE US TRADE, April 23, 1999; "U.S., Canada Set Up New Consultation Group to Solve Farm Problems," INSIDE US TRADE, May 7, 1999; "Canada Starts Fleshing Out Agriculture Stand in New WTO Round," INSIDE US TRADE, April 30, 1999.

CARIBBEAN TRADE SUMMIT

On April 16, the heads of state of 25 Caribbean countries met in the Dominican Republic for the second summit of the four- year-old Association of Caribbean States (ACS). This trading bloc includes Mexico, Central America, Colombia, Venezuela, Haiti, the Spanish-speaking nations of the Caribbean, and the members of Caricom. The ACS was launched in 1995 as a step toward the Free Trade Area of the Americas.

The ACS discussed issues including sustainable tourism, transport and increased trade among the member countries.

"Caribbean Trade Bloc Holds Second Summit," WEEKLY NEWS UPDATE ON THE AMERICAS, April 18, 1999; Peter Richards, "Region Optimistic Amid Banana Dispute," INTERPRESS SERVICE, April 8, 1999.

IPR BATTLES

In April, a New York U.S. Federal Court judge ruled that Cuban nationals could not assert their trademark rights in the United States. Havana Club International, a commercial partnership between the Cuba Rum Corporation and the French consortium Pernod Ricard, revived the use of the brand name "Havana Club" in 1993. The brand name was famous in pre-revolution Cuba as part of the Bacardi company, owned by Cuban rum producers who left the country in 1960. Havana Club International maintained that Bacardi had abandoned the trademark.

The latest decision came in a Havana Club International suit against Bacardi filed in 1996, two years after Bacardi began distributing its own brand of Havana Club rum. Havana Club International sold 1 million cases of Havana Club rum in 1998, earning $27 million. Bacardi sells about 20 million cases of its rum annually, six million of them in the United States.

At the World Trade Organization TRIPS Council meeting on April 21-22, Cuba complained that the United States was violating its TRIPS obligations. Cuba was supported by the EU, the Dominican Republic, Malaysia, India, Venezuela, Honduras, Haiti, Brazil, Indonesia and Egypt.

The U.S. refusal to extend trademark protection is particularly ironic, since U.S. companies traditionally insist that developing countries do not afford sufficient respect and protection to intellectual property rights. In Venezuela, local and transnational drug companies are engaged in a battle over the anti-impotency drug "Viagra."

The Venezuelan government has granted Viagra patent rights to Pfizer, the transnational manufacturer of the drug. Venezuelan companies cite a 1995 law that declares that products remedying sexual dysfunction cannot be patented, and say they should be allowed to manufacture Viagra without regard to Pfizer's patent.

Six Venezuelan-owned laboratories have sued for the right to manufacture male anti-impotency products with the same active ingredient as Viagra, called pirazolopirimidon. Local copies would cost less than half as much as Viagra.

The Office of the U.S. Trade Representative announced on April 30 that it would launch a comprehensive review of developing countries' compliance with the WTO Agreement on Trade Related Intellectual Property Rights. The review will begin in December 1999. The agreement gives most developing countries until 2000 to implement TRIPS, and allows an extended deadline of 2005 for extension of patent protection to agricultural chemicals and pharmaceuticals.

Patricia Grogg, "Cuba-US Trademarks War Looms Over Rum Judgment," INTERPRESS SERVICE, April 25, 1999; Chakravarthi Raghavan, "US Assailed for "Piracy" of Cuban Trade-marks," SOUTH-NORTH DEVELOPMENT MONITOR, April 27, 1999; Estrella Gutierrez, "Patent Battle Over Sex Pill," INTERPRESS SERVICE, April 5, 1999; "U.S. to Review TRIPS Compliance of Developing Countries in December," INSIDE US TRADE, May 7, 1999.

PROTECTING BIODIVERSITY IN COLOMBIA

The Global Environment Facility and the French Environment Fund will grant $8.55 million to a project on conservation of biodiversity in Coloombia's Sierra Nevada de Santa Maria, a 4.94 million acre triangualr mountain wedge near the Caribbean coast that has been declared a Biosphere Reserve. The biodiversity program will be managed by the Pro-Sierra Foundation, a nongovernmental organization founded by Juan Mayr, who is now the Colombian environment minister.

In February, the Colombian government declared a state of ecological emergency in the coffee-growing zones affected by a January earthquake. The decree will exempt projects aimed at rehabilitation of transport, infrastructure, electricity, production, public services, and public works from environmental licensing regulations.

"'Ecological Emergency' Declared n Country's Central Coffee-Growing Zone," INTERNATIONAL ENVIRONMENT REPORTER, March 17, 1999; GEF. France Team Up to Finance Project to Protect Colombia's Sierra Nevada," INTERNATIONAL ENVIRONMENT REPORTER, March 17, 1999.

RESOURCES

Trade Compliance Measurement Report for FY 1998, published by the U.S. Customs Service. Among the highlights of the 1998 report: * Nationwide, compliance was 81 percent in FY 1998, as it had been in FY 1997. Customs is shooting for a compliance rate of 90 percent by FY 2004. * Compliance for commodities of Mexican origin was approximately 88 percent, seven percent higher than overall compliance of all import transactions. Mexico ranks first in trade compliance among the top 10 trading partners of the United States. Now available on-line at www.customs.treas.gov/ imp-exp2/pubform/ tcmr/1998/index.htm.

MEXICAN CORN IMPORTS

According to researchers at the Colegio de Mexico, the inclusion of corn production in NAFTA cost $2 billion in earnings, reduced public investment in agriculture, and more than tripled the cost of tortillas to the consumer. The price of a kilogram of tortillas has risen from 75 cents in 1994 to $2.20 today.

Mexican government data predict that Mexican grain imports will increase by 36 percent between 2000 and 2008. The prediction included imports of 5.6 million tons of corn in 2000-2001, some 400,000 tons more than in 1998. Mexican grain imports rose four percent annually from 1990-1998, with grain imports reaching $8.6 billion or 17 percent of the total value of all agricultural food imports in 1998.

"Including Corn in the NAFTA Created Fiscal Losses Worth Two Billion, Tripled Price of Tortillas," LA JORNADA/INFOLATINA, March 30, 1999; Pilar Franco, "Growing Dependence on Food Imports," INTERPRESS SERVICE, April 8, 1999.

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FTAA UPDATE

Meeting in mid-May, an ad hoc committee on business facilitation measures relating to customs proved unable to agree on implementation of previously-agreed customs measures for the Free Trade Area of the Americas (FTAA). The group also made several changes in measures agreed by the Trade Negotiations Committee at its April 26- 28 meeting.

Negotiators continued work on the chapter on investment for the FTAA. The five questions discussed, which will continue to be under negotiation at the August meeting, relate to hiring of key personnel regardless of nationality, transfers and repatriation of capital and profits, performance requirements including preference for local suppliers, exceptions to the general rule on performance requirements, and dispute settlement procedures.

Negotiators working on FTAA dispute settlement procedures have agreed to have at least a two-stage process, beginning with consultation and then moving to a panel. They have not agreed on the nature, authority, and makeup of the panel.

"FTAA Customs Talks Falter, Cast Doubt on Targeted Year-End Goals," AMERICASTRADE, May 20, 1999; "FTAA Investment Negotiators Debate Key Questions in Five Areas," AMERICASTRADE, May 20, 1999; "FTAA Dispute Settlement Chapter Taking Shape; Much Work Remains," AMERICASTRADE, May 20, 1999; Kevin G. Hall, "Customs Experts to Study Trade Measures," JOURNAL OF COMMERCE, April 30, 1999; "FTAA Vice Ministers Narrow Focus for this Year to 10 Customs Measures," AMERICASTRADE, May 6, 1999.

RULING: CANADIAN CATTLE OKAY

On May 3, the U.S. Commerce Department issued a preliminary determination on a complaint by the U.S. cattle industry alleging injury because of Canadian subsidies to the Canadian live cattle industry. The Commerce Department found a subsidy rate of 0.38 percent, which is classified as de minimis under U.S. law. The final ruling is expected by July 19. If the ruling remains the same, the U.S. government will not pursue the cattle industry's complaint further.

A preliminary ruling in a parallel investigation of charges of dumping Mexican cattle on the U.S. market is expected by the end of June.

Canadian Agriculture Minister Lyle Vanclief called the ruling a significant victory for Canada, and reiterated Canada's position that its cattle exports are not unfairly subsidized.

Barbara Duckworth and Barry Wilson, "Americans Lose Case for Duty on Canadian Cattle," WESTERN PRODUCER, May 13, 1999; "Commerce Vindicates Canadian Wheat Board on Cattle Subsidies," AMERICASTRADE, May 6, 1999.

LATIN AMERICA DEBATES GMOs

Latin American debates over genetically modified seeds and foods containing genetically modified organisms echoes the angry furor in Europe over the same issues. In Argentina, the National Commission of Agricultural Biotechnology last year approved AgrEvo's experiment with GMO rice.

In Brazil, the state of Rio Grande del Sur prohibited planting of GMO seeds within its boundaries.

Unilever, Nestle, and Tesco, major transnational foodsellers, are seeking sources of non-GMO foodstuffs, with the assistance of the environmental organization, Greenpeace.

"El Uso de Transgenicos," EL PAIS (Uruguay), May 2, 1999; "Nestle y Unilever Prescindiran de los Alimentos Transgenicos," EL OBSERVADOR (Uruguay), May 2, 1999; "Brasil Resiste a los Cultivos Transgenicos," GAZETA MERCANTIL LATINOAMERICANA, May 2, 1999-May 8, 1999; "La Guerra de los Cultivos Transgenicos," LA NACION (Argentina), May 2, 1999; Carlos Castilho, "Controversy Continues Over Genetic Engineering," INTERPRESS SERVICE, May 18, 1999.

GM CORN HARMS BUTTERFLIES

Researchers at Cornell University reported that some genetically modified corn varieties can kill the larvae of monarch butterflies. The Cornell report, published in the May 20 issue of the journal Nature, focused on so-called Bt-corn, which carries genes from the bacterium Bacillus thuriengiensis. Corn with these genes resists the European corn borer. Last year U.S. farmers planted more than seven million acres of Bt corn. Bt-engineered cotton and potatoes have also been approved by the U.S. Department of Agriculture.

Previous tests showed that the Bt corn had no effect on pollinators, such as honeybees or beneficial insects such as ladybugs. The effect of the Bt corn on monarchs was just tested, and is significant because pollen dispersed by the wind lands on other plants, including the milkweed eaten by monarchs.

The Cornell researchers estimate that pollen travels at least 60 meters, while Monsanto says another study shows that it travels only two to three meters. Pointing out that corn pollen is shed over only a seven to twelve day period, Monsanto said, "The benefits of Bt far outweigh the risk, if any."

"Engineered Corn Can Kill Monarch Butterflies," CORNELL UNIVERSITY NEWS SERVICE, May 19, 1999; Stephen Leahy, "Butterfly Research flags Genetically Modified Corn," WESTERN PRODUCER, June 3, 1999; Carol Kaesuk Yoon, "Altered Corn May Imperil Butterfly, Researchers Say," NEW YORK TIMES, May 20, 1999

PROTECTING, MANAGING BIODIVERSITY

According to an ongoing study, a variety of obstacles blocks agreements on access to genetic resources. The study is being conducted by the Center for Environmental Research and Conservation at the Columbia University School of International and Public Affairs at the request of the Washington- based Biodiversity Action Network. Preliminary findings were released on April 27, though the study. "Access to Genetic Resources: An Evaluation of Recent Regulation and Access Agreements," will not be completed until later in the year.

Among the seven cases studied were the INBio-Merck & Company agreement in Costa Rica, the National Cancer Institute- Universidade Paulista agreement and proposed legislation in Brazil, and the BioAndes bid to bioprospect in Colombia under Decision 391 of the Andean Pact. Decision 391 of the

Andean Pact (Bolivia, Colombia, Ecuador and Venezuela) regulates access to genetic resources, but it has been unevenly applied by the countries of the region.

Researchers found lack of clarity about ownership of genetic resources and lack of any mechanism to evaluate whether agreements comply with the 1992 U.N. Framework Convention on Biological Diversity. They recommended that agreements include all parties that may be relevant stakeholders in genetic resources. For further information on the study, contact the Biodiversity Action Network at bionet@igc.org.

The Amazonian Basin houses the richest diversity of life in the world, and both corporations and universities are keenly interested in research there. Bioprospecting, the search for economically useful biological entities, is frequently the project of industrial groups, though scientists working within universities may also be involved. Advocates, including Roberto Cavalcanti, president of the Brazilian branch of Conservation International, says properly-conducted bioprospecting can increase scientific knowledge and preserve and document indigenous knowledge, while encouraging conservation of biodiversity.

Countries of the Amazon Basin region cannot afford to finance bioprospecting, so they have sought partnerships with U.S. pharmaceutical companies. Local scientists and government officials, as well as indigenous people, remain suspicious of such partnerships, pointing out that information collected is not freely shared.

In Mexico, the National Commission for the Knowledge and Use of Biodiversity (CONABIO) has developed a Country Study and National Biodiversity Strategy pursuant to the Convention on Biological Diversity. CONABIO works with government and private sector groups, both nationally and internationally. Its National Biodiversity Information System is offered commercially through CONABIO's web page, http://www.conabio.gov.mx.

"Pacts for Access to Genetic Resources Raise Difficult Questions, Report Finds," INTERNATIONAL ENVIRONMENTAL REPORTER, May 12, 1999; Andrea Kauffman-Zeh, "Resources Lacking to Save Amazon Biodiversity," NATURE, April 1, 1999; CONABIO: A Mexican Strategy for biodiversity Conservation," NATURE, April 1, 1999.

TRUCKING UNDER NAFTA

As NAFTA trade ministers approved 15 panelists for the roster hearing state-to-state dispute settlements, sources indicated that the cross-border truck and bus dispute between the United States and Mexico could soon come before a panel. The United States refused to comply with NAFTA provisions mandating the beginning of limited cross-border trucking in December 1995. The provision was to apply only to border states, with full national access to begin in 2000.

The United States bases objections to the entry of Mexican truckers on safety concerns. Half of Mexican trucks entering the United States fail spot safety inspections, and lack of inspectors will preclude detailed checks of increased truck traffic. Now that so much time has elapsed, any solution to the December 1995 dispute will most likely also encompass the January 1, 2000 border opening.

The United States and Canada have had reciprocal trucking agreements in force for more than a decade. About 6 million Canadian trucks enter the United States each year.

U.S. House Representatives Merrill Cook (R- UT) and Collin Peterson (D-MN) recently introduced legislation in the U.S. Congress to allow truck weights to increase from 80,000 to 97,000. The amount of freight shipped by truck, by weight, within the United States has increased 45 percent since 1990.

"More Access for Mexican Truckers," CHICAGO SUN-TIMES, April 26, 1999; Rip Watson, "House Bill Proposes Putting Heftier Trucks on Nation's Highways," JOURNAL OF COMMERCE, May 7, 1999; Ron Edwards, "Keep on Truckin' south of the Border," WORLD TRADE, May 1999; "Roster Named for NAFTA State Disputes; Paves Way for Trucking Case," INSIDE US TRADE, May 21, 1999.

CUBA TRADE CHANGES AHEAD?

On May 13, the U.S. Department of Commerce released new regulations allowing export of U.S. food and "certain agricultural commodities" to "independent non- government entities" in Cuba. The Commerce Department will also ease restrictions on business and academic travel to Cyba. While they do not lift the trade embargo, the new regulations allow U.S. agribusiness to make direct sales to Cuba for the first time since 1963.

The "private entity" requirement may pose problems, since the Cuba government dominates the nation's economy, leading to criticism of the provision by some U.S. producers' associations.

Other pending legislation would lift the embargo for direct sales of medicine and agricultural goods to Cuba. The U.S. agricultural sector generally supports the legislation. Currently, Cuba purchases large amounts of rice, wheat and soybeans from sources more distant than the United States, incurring delays in delivery and high freight charges.

Charles House, "Chorus Builds for Agricultural Trade With Cuba," FEEDSTUFFS, May 10, 1999; Kevin G. Hall, "New Cuban Trade Rules Offer Some Breathing Room," JOURNAL OF COMMERCE, May 14, 1999; Charles House, "U.S. Opens Door for Cuban Trade," FEEDSTUFFS, May 24, 1999.

BRAZIL ALLOWS GM SOY

Brazil's Agriculture Ministry decided in mid- May to allow Monsanto Company to grow and market genetically modified soybeans in Brazil. Monsanto produces "Roundup Ready" soybeans, which are genetically modified to resist Monsanto's "Roundup" herbicide.

Brazilian agriculture has benefited from the European rejection of GMO foods, as major European supermarket chains turned to Brazil for non-GMO foods. Brazil is a leading producer of soybeans, wheat and corn.

Monsanto still faces challenges from environmental groups and other governmental agencies. Greenpeace and other environmental groups argue that GMO soybeans will quickly find their way into 60 percent of foods on the supermarket shelf, including ice cream and chocolate.

The Brazilian state of Rio Grande do Sul may not follow suit. Rio Grande do Sul's agriculture secretary, Jose Hermetto Hoffamann, called Brazil "the hemisphere's last great unspoiled agriculture producer," but warned that "time is running out," as multinational corporations pressure for acceptance of GMO seeds. Farmers in Rio Grande do Sul have smuggled GMO seeds across the border from Argentina. Monsanto's Roundup Ready soy was planted in half Argentina's soybean fields last year.

"Brazil Allows Monsanto to Grow Genetically Modified Corn," ASSOCIATED PRESS, May 19, 1999; Phil Stewart, "Brazil Farms Become Biotech Battlegrounds," REUTERS, June 1, 1999;

NEWS IN BRIEF

-- The House Ways and Means trade subcommittee approved the Phil Crane (R-IL) proposal to extend for five years duty- and quota-free access for apparel cut and made in the CBI from U.S. fabric woven of U.S. yarn and to apparel made from fabric knit in the region from U.S. yarn.

"House Trade Panel Approves Long-Standing CBI Bill Without Changes," AMERICASTRADE, May 20, 1999.

-- The U.S. Trade Representative dropped a section 301 case against Mexico which challenged restrictions on the sale of high fructose corn syrup produced in the United States. The Corn Refiners Association endorsed the action, citing "constructive" talks over bilateral sweetener trade.

"USTR Ends Section 301 Case Against Mexico on HCFS Restraints," AMERICASTRADE, May 20, 1999.

-- In May, the United States and Canada resolved a longstanding dispute over magazine imports in a complicated deal that will allow foreign publishers to sell up to 18 percent of their ad space in a given magazine to Canadian businesses, regardless of magazine content. To acquire unlimited Canadian advertising rights, foreign publishers may seek investments that would make them Canadian publishers, but this would require specific local content in the publications.

"U.S., Canada Settle Magazine Dispute But Leave Key Issue Unresolved," INSIDE US TRADE, May 28, 1999; Mark Bourrie, "Canada Backs Down on Protection Law After U.S. Threats," INTERPRESS SERVICE, May 31, 1999.

RESOURCES

GLOBAL CHILD SURVIVAL: A HUMAN RIGHTS PRIORITY, Minnesota Advocates for Human Rights, 1999. 164 pp. Based a case study of child mortality in Mexico, this report analyzes conditions detrimental to children and recommends steps to be taken to promote child health and survival. To order, contact Minnesota Advocates for Human Rights, 310 Fourth Avenue South, Suite 1000, Minneapolis, MN 55415-1012 USA. Telephone 612/341-3302; fax 612/341-2971; email mnadvocates@igc.apc.org.

U.S., CANADA PUSH FOR BIOTECH RULES

As both countries face increasing barriers to biotechnology products in European markets, the United States and Canada plan to cooperate in pushing for rules for approval of and trade in biotechnology products in the World Trade Organization's upcoming negotiations. The European Union process for approval of biotech products typically takes two years, compared to six months for Japan, Canada, and the United States.

"What you have," said James Murphy, assistant U.S. Trade Representative for agricultural affairs, "is a non-transparent, non- science based, highly politicized approval process." The two countries may push for a stand-alone agreement on biotech or may try to bring it under the Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures or the Agreement on Technical Barriers to Trade.

The Advisory Committee on Trade Policy and Negotiations (ACTPN), a U.S. private sector advisory committee to the USTR, includes Proctor and Gamble and Monsanto Co. and the Consumers Union of the United States. The ACTPN is discussing whether to oppose reopening the SPS agreement. Members fear that the EU might use the opportunity to incorporate a precautionary principle that would allow countries to restrict trade when scientific information is uncertain or unavailable.

In a related development, U.S. Agriculture Secretary Dan Glickman and the EU Agriculture Commissioner agreed to have experts from both sides meet to discuss an EU report that said there are risks associated with human consumption of some hormones used to raise beef. Despite the agreement, the United States plans to continue to seek World Trade Organization sanctions against the EU ban on beef raised with growth hormones. The EU released its most recent study on May 11, just two days before it was required to comply with a WTO ruling that found its ban to be scientifically unjustified. Canada has also requested WTO permission to retaliate against the EU in the dispute over hormone-treated beef.

A Health Canada scientist who had doubts about the safety of the beef growth hormone said in early May that her doubts were overruled by a bureaucratic superior, despite the fact that three scientific colleagues concurred with her conclusions. The drug, Revalor-H, is not in use in Canada. It contains the active ingredient "17 beta oestradiol" that is also found in the drug studied by the EU panel.

"ACTPN Set to Address U.S. Biotech Position in WTO Negotiations," INSIDE US TRADE, June 4, 1999; "U.S., Canada to Press for Rules on Biotech in New WTO Round," AMERICASTRADE, May 20, 1999; "U.S., EU to Discuss EU Hormone Study; U.S. Will Still Retaliate in WTO," INSIDE US TRADE, May 28, 1999; "Canada Requests WTO Retaliation Against EU in WTO Hormone Dispute," INSIDE US TRADE, May 28, 1999; Barry Wilson, "Hormone Doubts Overruled: Scientist," WESTERN PRODUCER, May 6, 1999; Ed White, "European Gene Food Suspicions Deeply Rooted," WESTERN PRODUCER, May 6, 1999; Tim Todd, "Scientific Review Sought for Genetically Altered Foods," JOURNAL OF COMERCE, May 27, 1999; Danielle Knight, "Costs and Benefits of Biotechnology," INTERPRESS SERVICE, May 20, 1999.

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BIOTECH AND GENETIC DIVERSITY

In June, a Brazilian federal judge nullified the May decision of the Agriculture Ministry that would have allowed the planting of Monsanto's genetically engineered soybeans. The ruling, which came from the 6th Federal court of Brazil, came in a case brought by Greenpeace and a consumers rights non-governmental organization. The judge ordered that no Roundup Ready transgenic soybeans can be planted until a full environmental impact assessment is completed. Previously-granted permissions to plant genetically engineered crops have been suspended, and the Ministers of Agriculture, Science and Technology, Environment and Health have been asked not to grant any new permissions to plant such crops.

As Latin American experts met in early June to consider biotechnology issues, some warned about potential impacts of genetically engineered crops on genetic diversity. Jose Sanchez Parga, a member of the Ecuadorean Bioethics Committee, insisted that, "The development of knowledge on biotechnology must be harmonized, while safeguarding genetic diversity and wealth." His warning came at a meeting in Ecuador of biosafety experts from a number of Latin American countries and from the United Nations Educational, Scientific and Cultural Organization. Experts agreed that many of those making decisions on genetically modified organisms lack the expertise necessary to understand the implications of their decisions.

Cuban biosafety expert Orfelina Rodriguez warned of unpredictable consequences from the escape of genetically modified organizations, saying that after such an escape, "the environment will never be the same again."

"Brazil Court Holds Up RR Soya Planting," SOUTH-NORTH DEVELOPMENT MONITOR, June 23, 1999; Kintto Lucas, "Andean Meet Sounds Alert on Transgenics," INTERPRESS SERVICE, June 11, 1999.

MULTINATIONALS VS. STATE SOVEREIGNTY

With at least seven pending NAFTA-based lawsuits claiming a total of more than $1.5 billion in damages due to environmental regulations, activists and Canadian government officials are calling for a review of NAFTA's Chapter 11 provisions. Chapter 11 allows companies to sue the U.S., Canadian, and Mexican governments if export opportunities are impeded by non-commerce-related laws. Companies have used this provision, with considerable success, to challenge national and state environmental laws.

The most recent lawsuit was filed June 15 by Canadian-based Methanex Corporation. The suit claims that California's decision to phase out the use of the gasoline additive methyl tertiary butyl ether (MTBE) has cost the company $970 million in anticipated profits. The California order on MTBE came after studies discovered dangerous levels of MTBE in drinking water. Maine is considering a similar prohibition on MTBE.

Lori Wallach of the non-governmental organization, Public Citizen, called the lawsuit "just another case of transnational corporations trying to bully democracies into weakening their environmental safeguards." She said Methanex is "using NAFTA to override the Governor, State Senate, and people of California."

Last year, a similar lawsuit by U.S.-based Ethyl Corporation challenged a Canadian ban on a gasoline additive known as MMT. Canada withdrew the ban and paid the company $13 billion in damages. U.S.-based Metalclad Corporation is suing the Mexican government for $65 million because of local government zoning and licensing decisions that prevented Metalclad from opening a hazardous waste landfill.

David Runnalls, president of the Canadian-based Institute for Sustainable Development, asked: "How can you do your job as a regulator if every law you write or enforce may land you with another multi-million dollar lawsuit?"

In another trade-related case, a three-judge federal appeals court in Massachusetts struck down a Massachusetts law that imposed a penalty on bids for state contracts by companies doing business in Burma. The ruling could affect dozens of similar state and municipal selective purchasing laws, which have been used as a tool by local human rights activists for more than 20 years.

The European Union intervened in the Massachusetts case, submitting a "friend of the court" brief that argued that the law violated the World Trade Organization's prohibition on governments using non-economic criteria in awarding contracts. The U.S. government declined to file a brief, in large part because of internal differences of opinion. The challenge to the law was filed by the National Foreign Trade Council, a business coalition including U.S. and foreign firms. The NFTC argued successfully that local jurisdictions cannot set their own policy in foreign affairs and international trade matters, but must be bound by federal laws and trade treaties.

Danielle Knight, "Lawsuits Spark Calls for Changes in NAFTA," INTERPRESS SERVICE, June 23, 1999; Jim Lobe, "Multinationals Win US Court Victory Over Activists," INTERPRESS SERVICE, June 24, 1999; Allen Dowd, "Methanex to Seek Damages for MTBE Ban," REUTERS, June 16, 1999, "$1 Billion NAFTA Lawsuit Threatens California Environmental Safeguard," CITIZENS TRADE CAMPAIGN, June 16, 1999; "Latest NAFTA Lawsuit Proves Threat of Chapter 11 to Health and Environmental Laws, Again," COUNCIL OF CANADIANS, June 16, 1999; Steven Chase and Heather Scoffield, "Methanex to Sue U.S. Under Free-Trade Deal," THE GLOBE AND MAIL, June 16, 1999; "Methanex Seeks Damages Under NAFTA for California MTBE Ban," METHANEX CORPORATION NEWS RELEASE, June 15, 1999; "Canadian Firm Seeks $970 Million From U.S. Under Investor Provisions," INSIDE US TRADE, June 18, 1999; "Canada May Bypass Mexico in Effort to Fix NAFTA Investor Clause," INSIDE US TRADE, June 18, 1999.

IPR AND PIRACY

The U.S. Trade Representative in June criticized Argentina, Bolivia, Brazil, Chile, Colombia, Paraguay, Uruguay, and Venezuela for failure to adequately protect intellectual property rights. The USTR report said Bolivia has not acted quickly enough to combat piracy of trademarks and needs to revise its laws in conformity with international standards. According to the Bolivian Vice Minister of Exports, 7 of every 10 pairs of jeans sold in the country have counterfeit labels. The Bolivian Association of Phonographic Industries estimates that 70 percent of cassettes and compact discs sold and 90 percent of software programs used by businesses are illegal copies.

Argentina was criticized for insufficient patent protection for foreign pharmaceutical manufacturers and Brazil allegedly lacks sufficient legal protection for software programs. The United States is also disturbed by legislation pending in the Argentine Congress would extend Argentina's transition to compliance with World Trade Organization patent standards for five years.

In Panama, authorities cracked down on computer software pirates in early June, stepping up raids and seizing equipment and unlicensed software.

In Mexico, a stricter law protecting intellectual property took effect in May, but U.S., producers are skeptical about its efficacy, given a poor Mexican record of prosecution of intellectual property rights violations.

Alejandro Campos, "Latin Americans in Firing Line over IPRs," INTERPRESS SERVICE, June 22, 1999; Silvio Hernandez, "Panama Cracks Down on Computer Pirates," INTERPRESS SERVICE, June 8, 1999; "Mexico Enacts Stricter IPR Law, But U.S. Industry Fears Scant Compliance," AMERICASTRADE, June 3, 1999; "U.S. Attacks Argentine Proposal to Delay WTO Patent Compliance," AMERICASTRADE, June 3, 1999; "U.S. Voices Concern Over 'Deteriorating' Argentine IPR Agency," AMERICASTRADE, June 3, 1999;

U.S. VS. JAMAICA

The United States has threatened to take Jamaica before the World Trade Organization over new Jamaican guidelines for meat and poultry imports. The Jamaican government issued the guidelines earlier this year in response to pleas from local farmers. The farmers say that agricultural imports are heavily subsidized and sell below local production costs.

The government suspended issuance of new import permits for meat in May, pending a review of the system. It also announced tougher regulations for imported fruits and vegetables. New regulations for food imports call for registration of meat importers and import shipments, food handlers permits for importers and their workers, and checks for pesticide residues and heavy metals and biotoxins.

Vivienne Siva, "Stemming the Flow of Imported Goods," INTERPRESS SERVICE, July 1, 1999.

EU-LATIN AMERICAN SUMMIT

The European Union, eager to reach a free trade agreement with the Latin America-Caribbean region before the United States does so, participated in a summit meeting in Rio de Janeiro on June 28-29. Representatives of 48 countries from the European Union, Latin America, and the Caribbean attended the summit, discussing trade, human rights, justice, mutual assistance, poverty, weapons and the environment. The European Union is the largest provider of aid to Latin America, furnishing 55 percent of total aid in 1997, the last year for which figures are available.

Brazilian President Fernando Henrique Cardoso opened the summit with a call for the transformation of "asymmetric globalization." Cardoso said that globalization should not bring "more money for the rich and the deprivation of the poor."

Shaid Javed Burki, the World Bank vice-president for Latin America and the Caribbean, said in Chile on June 21 that globalization has concentrated economic power in the hands of a few large multinational corporations. The World Bank warned that globalization has reached a point where some "developing countries" are no longer developing: they are now "perpetually weak economies."

According to a U.N. economic survey of Latin America and the Caribbean, released June 11, a combination of severe economic crisis and natural disasters hammered regional economies in 1997-1998. "Tumbling export prices," said the report, "translated into the first drop in the value of the countries' exports to be recorded so far this decade." Economic growth fell from 5.5 percent in 1997 to 2.2 percent in 1998. The Bear, Stearns economic forecast released in June projected a shrinking gross domestic product for the region this year, but anticipated a rebound to 3.5 percent growth in 2000.

Though the EU-Latin America summit was officially "not a trade negotiation," delegates from the EU, the four Mercosur nations (Argentina, Brazil, Paraguay, Uruguay), and Chile signed an agreement that provides for "the bilateral, progressive and reciprocal liberalization of trade, with no sector excluded." European firms hold 43 percent of all foreign investment in Mercosur, with only U.S. corporations holding more investments. Mercosur accounts for 80 percent of South America's gross domestic product. Negotiations will begin in November, and agricultural trade will figure prominently.

Despite objections from France, the European Commission agreed in mid- June to place the EU's Common Agricultural Policy on the negotiating table. The French are particularly concerned that trade agreements with Latin America could endanger the European agricultural sector. French President Jacques Chirac points out that France has an agricultural trade deficit of some $1.4 billion with Argentina and Brazil.

Latin Americans generally place a high priority on inclusion of agricultural issues in the talks, since agricultural exports are a large part of Latin American economies. Agriculture accounts for about two percent of the EU's economic production, while in Brazil, agriculture produces 12 percent of the country's GDP and employs 23 million people directly on the land. Europe has been protective of its farmers, using both tariff protections and export subsidies to maintain its agricultural sector. The EU farm budget makes up nearly half of the entire EU budget.

Exports from the EU to Latin America and the Caribbean more than doubled from 1991 to 1996, while exports from Latin America and the Caribbean to the EU increased by only 13.4 percent, according to the Venezuela-based Latin American Economic System (SELA.) A report by the Institute for European-Latin American Relations (IRELA), a Madrid-based think tank, pointed out, however, that the EU trade with Latin America still constitutes only a small portion of total EU trade and that the value of EU-Latin America trade is less than the value of EU-Switzerland trade.

Among other agreements reached were declarations condemning unilateral and extraterritorial trade embargoes as "contrary to international law and the rules of free trade," and affirming respect for national sovereignty and non-intervention. The declaration did not specifically name the United States or the Helms-Burton Act penalizing trade with Cuba, though these were clearly among its primary targets.

Mario Osava, "Cardoso Calls for a More Just World Order," INTERPRESS SERVICE, June 28, 1999; Gustavo Gonzalez, "Globalization Weakens Poor Countries Further," INTERPRESS SERVICE, June 21, 1999; Clifford Krauss, "New Data Indicate Longer Recession in Latin America," NEW YORK TIMES, July 1, 1999; Thalif Deen, "Latin American Economies Hammered in 1998," INTERPRESS SERVICE, June 11, 1999; "European and Latin American Representatives Meet to Form Common Front," CENTR-AM NEWS, June 27-July 3, 1999; Mario Osava, "Europe Hesitant to Back Non-Intervention," INTERPRESS SERVICE, June 28, 1999; "Europeans and Latin America Hold Trade Summit," WEEKLY NEWS UPDATE ON THE AMERICAS," June 27, 1999; Niccolo Sarno, "Summit Said to Launch Strategic Partnership," INTERPRESS SERVICE, June 24, 1999; Niccolo Sarno, "EU Protectionism Endangers Rio Summit," INTERPRESS SERVICE, June 13, 1999; Mara Lemos, "Mercosur Greets Agriculture on Summit Agenda as Win," DOW JONES, June 29, 1999; "French Veto on Mercosur-EU Talks Worries Brazil," XINHUA, June 5, 1999; Mario Osava, "Negotiations Redefine North-South Relations," INTERPRESS SERVICE, June 30, 1999; "Some Agreements at European-American Summit," WEEKLY NEWS UPDATE ON THE AMERICAS, July 4, 1999; Richard Lapper and Michael Smith, "Europe's Farmers Stand in Way of Mercosur Deal," FINANCIAL TIMES, June 28, 1999. Geoff Dyer, "Mercosur and EU Agree Talks on Liberalization," FINANCIAL TIMES, June 29, 1999; "Reviving the European Connection," THE ECONOMIST, June 26,1999; Thierry Ogier, "New Tensions Emerge Ahead of Summit," JOURNAL OF COMMERCE, June 22, 1999; "Final Declaration from Rio Meeting," CIVIL SOCIETY FORUM FOR EUROPEAN, LATIN AMERICAN AND CARIBBEAN DIALOGUE, June 29, 1999.

LOOKING TOWARD SEATTLE

The World Trade Organization's Third Ministerial meeting will be held in Seattle November 29-December 4. Keith Rockwell, director of information for the WTO, said that the lack of a WTO director-general may hamper preparations for the ministerial meeting. WTO countries have been unable to agree on selection of a director-general.

Agricultural ministers from the United States, the European Union, Japan, Canada, and Australia plan to meet in Vancouver, Canada on July 15-16 to informally discuss the Seattle round of WTO negotiations.

U.S. government agencies will hold 12 "listening sessions" to get input for this round of talks, which are expected to center on agriculture. The first listening session, held in Winter Haven Florida on June 4, brought complaints from Florida farmers about unfair competition from foreign producers who do not bear the cost of environmental and labor regulations governing U.S. farmers. European and U.S. growers generally oppose liberalization of agricultural trade unless it includes harmonization of labor, environment and food safety standards and their implementation.

Farmers' concerns were reiterated at a June 7 listening session in St. Paul Minnesota. Neil Ritchie of the Institute for Agriculture and Trade Policy said that, without agricultural prices above the cost of production, "free trade is a deceptive euphemism for economic exploitation of farmers and degradation of their land and water." Ritchie urged delaying further liberalization of agri-business trade in order to "take stock of the impacts of the last round of WTO agreements, both here and abroad, and to repair the agreements where they do damage to independent producers and sustainable economic development."

Kevin G. Hall, "USTR, USDA Hear Concerns on Trade Talks," JOURNAL OF COMMERCE, June 8, 1999; Neil Ritchie, "Testimony on the World Trade Organization Negotiations," INSTITUTE FOR AGRICULTURE AND TRADE POLICY, June 7, 1999; Tracy Rosselle, "Top Ag Officials Meet in Florida to Hear Complaints, THE PACKER, June 14, 1999; Dawn Wolf, "Growers to Push for Equal Tariffs, Expanded Markets," THE PACKER, May 24, 1999; "WTO Official Says DG Absence May Affect Ministerial Preparations," INSIDE US TRADE, July 2, 1999; "Quint Agriculture Ministers to Discuss New Round, Biotech Issues," INSIDE US TRADE, July 9, 1999.

RESOURCES

The Road to Seattle: Citizens Shaping the Global Trade Agenda. A free electronic news bulletin will highlight events, meetings, forums, and other planning activities during the buildup to the WTO meeting. "The Road" will track plans of citizens groups, labor unions, church organizations, environmentalists, farmers, small businesses and others as well as meetings and activities of government ministers and negotiators. View the bulletin at http://www.newsbulletin.org or www.iatp.org or subscribe by sending an email to listserv@iatp.org and writing in the body of the message: subscribe road_to_seattle.

U.S. Trade. A coalition of groups announced the formation of the U.S. Alliance for Trade Expansion (U.S. Trade), which seeks further trade liberalization. U.S. Trade plans educational events "[b]ringing home the message about the extraordinary benefits of trade and the World Trade Organization to American jobs and the living standards of American families." U.S. Trade is housed at the National Association of Manufacturers. For further information, call (202) 637-3074, fax (202) 637-3182, or email ustrade@nam.org.

"A Citizens' Guide to NAFTA's Environmental Commission" by Kari Spiecker and Andrea Durbin (Friends of the Earth-US) and Harry Brown (Interhemispheric Resource Center). February, 1995. 16 pp. $2 first copy, 50¢ additional copies. Explains structure of Commission for Environmental Cooperation. To order, contact Friends of the Earth, 1025 Vermont Avenue

NW, 3rd Floor, Washington, DC 20016; telephone 202/783- 7400; fax 202/ 703-0444; email foedc@igc.apc.org or Interhemispheric Resource Center, P.O. Box 4506, Albuquerque, NM 87196; telephone 505/ 842-8288; email resourcectr@igc.apc.org.

U.S. CONGRESS AND TRADE

Canadian Trade Minister Sergio Marchi criticized the U.S. Congress as "very protectionist," noting that "surprisingly too many congressmen don't even own a passport." Marchi wants to see movement toward the Free Trade Area of the Americas, which has not been warmly received by Congress. Republicans in Congress appear willing to resurrect fast-track proposals, which would augment presidential trade negotiating authority. Democrats explain this willingness as merely a desire to see renewed fighting between the Clinton administration and Democratic opponents of fast track, including labor and environmental groups.

U.S. Trade Representative Charlene Barshefsky said in mid-June that it was not essential to renew fast track by the start of this fall's World Trade Organization ministerial meeting. Senator Daniel Patrick Moynihan (D-NY) agreed with Republican senators that fast track was critical to U.S. trade leadership. Speaking to graduates at the University of Chicago in mid-June, President Clinton called again for enactment of fast track legislation, but focused more attention on an executive order he signed prohibiting federal agencies from buying products made with forced or abusive child labor.

While the debate on fast track is stalled, Congress continues to consider expansion of U.S. trade benefits for apparel from the Caribbean region, commonly known as the Caribbean Basin Initiative (CBI). U.S. textile and apparel sectors are divided over pending proposals. The American Textile Manufacturers Institute supports CBI benefits only if garment manufacturers in the Caribbean countries use U.S. fabric made of U.S. yarn. A more restrictive Senate bill would also require that the fabric be cut in the United States. Another group, the National Knitwear and Sportswear Association, opposes any extension of CBI benefits.

The Caribbean and Central American Relief and Economic Stabilization Act was approved by the House Ways and Means Committee in early June, but faces a long journey through Congress. The CBI legislation, which would essentially give Central American and Caribbean nations the same benefits that Mexico enjoys under NAFTA, was defeated in the House of Representatives in 1997 by a 234-182 margin. House sponsors hope that the bill will pass this year because of the need for relief in the wake of Hurricanes Georges and Mitch.

Stephen Norton, "Senators Differ With Barshefsky Over Fast Track Priority," CONGRESSDAILY, June 18, 1999; "Canadian Trade Minister Says U.S. Congress Threat To Trade," ASSOCIATED PRESS, July 1, 1999; "As Partisan Sniping Escalates Over Fast Track Renewal," CONGRESSDAILY, June 30, 1999; William Claiborne, "Lauding Trade, Clinton Urges Fast Track," WASHINGTON POST, June 13, 1999; Paula L. Green, "Global Trade Tears Textile Industry Alliance Apart," JOURNAL OF COMMERCE, June 10, 1999; Jim Lobe, "Congressional Committee OK's Africa, Caribbean Trade Bills," INTERPRESS SERVICE, June 10, 1999.

NAFTA & Inter-American Trade Monitor is produced by the Institute for Agriculture and Trade Policy, Mark Ritchie, President. Edited by Mary C. Turck. Electronic mail versions are available free of charge for subscribers. For information about fax subscriptions contact: IATP, 2105 1st Ave. S., Minneapolis, MN 55404. Phone: 612-870-0453; fax: 612-870-4846; e-mail: iatp@iatp.org. The Spanish version of this news bulletin, El Monitor de NAFTA y Comercio Interamericano, and a searchable archive of all back issues is available at: http://www.newsbulletin.org To subscribe/unsubscribe to the email version of this news bulletin, send email to: listserv@iatp.org. Leave the subject blank. In the body of the message type: subscribe nafta_monitor

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GM CONTROVERSIES CONTINUE

Mexico's National Bio-Diversity Commission (Conabio) warns that "The lack of evidence on environmental effects [of genetically modified organisms] should not be interpreted as the non-existence of risks." Conabio also warned that, "Bio-technology can provide benefits in terms of health, but at the same time it represents a threat to species and ecosystems.".

Scientists from Conabio and from the National Commission on Science and Technology warned that control over corn imports from the United States must be reinforced, because genetically modified corn is being imported, potentially threatening Mexico's many unique corn varieties. Mexico imported five million metric tons of corn from the United States in 1998. The United States does not separate genetically altered grain, despite strong protests from international environmental groups and the desire for such segregation from some food processors.

The Brazilian Society for Scientific Progress (SBPC), meeting in mid- June in the southern Brazilian city of Porto Alegre, advocated a five- year moratorium on the commercial production of genetically modified foods in order to better evaluate their effects on the environment and on human health. Luiz Carlos Bresser Pereira, Minister of Science and Technology, who supports the introduction of clearly-labeled, genetically-altered products, was booed by participants at the conference.

The U.S. Department of Agriculture announced in July that it will seek an independent scientific review of its approval process for new genetically modified crops. The USDA will also create regional centers to evaluate genetically modified foods over time and to share information with the public. USDA Secretary Dan Glickman said the United States is trying to find a mutually acceptable middle ground with the European Union on genetically modified products, and asked U.S. biotech and food companies to respond to consumer concerns by voluntarily labeling genetically modified products.

Responding to concerns about genetically modified corn, the Mexican Secretariat of the Environment, Natural Resources, and Fisheries (SEMARNAP) announced the creation of a new environmental and trade commission for biosafety policy making. The new commission will be in charge of promoting a national regulatory framework for biosafety issues. In announcing the commission, Jose Luis Samaniego, international affairs coordinator at SEMARNAP, said, "One main concern for us is the importation of modified corn from U.S;. and Canadian companies when we still don't know for sure how it might affect many of our native corn species."

On July 3, Health Canada released proposed regulations that would require health and environmental impact assessments of biotechology products, including foods, drugs and cosmetics.

Pilar Franco, "Genetically Altered Corn Eyed With Suspicion," INTERPRESS SERVICE, July 16, 1999; Mario Osava, "Genetic Modification Divides Scientists," INTERPRESS SERVICE, July 14, 1999; Julie Vorman, "U.S. Unveils New Steps to Calm Fears of Transgenic Food," THE WESTERN PRODUCER, July 22, 1999; "Concerns About GMO Corn Spur Creation of Biosafety Commission," WORLD FOOD REGULATION REVIEW, August, 1999; "Proposed Regulations Would Require Assessment of Biotechnology Products," BUREAU OF NATIONAL AFFAIRS, July 21, 1999.

JUDGE REJECTS NAFTA CHALLENGE

In an unusually detailed, 113-page ruling, Alabama U.S. District Judge Robert Propst rejected a challenge to NAFTA based on the contention that NAFTA is unconstitutional because it was adopted in 1993 as a congressional/executive agreement with a simple majority in both houses of Congress, rather than as a treaty, which must be approved by two- thirds of the Senate. Judge Propst expressed surprise that the Supreme Court has never ruled on this question, and the plaintiffs pledged to appeal his decision to the highest court.

The challenge was filed by the United Steelworkers of America and the Made in the USA Foundation. The judge also ruled that the court had jurisdiction to review the case and that the challenge was not a "political question" beyond the scope of judicial review.

Evelyn Iritani, "Federal Judge Rejects Union-Backed Chall enge to NAFTA," LOS ANGELES TIMES, July 23, 1999; "NAFTA Court Challenge Defeated, But Union Found to Have Standing," INSIDE US TRADE, July 30, 1999.

LOOKING TOWARD SEATTLE

Fifteen members of the World Trade Organization called on July 7 for an "early harvest" mechanism in the next round of global trade talks. The early harvest provisions would preserve the idea of a single undertaking for negotiations, while leaving open the possibility of earlier implementation of agreed-upon provisions. The United States is among the advocates of an early harvest provision, while the European Union and Japan oppose the provision. Other supporters of early harvest include Argentina, Australia, Chile, Costa Rica, the Czech Republic, Hong Kong, Hungary, Mexico, Morocco, New Zealand, Singapore, South Korea, Switzerland, Thailand, and Uruguay.

The Seattle trade ministerial, from November 30 to December 3, will launch the new millennium round of trade talks, which will cover agriculture, services, and unspecified other sectors.

A bipartisan group of 35 U.S. senators, led by Sen. Richard Lugar (R- IN), chair of the Senate Agriculture Committee, wrote to U.S. Trade Representative Charlene Barshefsky on July 27, opposing "early harvest." The senators said that the interests of U.S. agriculture will not be protected if agriculture is left as a last and difficult sector for negotiation, while other agreements are concluded earlier.

Speaking to the WTO General Council on July 29, Deputy U.S. Trade Representative Susan Esserman emphasized the U.S. desire to give priority at the Seattle Ministerial to discussion of implementation of Uruguay Round agreements, including agreements on intellectual property, subsidies, textiles, and customs valuation. Esserman said the priority for development of a negotiating agenda for the Millennium Round should be "market access concerns including agriculture, services and non- agricultural goods, with benchmarks to ensure that the negotiations remain on schedule." Esserman also said that labor standards and sustainable development, including environmental protection, should be on the agenda.

A two-day seminar on "The Next Trade Negotiating Round: Examining the Agenda for Seattle" held at Columbia University in New York brought together 50 trade experts and government officials from a number of countries. Participants discussed whether it would be appropriate to include new issues such as an investment agreement, competition policy, environment and labor in a millennial round of trade negotiations. Most participants advised against expanding the agenda of the negotiations, particularly if new items included non-trade issues. Some participants expressed concern that inclusion of discussion of an investment agreement would provoke intense pressure from non-governmental organizations.

On July 5, U.N. Secretary-General Kofi Annan and the Paris-based International Chamber of Commerce issued a joint statement recommending that environmental and labor issues be kept out of WTO negotiations. They said that the trade agreement was not designed to handle labor rights, human rights and environmental protection.

"Latins Among Those Seeking Compromise on Structure of New WTO Talks," AMERICASTRADE, July 15, 1999; Daniel Pruzin, "WTO Members Urge Early Harvest Provision Within Single Undertaking for Next Round," INTERNATIONAL TRADE REPORTER, July 14, 1999; Gary Yerkey, "Sen. Lugar, Other Senators Call on USTR To Reject Sectoral Approach to WTO Talks," DAILY REPORT FOR EXECUTIVES, July 28,1999; Martin Khor, "Experts Caution Against Wrong Issues in New Round," SOUTH-NORTH DEVELOPMENT MONITOR, July 24, 1999; Ambassador Susan Esserman, STATEMENT BY THE U.S. DELEGATION to WTO General Council Session in Geneva, July 29, 1999; "U.N. Secretary-General Says Evironment, Labor Standards Should Be Kept Out of WTO," BUREAU OF NATIONAL AFFAIRS, July 21, 1999.

RECLAIM RURAL AMERICA PROTEST

In a day of protest called "Reclaim Rural America," hundreds of U.S. farmers blocked Canadian trucks carrying agricultural products at border crossings in North Dakota and Montana on July 9.

Missouri farmer Bill Christison, president of the National Family Farm Coalition, protested the recent U.S. government approval of agribusiness giant Cargill's purchase of Continental Grain. Cargill, with annual sales of $35 billion, controls some 42 percent of the U.S. corn market. Christison said, "Our farm and trade policies are designed to transfer money from farmers to multinational corporations and subsidize the expansion of factory livestock farms with cheap grain."

Protesters also complained that international trade agreements such as the North American Free Trade Agreement and the World Trade Organizatio agreement encourage farm concentration and allow unfair competition from Canadian and some European countries, which heavily subsidize farms.

According to at least one of the protesters, their dispute was with U.S. packers, not with Canadian farmers. Rancher Hales Scalese said packers deliberately refuse to buy U.S. cattle to keep prices down, and faults large meat processors for buying cheap meat from Canada, Australia and New Zealand. Kansas farmer Stephen Anderson pushed a wheelbarrow filled with horse manure bearing the sign "U.S. Trade Policy."

On July 1, the U.S. Department of Commerce made a preliminary determination that Canada is exporting cattle to the United States at below-cost prices. The Commerce decision found dumping margins on Canadian feedlot cattle of 4 percent to 7 percent, and has imposed duties on imports of Canadian cattle.

William Claiborne, "Farmers Block Canadian Border Crossings," WASHINGTON POST, July 10, 1999; Bill Graveland, "American Farmers Angry - But Not at Canada," CP, July, 1999; "Canada Found Dumping Cattle in Preliminary Commerce Ruling," AMERICASTRADE, July 16, 1999; Michael Raine, "U.S. Farmers Resume Protest," THE WESTERN PRODUCER, July 15, 1999.

RESOURCES

Harmonization Alert. 16-20 pp. Free, monthly publication from Public Citizen Foundation. Tracks changes to U.S. laws and regulations due to international standardization activities across a range of issues, including food and auto safety, public health, economic justice, consumer and worker safety, the environment, and more. View before subscribing at www.harmonizationalert.org. To receive paper copy, contact mbottari@citizen.org

"Eucalyptus, Neoliberalism and NAFTA in Southeastern Mexico" by Orin Langelle. Published by ACERCA. Critique of globalization (including World Bank and IMF policies, NAFTA, FTAA) through a study of eucalyptus plantations in southeastern Mexico; maintains that the plantations threaten the indigenous, the poor and ecosystems; also discusses Dry Canal in isthmus of Tehuantepec, oil extraction, mining, shrimp farming, and other developments. To view report, go to http://www.acerca.org. For further information: Action for Community & Ecology in the Rainforests of Central America, POB 57, Burlington, VT 05402 USA; phone (802)863- 0571; fax (802) 864-8203; Email: acerca@sover.net

"Reform of the WTO's Dispute Settlement Mechanism for Sustainable Development" by Beatrice Chaytor. 23 pp. July 1999. WWF World Wide Fund for Nature International. To order, contact Trade and Investment Unit, WWF International, 1196 Gland, Switzerland. Tel: 41 22 364 9111; fax 4122 364 1640; email ddupuis@wwfnet.org; website www.panda.org. This legal briefing recommends changes in the WTO dispute settlement mechanism stemming from analysis of recent WTO decisions on reformulated gasoline, beef hormones, and shrimp/turtle harvest.

Not Your Father's Union Movement: Inside the AFL-CIO, edited by Jo-Ann Mort. 237 pp. Paper. $20. Verso, 1999:New York. Order from Verso, 180 Varic Street, New York, NY 10014. Tel: 212-807-9680. Collection of 18 essays, mostly from AFL-CIO insiders, offers a view of the AFL-CIO after the 1995 election of John Sweeney and his "New Voice" slate to lead, reform, and rebuild the organization.

Globalization With a Human Face: Human Development Report 1999. United Nations Development Program. July, 1999. $19.95 paper; $34.95 cloth. UNDP report on globalization advocates reversal of global trend of continuing business expansion in order to redirect benefits of globalization toward society. Order from Oxford University Press, 2001 Evans Road, Cary, NC 27513 or http://www.oup-usa.org/ or Tel: 800-451- 7556; fax 919-677-1303.

SLOW ENVIRONMENTAL PROGRESS

After the building of new sewage treatment facilities on both sides of the border, the Tijuana River is mostly water when it empties into the Pacific Ocean. Despite the progress, the river still carries a large load of illegally dumped sewage.

In Tijuana, an estimated 6,000 tons of lead slag and sulfuric acid foul the air and water as they lie, exposed to the elements, at an abandoned automobile battery recycling plant owned by San Diego-based New Frontier Trading Corp. Since the plant closed in 1994, nothing has been done to clean up the site, or even to study its effects on the local population. Residents of the area took the case to NAFTA's Commission for Environmental Cooperation last year, but proceedings there move at a glacial pace.

The Texas Natural Resource Commission conducted an intensive, three-day study of air quality in Laredo, Texas in mid-Juy. The survey was designed to determine the impact of emissiosn from large commercial trucks at the congested International Bridge No. 2 border crossing in downtown Laredo.

Robert Collier, "NAFTA's Report Card On the Environment Checkered at Best," SAN FRANCISCO CHRONICLE, July 20, 1999; "Texas Conducts Emissions Survey in Laredo to Gauge Impact of NAFTA on Air Quality," BUREAU OF NATIONAL AFFAIRS, July 21, 1999.

U.S.-MEXICO TRUCKING

According to the U.S. Department of Transportation, the number of safety inspectors at the U.S.-Mexican border has tripled in response to opponents of NAFTA who have cited safety concerns in opposition to lifting of cross-border trucking restrictions. The Clinton administration has refused to comply with NAFTA provisions requiring the lifting of cross-border trucking restrictions, claiming that Mexico lacks sufficient driver and company regulatory oversight.

"We will be doing more inspections because we tripled our staff, but we are going to change how we are doing the inspections," said Ray Muñoz, the highway administration's Dallas-based Nafta program manager for motor carrier and highway safety and supervisor of border operations. DOT inspectors will conduct more of the most-rigorous Level I inspections.

Kevin G. Hall, "U.S.Increases Inspection Force for Trucks on Mexican Border," JOURNAL OF COMMERCE, July 23, 1999; Todd Fultz, "Number of Inspectors May Go Up," THE PACKER, July 19, 1999; "House Committee Calls on DOT to Explain Mexican Carrier Violations," AMERICASTRADE, July 1, 1999.

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CHILE: NO NAFTA

Chilean foreign minister Gabriel Valdés announced on August 9 that Chile will not abandon its effort to join the North American free Trade Agreement (NAFTA), and will instead focus on negotiating a bilateral trade pact with the United States. Valdéssaid the plan to join NAFTA failed "because of congressional opposition in the U.S. to creating new trade agreements or enlarging the scope of existing ones."

Kenneth H. "Buddy" MacKay Jr., U.S. President Clinton's special envoy for the Americas, expressed optimism about the prospect of bilateral trade negotiations with Chile, calling Chilean proposals "a carefully thought out, very realistic initiative." Chilean Secretary General to President José Miguel Insulza said on August 23 that he is cautiously optimistic about reaching an agreement before 2004.

"U.S. Unlikely to Consider Chilean Request Until High-Level Meeting," INSIDE US TRADE, August 27, 1999; "Tariff Reduction, Market Access Seen as Key Issues in Chile Trade Talks," DAILY REPORT FOR EXECUTIVES, August 18, 1999; "Chile Ready to Start Talks on Free-Trade Pact, Official Says," INTERNATIONAL TRADE REPORTER, August 12, 1999; James Langman, "Americas Envoy MacKay Optimistic About Proposal for Free Trade Talks," DAILY REPORT FOR EXECUTIVES, August 25, 1999; "Port Workers Strike Builds in Chile, NAFTA Bid Dead," WEEKLY NEWS UPDATE ON THE AMERICAS, August 15, 1999.

STEELWORKERS APPEAL

In late August, the United Steelworkers of America filed an appeal from a July 23 U.S. district court decision, challenging the district judge's dismissal of the USW suit charging that NAFTA violates the U.S. constitution. The Steelworkers charge that NAFTA should have been ratified as a treaty by the U.S. Senate, but the judge said that NAFTA's commercial nature allows it to be approved under the Foreign Commerce Clause of the Constitution. Approval as a treaty would have required a two-thirds vote by the Senate.

"Steel Workers Appeal Ruling on NAFTA Constitutional Challenge," INSIDE US TRADE, September 3, 1999.

SEATTLE AND THE MILLENNIUM ROUND

U.S. Senator Charles Grassley (R-IA) expressed concern in early August over what he called the lack of an agricultural trade strategy on the part of the U.S. Trade Representative's office. House members of the Ways and Means Trade Subcommittee also warned that "there isn't much time," before the beginning of the ministerial trade talks in Seattle on November 30. Trade Subcommittee Chair Philip Crane (R-IL) asked how the USTR will resolve the conflict between the service sectors' desire for "early harvest" by sector-by-sector negotiations and the agricultural sector's advocacy of a "single undertaking," which would delay implementation of agreements until negotiations are complete.

Testifying before the House panel, Deputy U.S. Trade Representative Susan Esserman said the United States will focus on seeking early results on the Accelerated Tariff Liberalization initiative while also maintaining leverage for agriculture negotiations.

U.S. dairy industry representatives, including the Alliance of Western Milk Producers, the American Dairy Products Institute, the International Dairy Foods Association, the National Milk Producers Federation and the U.S. Dairy Export Council, submitted a policy paper to the Clinton administration in early August. The paper recommended "gradual elimination of all agricultural export subsidies in five years, starting no later than 2002," with the timetable linked to the pace of increasing market access through tariff cuts. The dairy industry strongly supported the "single undertaking" model of negotiations and implementation.

More than 500 non-governmental organizations in more than 60 developing countries have called for a review of trade regimes of WTO that disadvantage developing countries, and opposed a new round of negotiations to broaden the WTO scope. Farmers in developing countries are particularly concerned about TRIPS - Trade Related Aspects of Intellectual Property Rights - fearing that the effect of strengthening TRIPS provisions is increasing privatization of bio-diversity.

Sen. Patty Murray (D-WA) in an August 3 letter urged President Clinton to deliver "a major pro-trade address" prior to the Seattle ministerial, and to meet with labor, environmental and consumer group leaders to try to prevent demonstrations and disruptions of the ministerial. Murray expressed concern that reports of plans for disruptions are making companies reluctant to put up money to pay for the ministerial, but the WTO/Seattle Host Organization said that contributors have not been deterred by fear of protest.

Jerry Hagstrom, "Barshefsky Pressured to Outline Trade Talk Goals," CONGRESS DAILY, August 5, 1999; "U.S. Dairy Groups Lay Out Common Position on WTO Talks," INSIDE US TRADE, August 6, 1999; "Preparing for the Seattle Round: U.S. Dairy Industry Negotiating Priorities," INSIDE US TRADE, August 6, 1999; "Esserman Says U.S. Will Seek Early ATL Deal, to Hold Leverage for Ag," INSIDE US TRADE, August 6, 1999; Daniel Pruzin, "Three Months Until WTO Ministerial and Agenda Differences Unresolved," BNA SPECIAL REPORT, August 25, 1999; Martin Khor, "World Trade Agenda Hijacked by Vested Interests," THIRD WORLD NETWORK FEATURES, August 1999; Gumisai Mutume, "Seattle Provides Opportunities for Developing Nations," INTERPRESS SERVICE, August 25, 1999; "Murray Urges Clinton to Work for Peaceful Seattle WTO Ministerial," INSIDE US TRADE, August 13, 1999; Rene Pastor, "Farm Industry Set for 'Difficult' Talks," WESTERN PRODUCER, August 19, 1999.

CAIRNS GROUP: END SUBSIDIES

Meeting in Buenos Aires at the end of August, the Cairns Group strongly urged that agriculture be the focus of the coming round of World Trade Organization talks. The WTO Ministerial Conference will be held in Seattle on November 30-December 5, and it will be followed by the so- called Millennium Round of trade negotiations.

The Cairns Group will push for free access to markets, an end to export subsidies, and elimination of direct internal subsidies to farmers. They also reject the U.S.-advocated principle of "early harvest," insisting instead that no agreement reached in the WTO talks should be implemented until everything is agreed.

The Cairns Group is made up of 15 agricultural exporting countries - Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, South Africa, Thailand and Uruguay. The group shares a common goal of liberalizing trade in agricultural products. They account for about 25 percent of global trade in agriculture.

As part of the Cairns Group, Canada announced that it will seek elimination of all export subsidies for agricultural goods and a limit on domestic production subsidies. Announcing its negotiating position on August 19, Canada also said it opposes reopening the Agreement on the Application of Sanitary and Phytosanitary Measures to deal with biotechnology, but called for a working group to consider treatment of such products within the WTO.

U.S. Secretary of Agriculture Dan Glickman participated in the August Cairns Group meeting as a special guest. The United States is not a member of the group, but may be an ally against the European Union and Japan. Bolivia, Costa Rica and Guatemala also attended as observers.

Chilean farm leader José Miguel Stegmeier said that EU subsidies are vulnerable because 45 percent of the subsidies are paid to agribusiness companies that are not farmers and only lease agricultural land. French minister of agriculture Jean Glavany reiterated his country's support for farm subsidies, saying that "if Europe did not subsidize, there would be 1200,000 to 200,000 farmers left in France instead of 700,000." Glavany said that farm subsidies were political and democratic decisions to be made by sovereign governments.

A crash in international agricultural commodity prices has affected farmers in North and South America. Brazilian farmers camping out in Brasilia in August demanded that the government forgive some $9 billion in agricultural debts, and protested the Cardoso administration's free trade policies. Argentine farmers staged a series of protests in July and August, with 10,000 farmers converging on Buenos Aires in the biggest farm protest in years.

In Panama, farmers demanded increased tariffs to protect endangered agricultural producers. Former President Ernesto Pérez Balladares reduced import taxes from an average of 100 percent to an average of 8.5 percent in January 1998, in pursuit of entry to the global economy. Panamanian hog farmers and vegetable growers have been especially hard- hit by foreign competition, and some say these sectors may disappear entirely. New President Mireya Moscoso, who was inaugurated in September, has promised to review the problems of the agricultural sector and the possibility of tariff relief.

COMMUNIQUÉ OF 19TH CAIRNS GROUP MINISTERIAL MEETING, August 29, 1999; "Canada Unveils Negotiating Position on Agriculture for WTO," INSIDE US TRADE, August 20, 1999; "Text: Canada's Initial Negotiating Position on Agriculture," INSIDE US TRADE, August 20, 1999; Marcela Valente, "U.S.- Cairns Group Alliance Against Subsidies," INTERPRESS SERVICE, August 30, 1999; Marcela Valente, "End to Subsidies as Focus of Millennium Round," INTERPRESS SERVICE, August 26, 1999; Silvio Hernandez, "Panama: In Big Trouble, Farmers Demand Tariff Hike," INTERPRESS SERVICE, August 19, 1999; Marcela Valente, "Farmers Denounce Link Between Subsidies and Poverty," INTERPRESS SERVICE, August 27, 1999; "While Glickman Goes South As Ag Trade Tensions Rise," CONGRESSDAILY, August 19, 1999; John Barham, "Brasilia Braced as Protest Marches Converge," FINANCIAL TIMES, August 26, 1999; "Argentine Beef Producer Fears Farming Future," AGRINEWS, August 19, 1999; "Brazil's Farmers Demand Government Aid," AGRINEWS, August 26, 1999; Geoff Dyer, "Brazil Farmers Push for Debt Relief," FINANCIAL TIMES, August 19, 1999; "Boost for Campaign to Reform Farm Trade," FINANCIAL TIMES, August 26, 1999.

RESOURCES

"Labor Rights in Chile and NAFTA Labor Standards: Questions of Compatibility on the Eve of Free Trade," by Carol Pier. Reprinted from Comparative Labor Law & Policy Journal, Vol. 19, No. 2, Winter 1998. 93 pp. For information on copies, contact Carol Pier at cpier@post.harvard.edu or (202) 785-3366. Analysis of current status of Chilean labor laws and practices and concludes that, "Before the Chilean labor regime can fully comply with the NAALC or any NAALC-like supplemental labor agreement forged between the United States and Chile, the labor norms which allow employers to circumvent legally or violate with impunity protective labor legislation must be amended."

Interpreting NAFTA: The Science and Art of Political Analysis, by Frederick W. Mayer, Columbia University Press, New York, 1998. 374 pp. For ordering information, contact www.columbia.edu/cu/cup. Analyzes interplay between domestic politics and international trade negotiation before, during and after the approval of NAFTA.

Women Working the NAFTA Food Chain: Women, Food & Globalization, edited by Deborah Barndt. Women's Issues Publishing Program, Second Story Press, Toronto, Ontario. 1999. 288 pp. $16.95 + $4 p&h. Fourteen essays offer a critical feminist analysis of how NAFTA and globalization affect women in the continental food system. Essays and case studies are written by activists and scholars. Order from Second Story Press, 720 Bathurst Street, Suite 301, Toronto, Canada M5S 2R4. Tel (416) 537-7850; fax (416) 537-0588.

International Conference on Science and Technology for Managing Plant Genetic Diversity in the 21st Century - June 12-16, 2000 at K.L. Hilton International, Kuala Lumpur, Malaysia. Conference will critically review the state of science concerning conservation and sustainable management of plant genetic resources. For further information, contact Patti Sands, Programme Assistant to the Deputy Director General (Programmes), IPGRI, Rome. Email: p.sands@cgiar.org or fax (39) 065750309.

MERCOSUR STRUGGLES

The Mercosur trading bloc, which includes Argentina, Brazil, Paraguay, and Uruguay as full members and Chile and Bolivia as associates, has suffered severe problems as a result of Brazil's currency devaluation last year and that country's continuing economic difficulties. "Mercosur is in agony," according to Argentine industry minister Alieto Guadagni," blaming a "lack of laws and institutions to show the way in times of adversity." An emergency Mercosur summit in Montevideo, Uruguay in early August failed to resolve disputes, with Brazil rejecting safeguards proposed by Argentina for several sectors.

Bilateral trade between Brazil and Argentina fell 20 percent during the first half of 1999. Argentine economists fear another Brazilian currency devaluation will be implemented before the end of 1999. Argentina has already been flooded with lower-priced Brazilian imports as a result of the first devaluation. Brazil is Mercosur's largest member, and the largest economy on the continent, and Argentina is second. Brazilian unemployment is at an all-time high.

Marcela Valente, "Mercosur: Skepticism, Paralysis and Lost Faith," INTERPRESS SERVICE, August 13, 1999; Thierry Ogier, "Brazil, Argentina Fail to Settle Feud," JOURNAL OF COMMERCE, August 10, 1999; Thierry Ogier, "Unprecedented Tensions Tear at Bloc," JOURNAL OF COMMERCE, August 5, 1999.

NAFTA DISPUTES

At the beginning of August, Mexico announced tariffs ranging from four to 215 percent on U.S. beef imports ranging from fine cuts to tripe, tongue and liver. In their 111-page ruling, Mexican trade authorities applied lower tariffs to four major U.S. meatpackers - Excel Corp., IBP Inc., Farmland National Beef Packing Co., and ConAgra, Inc. - saying that the four have provided evidence that their prices are near the market norm.

U.S. exporters have until mid-September to appeal the decision, with a final ruling due within six months. U.S. beef producers say their prices are lower because of economies of scale and lower U.S. feed prices.

Mexico is the second-largest destination for U.S. beef exports. Mexicans are buying and eating more U.S. beef since NAFTA took effect, with last year's beef imports from the United States totaling $452 million or about 13 percent of the Mexican market in 1998. Mexican cattle producers have been hurt by increase imports, but also from poor weather, low livestock prices, and lack of credit.

With cattle prices falling throughout the continent, the United States plans anti-dumping duties of 5.57 percent on Canadian cattle after a final hearing in October. The action would dramatically affect Canadian packers and cattle raisers. Canadian beef and live cattle exports to the United States have increased from $600 million to $2.7 billion yearly since the signing of NAFTA.

The United States defines dumping as selling into an export market at below the cost of production. The World Trade Organization defines dumping as selling into an export market at a price lower than in the domestic market.

Jonathan Friedland, "Mexico Unveils Fat Tariffs on U.S. Beef, Saying It's Sold at Artificially Low Prices," WALL STREET JOURNAL, August 3, 1999; Barbara Duckworth, "Canadian Beef Industry Relies on U.S. Goodwill: Economist," WESTERN PRODUCER, August 19, 1999; Barry Wilson, "Cattle Dumping Duty a Blow to Producers," WESTERN PRODUCER, July 8, 1999; "U.S. Beef Industry Readies Fight Against Mexican Antidumping Duties," INSIDE US TRADE, August 13, 1999.

NAFTA & Inter-American Trade Monitor is produced by the Institute for Agriculture and Trade Policy, Mark Ritchie, President. Edited by Mary C. Turck. Electronic mail versions are available free of charge for subscribers. For information about fax subscriptions contact: IATP, 2105 1st Ave. S., Minneapolis, MN 55404. Phone: 612-870-0453; fax: 612-870-4846; e-mail: iatp@iatp.org. The Spanish version of this news bulletin, El Monitor de NAFTA y Comercio Interamericano, and a searchable archive of all back issues is available at: http://www.newsbulletin.org To subscribe/unsubscribe to the email version of this news bulletin, send email to: listserv@iatp.org. Leave the subject blank. In the body of the message type: subscribe nafta_monitor

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U.S. CRITICIZES CANADA WHEAT EXPORTS

U.S. Special Trade Negotiator for Agriculture Peter Scher warned senior Canadian agriculture and trade officials in September that increasing Canadian wheat exports to the United States have put the Canadian Wheat Board at the top of U.S. priorities for the next round of trade negotiations. The United States maintains that the Wheat Board's monopoly status as the only exporter of Canadian wheat inhibits free trade. Canadian durum exports reached 20 million bushels this year.

Scher also criticized Canadian government involvement in pricing of softwood lumber. On September 24, Scher notified Canadian international trade minister Pierre Pettigrew that the United States would not renew the five-year Softwood Lumber Agreement when it expires in 2001.

In an August 18 speech, Canadian federal minister of agriculture Lyle Vanclief, insisted that, "it's not Canadian wheat that affects U.S. wheat farmers' prices. It's world market conditions ... that have impacted producers in both our countries." Raymond Chretien, Canadian ambassador to the United States, said in an Oct. 1 letter to White House Chief of Staff John Podesta that there is "no justification" for U.S. trade action against Canadian wheat exports.

Jerry Hagstrom, "U.S. Official Cautions Canada Over Wheat Board Policies," CONGRESS DAILY, September 8, 1999; Sylvia MacBean, "Senator Dorgan Accuses CWB of Durum Dumping," WESTERN PRODUCER, September 16, 1999; "Common Goals in Trade Talks," WESTERN PRODUCER, September 16, 1999; Jim Carlton, "U.S. Officials Inform Canada It Intends to Let Lumber-Import Accord Wither," WALL STREET JOURNAL, October 1, 1999; "U.S. Official Cool to Renewal of Lumber Agreement With Canada," INSIDE US TRADE, October 1, 1999; Peter Menyasz, "Canadian Ambassador Warns U.S.Not to Launch Complaint on Wheat," BNA DAILY REPORT FOR EXECUTIVES, October 6, 1999.

NEW CHALLENGES TO GM SEEDS

Farmers and activists from 30 countries have announced plans to sue Monsanto, DuPont, Pioneer Hi-Bred, and Novartis over genetically- modified (GM) seeds. GM seeds are protected by patents and contracts and farmers who plant them must agree not to keep seeds for future use. Agricultural analysts say a few large corporations own 30 percent of global trade in seeds, and that Monsanto, Novartis, AstraZeneca, Aventis and DuPont control almost the entire genetically modified crops sector.

U.S. biotechnology activist Jeremy Rifkin and his Foundation on Economic Trends is leading the planned lawsuits. Rifkin warns that, "In a few years' time, no farmer in the world is ever going to own seeds again - if that's not a case for antitrust litigation, I don't know what is."

At the World Trade Organization ministerial in Seattle at the end of November, Africa will challenge WTO rules permitting the patenting of life forms. The challenge cites the potentially devastating effect of such patenting on agriculture and food security. Evidence supporting the African challenge comes from India's southern Andhra Pradesh state, where hundreds of cotton farmers committed suicide last year. After crop failures, they could not afford to buy more seeds.

Another challenge to GM seeds comes from U.S. farmers, who planted about half of their soybean and corn acreage with GM seeds last year. About one-third of the crops are exported, mostly to Japan and Europe, but food companies there do not want GM crops. Their rejection of GM soybeans and corn has contributed to lower prices for those crops. In addition, farmers found that premium prices paid for the GM seeds did not increase their yields as had been promised.

In a September 24 press briefing, Bill Christison, president of the National Family Farm Association, predicted great resistance to buying GM seeds in the future, saying that "Genetically-modified organisms cost more and yield less, regardless of all the slick advertising coming out of Monsanto and Novartis."

Because of the difficulty of exporting GM crops, the American Corn Growers Association said farmers should consider planting only conventional seeds next spring.

Danielle Knight, "US Farmers Rethink Future of Bio-tech Crops," INTERPRESS SERVICE, September 27, 1999; Mario Osava and Gumisai Mutume, "Seed Companies Hauled Into Court," INTERPRESS SERVICE, September 24, 1999.

CBI PASSAGE UNLIKELY

Despite visits to Washington by the presidents of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic during September, passage of legislation giving 24 Central American and Caribbean countries trade benefits similar to those enjoyed by Mexico under NAFTA appears unlikely.

Some Republicans in Congress have pushed for the passage of the so- called Caribbean Basin Initiative parity (CBI) legislation. Many Democrats in Congress oppose the legislation, despite the Clinton Administration's backing for CBI parity. The House Ways and Means Committee passed a CBI enhancement bill in June, and the Senate Finance Committee has approved a competing proposal. Senate Majority Leader Trent Lott (R-MS) has scheduled the trade legislation for Senate action, but it appears that a Senate floor vote will not take place until after Oct. 16.

The Senate CBI bill would condition market access for apparel on the use of U.S. fabric made from U.S. yarn. The House version would not impose these conditions. Both bills would extend CBI preferences to include footwear, canned tuna, petroleum and its derivatives, and watches and watch parts.

U.S. unions generally oppose CBI parity, arguing that it would lead companies to move to the region for cheap labor.

Costa Rican President Miguel Angel Rodriguez reiterated the importance of the region to the United States, emphasizing that the United States has enjoyed a trade surplus with the region since the creation of the Caribbean Basin Initiative in 1983, and that the region is the sixth largest importer of U.S. goods. Most Central American products already enter the United States duty-free, but the current CBI sets quotas on textile imports.

Maricel Sequeira, "Faint Hopes for Central American Deal With US," INTERPRESS SERVICE, September 28, 1999; "Officials, Business Lobby for Fast Senate Action on CBI Expansion," INSIDE US TRADE, September 24, 1999; "Central American Leaders Urge Passage Of CBI Enhancement Bill; Fate Uncertain," BNA DAILY REPORT FOR EXECUTIVES, September 24, 1999; "Clinton Vows to Work for Passage of CBI, Africa Trade Bills," INSIDE US TRADE, October 1, 1999; "Officials, Buisness Lobby for Fast Senate Action on CBI Expansion," AMERICASTRADE, September 23, 1999.

NAFTA AG COMMITTEE TO MEET

On Sept. 21, the Office of the U.S. Trade Representative and the U.S. Department of Agriculture jointly sponsored a meeting to hear public comments on proposals for new standards on imports of agricultural, livestock and fisheries products. The comment session was part of preparation for the annual meeting of the NAFTA Sanitary and Phytosanitary Committee on Nov. 2-3 in Ottawa.

The Sanitary and Phytosanitary Committee seeks to remove regulatory obstacles to trade. Its eight working groups are: Animal Health, Fish and Fishery Product Inspection, Meat, Poultry and Egg Inspection, Dairy, Fruits, Vegetables and Processed Foods, Veterinary Drugs and Feed, Food Additives and Contaminants, and Pesticides.

Kevin G. Hall, "Two Agencies to Hold Public Session on Farm Proposals," JOURNAL OF COMMERCE, September 15, 1999

BRAZILIAN BEEF TO U.S.

Marcus Vinicius Pratini de Moraes, Brazil's Agriculture Minister, said in August that he expects Brazilian beef to be exported to the United States by next May. Brazilian beef is currently banned in the United States because of failure to comply with sanitary standards, but cattle from two Brazilian states will soon be checked for foot and mouth disease by a team from the U.S. Department of Agriculture's Animal and Plant Health Inspection Service. In a similar situation, the United States ended a 66-year ban on Argentine beef imports in May 1997. Brazil has the world's largest commercial cattle herd - 170 million.

Robert S. Elliott, "Brazil Hopes to Export Beef to U.S. by May 2000," REUTERS, August 28, 1999.

TRADE THREATENS BIODIVERSITY

"Nature's Cornucopia: Our Stake in Plant Diversity," a report released on September 18 by the Worldwatch Institute, warns that widespread losses of plant species and varieties are eroding the foundations of agricultural productivity. The report criticized World Trade Organization rules that require countries to classify policies that protect plant resources as obstacles to trade and require the dismantling of protective barriers.

John Tuxill, the report's author, said that "If a plant bearing a unique gene trait disappears, there is no way to get it back." The Worldwatch report noted that the number of wheat varieties grown in China dropped from an estimated 10,000 in 1949 to only 1,000 by the 1970s. In Mexico, farmers raise only 20 percent as many corn varieties as they did in the 1930s.

Seeking to preserve genetic diversity, the International Potato Centre (CIP)in Lima, Peru, has collected more than 3,000 cultivated and wild potato varieties. Despite such efforts, more than 15,000 plant species are at risk of extinction, according to the World Conservation Union, threatened by loss of habitat, overharvesting, and pressure from non-native species.

The Amazon Work Group (GTA), a network of 430 non-governmental organizations, warned on Sept. 11 that increased soy production in southeastern Amazonas state could lead to deforestation of a million hectares and could threaten biodiversity in the region. The governmental Brazilian Environmental Institute reports that Maggi, the company developing soy production, has already deforested nearly 50,000 hectares.

The GTA maintains that soy production is not sustainable in the Amazon because of the fragility of Amazon soil. More than 20 percent of soy plantings in 1997-98 were in the Amazon, according to the agriculture ministry. The Maggi group has focused on use of Amazonian waterways to export soy, building ports in Humait on the Madeira River and in Itacoatiara on the Amazon river, reducing the cost of transport to external markets by 30 percent.

Brazilian President Fernando Henrique Cardoso announced a new four-year initiative to construct waterways and highways for agricultural transport in the Amazon. The GTA opposes extension of soy production, arguing instead for sustainable extraction of fruits, wood and other forest and river products. Such sustainable extraction would employ 30 workers per hectare on family farms, compared to 1.7 workers per hectare employed in soy cultivation.

Danielle Knight, "Plant Losses Threaten Food Security," INTERPRESS SERVICE, September 18, 1999; Mario Osava, "Soy Production Spreads, Threatens Amazon in Brazil," INTERPRESS SERVICE, September 10, 1999.

U.S. BIOPROSPECTING CHALLENGED

In an article in La Jornada, a Mexico City daily newspaper, Mexican scientist Alejandro Nadal criticized a deal between U.S.-based biotechnology company, Diversa, and Mexico's National Autonomous University (UNAM) in La Jornada, a Mexican daily newspaper. Diversa and UNAM have signed a three-year bio-prospecting agreement that will allow Diversa access to the biodiversity of Mexico in exchange for technical training, $5,000 in equipment, $50 per sample collected and royalties ranging from 0.3 percent to 0.5 percent on net sales of products from materials collected. In a similar deal with the United States Department of the Interior, Diversa agreed to pay royalties of 10 percent royalties for products derived from its bio-prospecting in Yellowstone National Park.

Nadal said that "under Mexico's Federal environmental legislation, access to genetic resources can take place only through prior informed consent of the owners of the land on which the resources are located. This applies to individuals or communities. The legislation also specifies that the owners have a right to a fair share of the benefits and profits derived from the commercial exploitation of resources collected from their land." Nadal said an additional problem is a clause in the Diversa-UNAM agreement assigning rights to genes and DNA of organisms identified in the bio-prospecting. He said the clauses are "contrary to Mexico's public law. There is no such thing in Mexican law as 'rights on genes, DNA/RNA'," and added that Mexico's law excludes living organisms from patents.

Beth Burrows, "Bioplunder in Mexico: Mexico's Genetic Heritage Sold for 20 Times Less Than the U.S. Got in Yellowstone," EDMONDS INSTITUTE, September 28, 1999; Chakravarthi Raghavan, "It's Bioplunder, Not Biosharing," SOUTH NORTH DEVELOPMENT MONITOR, October 5, 1999.

BAN ON WATER EXPORTS

Newfoundland Environment and Labor Minister Oliver Langdon announced Oct. 1 that Newfoundland fully supports the federal government's call for a permanent national moratorium on new bulk water exports. AT the same time, Langdon said that the Gisborne Lake project of the McCurdy Group was registered three years ago and does not come under the provisions of the new ban.

Newfoundland has given cautious approval to the project, but said it must also have federal evaluation and approval. According to Langdon, "This government has significant questions about the implications of the project on Canada's trade and national environmental policies. These are federal responsibilities that can't be dealt with under the provincial review process."

Canada has 20 percent of the world's fresh water. The McCurdy Group, through its subsidiary Canada Wet Inc., wants to take water from spring- fed Gisborne Lake and ship it by tankers to various countries.

Michelle Macafee, "Newfoundland Gives Conditional Approval to Water Export," THE CANADIAN PRESS, October 1, 1999.

VERMONT VS. QUEBEC

After the Vermont Public Service Board in 1998 barred state utilities from passing along costs of an above-market power-supply contract with Hydro-Quebec, the Canadian utility asked the Canadian government to investigate whether there was a basis for a complaint under NAFTA. U.S. Sen. Jim Jeffords (R-VT) called the NAFTA complaint a "blatant attempt to intimidate Vermont officials and undermine our state regulatory process." Under a 30-year contract, Hydro-Quebec supplies about 38 percent of Vermont's electricity.

Vermont regulators previously had approved a contract between Hydro Quebec and the Green Mountain Power Corp. in 1988. The 1998 decision to disallow rate increases threatens Green Mountain Power with bankruptcy, according to GMP vice-president Stephen Terry. Changes in the U.S. market structure since 1988 have lowered U.S. energy prices below the contract level.

Hydro-Quebec spokesman Steve Flanagan said that under NAFTA, "a public board can't use its power to break a commercial contract."

Bryan Lee and Lynne Oliver, "Power-Supply Contract Dispute May Become NAFTA Issue," WALL STREET JOURNAL, September 20, 1999.

U.S. LABOR VIOLATION CHARGED

Rafael Aranda, secretary of Mexico's National Administrative Office (NAO) said in early September that his office has asked for binational consultations on claims that the United States violated its own labor laws by not addressing complaints about labor conditions for workers in the Washington apple industry. Under the NAFTA labor side accord, known as the North American Agreement for Labor Cooperation (NAALC), each of the three NAFTA countries created its own NAO to investigate charges that another NAFTA government failed to enforce its own labor law.

Four Mexican labor organizations had filed a complaint with the Mexican NAO on May 27, 1998. Their complaints include violation of workers' freedom of association, right to organize, right to collective bargaining, right to minimum employment standards, equality of opportunity without discrimination, right to workplace safety and hygiene, and protection of migratory workers. Many of the estimated 45,000 workers in Washington state apple orchards are from Mexico, and Mexico is the largest export market for Washington apples.

John Nagel, "Mexico Seeks NAFTA Ministerial Talks To Review Mexican Apple Worker Rights in Washington State," BNA DAILY REPORT FOR EXECUTIVES, September 8, 1999.

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SEATTLE MEETING

U.S. House Minority Leader Richard Gephardt (D-MO) told union representatives on Oct. 11 that the next round of World Trade Organization negotiations should give labor and environmental interests a seat at the table. Speaking to the U.S. AFL-CIO convention, Gephardt said NAFTA has caused misery among workers in the Mexican maquiladoras near the border.

Gephardt endorsed the AFL-CIO call for a rally of workers and their families at the Nov. 30 WTO ministerial meeting. The AFL-CIO hopes to bring 15,000 demonstrators to Seattle. "If the unions don't take to the streets," Gephardt told a news conference," they're never going to get invited into the hall."

AFL-CIO Secretary-Treasurer Richard Trumka told the convention that countries admitted to the WTO should be required to guarantee workers' rights before admission, including rights such as freedom of association, the right to organize and bargain, no forced or compulsory labor, no child labor and no discrimination. He charged that, "American workers have found themselves increasingly in head-to-head competition with workers in other countries who lack basic human rights and legitimate national regulations protecting the environment."

In an attempt to avoid disruption of the ministerial and opposition to trade legislation, the Democratic Leadership Council on October 14 called for a "Third Way" at the Seattle ministerial. The DLC said its "Third Way" would be negotiation of multilateral agreements on labor and environmental standards outside the WTO, with the WTO acting as a forum for discussion of the issues but not as the enforcement agency. The DLC advocated giving environmental and labor leaders a seat at the table, distancing them from "fringe groups."

AFL-CIO head John Sweeney found himself in the middle of a storm of controversy after he joined business leaders in signing a letter of the Advisory Committee for Trade Policy and Negotiations (ACTPN), which was widely interpreted as an endorsement of the U.S. negotiating position. Sweeney's action met immediate criticism from environmental, consumer, and other labor groups. Sweeney clarified his position, saying that his intent in signing the letter was to garner "unprecedented business support for a discussion of workers' rights at the WTO." He repudiated press accounts characterizing his signature as an endorsement of U.S. negotiating objectives at the WTO meeting.

"U.S. Labor Leader Under Fire for Backing WTO Plan," REUTERS, October 29, 1999; John Sweeney, "AFL-CIO Executive Council Members and National Union Presidents," AFL-CIO MEMO, October 28, 1999; Tom Gilroy, "Gephardt Calls for 'a Seat at the Table' for Labor, Environmentalists in WTO Talks," BUREAU OF NATIONAL AFFAIRS, October 13, 1999; Frank Swoboda, "Labor Wants Seat at WTO Talks," WASHINGTON POST, October 13, 1999; "The Third Way to Seattle," CONGRESS DAILY, October 27, 1999.

CONTINUING BANANA DISPUTE

The European Union hopes to present a proposal for a new banana-import regime to a meeting of EU foreign ministers in Brussels on Nov. 15-16. The EU commissioners want a transitional arrangement from its current (and now illegal under WTO rules) system of import licenses and preferences for former colonies in Africa, the Caribbean and the Pacific to a new, WTO-approved system using only tariffs on imports.

The World Trade Organization, acting on a complaint by the United States and some Latin American countries, ruled that the EU banana-import regime unfairly favors former colonies over Latin American growers and U.S. multinationals such as Chiquita, Fresh Del Monte Produce Co., and Dole Food Co. Pursuant to this ruling, the United States imposed $191 million in sanctions on the EU in April 1999.

U.S.-based Chiquita Brands International said that latest EU proposals for a transitional mechanism are unacceptable. The United States government, which has largely adopted the position of banana-selling multinationals, has rejected all previous EU proposals for changes.

"U.S., EU Discuss Transitional Arrangement for Banana Imports," INSIDE US TRADE, August 6, 1999; "U.S., EU Wrestle Over Three Proposals for New Banana Trade Rules," INSIDE US TRADE, September 3, 1999; "EU Official Reports Failure to Reach Consensus on New Banana Regime," INSIDE US TRADE, September 10, 1999; Brandon Mitchener, "Chiquita, Ecuador Blast EU Plan to Alter Banana Trade Curbs," WALL STREET JOURNAL, October ??, 1999; "United States, Latin Allies Open to Moderate 'Tariff Only' Banana Fix," WORLD FOOD REGULATION REVIEW, November 1999.

CANADA-U.S. WHEAT DISPUTES

On October 23, Canadian Agriculture and Agri-Food Minister Lyle Vanclief blasted U.S. charges that the Canadian Wheat Board is subsidizing wheat exports to the United States. Vanclief said that, though this opinion may be honestly held by U.S. farmers, U.S. politicians know that the allegations are false. He pointed out that eight investigations over the past nine years have shown no basis for the allegations.

"The CWB came out clean through every one of these investigations. Why" Because there is no wrongdoing to find," said Vanclief. He criticized U.S. politicians who "exploit localized political 'hot buttons' that are sure to grab self-serving headlines." Vanclief also pointed out that U.S. growers have benefited in recent years by increases in government financial support, and said they receive more government support than do Canadian farmers.

Vanclief also said that total Canadian wheat exports to the United States have averaged about 10 percent of Canada's total foreign wheat sales for four years. He said this total is less than three percent of U.S. production. Acknowledging that Canadian durum exports have risen during the past crop year, he also noted that Canada accounts for a total of 75 percent of U.S. pasta exports, 42 percent of U.S. breakfast cereal exports, and 65 percent of bakery product exports.

On October 26, Greg Arason, president of the Canadian Wheat Board, blamed European export subsidies for depressed grain prices, saying that the CWB did not contribute to them.

Bob Friesen, head of the Canadian Federation of Agriculture, blasted the United States for following a double standard, subsidizing its own farmers while objecting to other nations' subsidies. Friesen charged that the new U.S. emergency aid to agriculture legislation violates the spirit, if not the letter, of free trade agreements.

"Canadian Agriculture Minister Criticizes U.S. Charges About Canadian Grain Trade," BUREAU OF NATIONAL AFFAIRS; Gary G. Yerkey, "Canadian Wheat Board Rejects Charges of Unfair Trade Practices Leveled by U.S.," BUREAU OF NATIONAL AFFAIRS, October 27, 1999; Ian Elliott, "U.S. Doesn't Want Free Trade, Only Markets, Says CFA Official," FEEDSTUFFS, October 11, 1999.

FLORIDA CITRUS FEARS

Florida Agriculture Commissioner Bob Crawford warned in October that Brazilian imports could destroy Florida's citrus industry, if tariffs currently imposed on Brazilian orange juice are lifted. Brazil is the world's number one producer of orange juice, and Florida is second. The U.S. orange juice market is the world's largest. Crawford, who will lead Florida's delegation to the November WTO talks, said: "Hopefully, our negotiators have learned that to gain access to a market and at the same time lose an industry in this country is not a net gain."

Philip Lesser, director of economic and market research for the Florida Department of Citrus, says Florida's production costs are more than double those of Brazil, though Florida still produces more per acre than Brazil. Some Brazilian-based multinationals have bought major processing plant sin Florida in recent years. Despite fears of Florida producers, citrus prices actually rose in 1999.

Evan Perez, "State Citrus Growers Warn of Dangers in Free Trade," WALL STREET JOURNAL, October 20, 1999; "U.S. Officials Warn Brazil, As Brazil Highlights U.S. Trade Barriers," INSIDE U.S. TRADE, October 29, 1999.

NAFTA ON THE BO RDER

The Wall Street Journal calls Mexico the "New South," characterizing its post-NAFTA development as akin to the industrial migration to the southern states of the United States some 40 years ago. Now, as then, industries relocate to take advantage of cheap land, resources and labor. Often their relocation is driven by a desire to escape or avoid strong unions.

Company-friendly unions, allied with Mexico's governing Institutional Revolutionary Party, keep wages low. Average real wages in Mexico have fallen since 1994. Workers trying to form independent unions, such as those at the Han Young Hyundai plant, face firing and legal battles to win recognition. A recent report developed by maquiladora workers charges that workers suffer under unfair labor practices, lack of social protection, and a sharp drop in their standard of living. According to "Six Years of NAFTA: A View from Inside the Maquiladora," low wages and high inflation have led many families to send children as young as 13 into the workplace.

Corporations settle mostly in northern Mexico, leaving the southern part of the country in traditional, and increasing, agricultural poverty. Workers migrate from southern Mexico to newly-industrialized northern cities. A seamstress in a garment factory earns $50 a week, and her family survives only because she and her three sisters are all working and bringing home their wages. Even this low wage is more than her father ever earned.

University of California labor specialist Harley Shaiken, quoted in a union publication, Solidarity, reported that, "The productivity of maquiladoras rivals plants in the U.S., but they combine first-world quality with third-world wages, right next to the U.S. market."

As hundreds of thousands of higher-wage production jobs have left the United States for Mexico, they have been replaced in the United States by lower-paying service jobs. Instead of the trade surplus with Mexico predicted six years ago by NAFTA advocates, the United States has a six-year trade deficit with Mexico of $93 billion.

The new, and rapid, industrialization of northern Mexico has created other problems on both sides of the border. Mexican cities along the border have grown at least 20 percent since 1994. The number of maquiladora plants along the border has increased from 2,090 in 1994 to an estimated 3,051 in 1999. Both increasing populations and increasing manufacturing have drawn down water tables and produced large amounts of accumulated waste. Only 11 percent of toxic waste produced by the border area maquiladoras is properly treated.

Shifts in Mexican agricultural policy and practice have increased pesticide use and concentration of agricultural production, at the expense of small producers.

While NAFTA set up new international institutions for environmental protection, these institutions have been handicapped by underfunding and understaffing. Despite these problems, the Commission for Environmental Cooperation has provided a significant forum for investigating allegations of non-enforcement of national environmental laws. A complaint to the CEC by the non-governmental Environmental Health Coalition (based in San Diego) resulted in an investigation, still ongoing, of hazardous waste processing and pollution by the Metales y Derivados company in Ciudad Industrial Nueva Tijuana near the neighborhood of Colonia Chilpancingo.

"Report Finds Dramatic Worsening of Labor, Living Conditions for Mexican Workers Under NAFTA," AMERICAN FRIENDS SERVICE COMMITTEE, October 11, 1999; Joel Millman, "Mexico Slowly Becomes Part of the American South," WALL STREET JOURNAL, October ??, 1999; David Bacon, "NAFTA Fails to Protect Worker Rights," SOLIDARITY, October 1999; Stephen P. Mumme, "NAFTA & Environment," FOREIGN POLICY IN FOCUS, October, 1999; David Barkin, "Free Trade and Environmental Policymaking in Mexico," BORDERLINES, October 1999; David R. Francis, "NAFTA: Off With the Rose- Colored Glasses," CHRISTIAN SCIENCE MONITOR, October 18, 1999; "Mexico's Trade Unions Stick to the Same Old Tune," THE ECONOMIST, October 23, 1999; Gina Clark-Bellak, "The Case of Metales y Derivados," BORDERLINES, November 1999.

LATIN AMERICAN TRADE HIGHWAYS

Two major highway projects are expected to promote and facilitate intra-American trade during the coming decade. In the first, the Chilean government is investing more than $8 million in development of highways that link its Pacific ports with the Atlantic coasts of Argentina, Brazil and Uruguay. The project will include construction of a port complex at Mejillones, a former fishing village 65 km north of Antofagasta.

The Mejillones port will facilitate exports to Asia for Chile, Brazil, and Paraguay. In the other direction, the highway system will open access to the Atlantic coast and routes to export merchandise to other Mercosur countries and to the European Union.

In Central America, a planned 5,600 km. highway costing more than a billion dollars will be known as the Central American Logistical Corridor. The proposed highway will link shipping ports, airports, national capitals and other large cities throughout the isthmus, and will link the Atlantic and Pacific coasts. The first phase will construct a 1,700 km highway linking the Guatemalan city of Tecún Umán with Panama City. A second stage will add new sections connecting major cities to the Pan-American Highway. The third and fourth phases will construct a 1,350 km Atlantic Corridor and an 1,100 km Inter-Oceanic Corridor.

All of the planned highway construction is planned to be complete by 2005.

Nófer Muñoz, "The Integration Highway," INTERPRESS SERVICE, September 29, 1999; Gustavo Gutierrez, "Chile Launches New Atlantic-Pacific Land Route," INTERPRESS SERVICE, October 25, 1999.

RESOURCES

BORDERLINES. October and November 1999 issues, Vol. 7, Nos. 9 & 10 focus on analyses of NAFTA's Environmental Side Agreement and the organizations charged with carrying out its provisions. 16 pp. To order copies or to subscribe: Interhemispheric Resource Center, Box 4506, Albuquerque, NM 87196-4506. Telephone 515/388-0208; Fax 505/388-0619; email borderlinesfaq@irc-online.org or go to http://www.irc-online.org/ bordline/

"First North American Symposium on Understanding the Linkages Between Trade and Environment" will be hosted by the Commission for Environmental Cooperation in October 2000. For more information or to submit proposals for papers, contact Scott Vaughan, Project Manager, NAFTA/Environment, 393 rue St. Jacques ouest, Suite 200, Montreal, Quebec H2Y 1N9. Telephone 514/350-4302; Fax 514/350-4314; email svaughan@ccemtl.org

"Six Years of NAFTA: A View from Inside the Maquiladoras." October 11, 1999; produced by Comité Fronterizo de Obreras (CFO - Border Committee of Women Workers) and the American Friends Service Committee. To order executive summary or full report, contact Luis Perez, AFSC, 215/241-7134 or Lperez@afsc.org.

RED MEAT EXPORTS, IMPORTS

According to agricultural analysts, US. meat producers will see a substantial decline in beef, veal, and pork exports in 2000, accompanied by a sharp rise in beef imports. According to U.S. Department of Agriculture forecasts, Argentine beef exports will rise 25% in 1999 to 350,000 metric tons. Brazil is expected to begin exporting fresh and frozen beef to the United States in December, as soon as U.S. approval is given.

For 1999, beef, veal, and pork exports will be balanced, with exports nearly equal to imports, by tonnage. Part of the reason for the change is an expected tightening of the U.S. beef supply, with an attendant increase in beef prices. U.S. pork imports rose almost 20 percent in 1999, but are expected to fall slightly in 2000.

According to a National Pork Producers Council report, U.S. pork exports have risen 80 percent in value since 1995, with only Denmark exporting more pork. U.S. beef exports have increased from 1.5 percent of production in 1985 to about eight percent in 1999.

Beef and pork producers' associations are pushing the Agriculture Department to finance increased food aid to Russia to bolster beef and hog prices.

Richard Lawrence, "US Red Meat Trade Expected to Run Big Trade Deficit," JOURNAL OF COMMERCE, October 29, 1999; "Brazil Beef Sales to U.S. May Start Soon," MIAMI HERALD, October 20, 1999; Charles Thurston, JOURNAL OF COMMERCE, October 29, 1999; Peter Fritsch, "Next on th eMenu at U.S. Steakhouses: Brazilian Beef," October 18, 1999.

NAFTA & Inter-American Trade Monitor is produced by the Institute for Agriculture and Trade Policy, Mark Ritchie, President. Edited by Mary C. Turck. Electronic mail versions are available free of charge for subscribers. For information about fax subscriptions contact: IATP, 2105 1st Ave. S., Minneapolis, MN 55404. Phone: 612-870-0453; fax: 612-870-4846; e-mail: iatp@iatp.org. The Spanish version of this news bulletin, El Monitor de NAFTA y Comercio Interamericano, and a searchable archive of all back issues is available at: http://www.newsbulletin.org To subscribe/unsubscribe to the email version of this news bulletin, send email to: listserv@iatp.org. Leave the subject blank. In the body of the message type: subscribe nafta_monitor

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WTO FAILURE

The much-heralded World Trade Organization ministerial conference in Seattle Nov. 30-Dec. 3 ended without the expected agreement to start a new "Millennium Round" of trade talks. The group failed to reach a consensus on implementation of previously-agreed accords or on agricultural issues.

African, Asian, Caribbean, and Latin American countries protested high- handed tactics of the United States and other industrialized countries, and a lack of transparency in proceedings. Various representatives said that countries had been barred from participation in important working groups, and accused the United States of threatening to withhold aid unless countries gave their support to U.S. positions.

Negotiations will continue in Geneva in January, with review and further liberalisation in agriculture and services sectors as mandated in the Uruguay Round's built-in agenda.

The United States and 14 other agricultural exporting countries, including Canada, hoped to use the Seattle conference to promote liberalized agricultural trade, while the European Union and Japan, together with South Korea, Norway, and Switzerland, favored maintaining protection for agricultural producers. This division was only one of many conflicts among WTO member nations.

Discussion of linking labor and trade also splits the WTO. In a modest proposal to the WTO, the United States asked that a working group on trade and labor be established to analyze the effects of trade on living standards and employment opportunities, but not to seek changes to WTO rules. AFL-CIO President John Sweeney supported the proposal, but called it "only a small step in the right direction," maintaining that the WTO needs to institute rules to protect worker and human rights. Developing countries generally oppose any linkage of labor issues and trade agreements.

Speaking to the Seattle ministerial conference, U.S. President Bill Clinton urged that the WTO "develop ... core labor standards" and to incorporate those standards and enforcement systems in the trade agreement. His speech went beyond the official U.S. negotiating position. Later, U.S. Trade Representative Charlene Barshefsky reassured developing country delegates that the United States was not pushing for incorporation of sanction-backed labor provisions in the WTO.

Biotechnology issues further divide the WTO. The EU rejected the plan proposed by the United States, Canada, and Japan for the establishment of a working group on biotechnology. The U.S. faction says it wants timely, science-based, transparent approval processes for biotechnology. The EU insists on including concerns of consumers and environmentalists in the debate. Environment ministers of the UK, France, Denmark, Italy, and Belgium remained opposed to the establishment of the working group.

David Byrne, Commissioner for Health and Consumer Protection for the European Commission, insisted that Europe remains committed to following through with the negotiations on the Biosafety Protocol under the UN Convention on Biodiversity.

Gustavo Capdevila, "WTO Ministers Lack Script for Seattle Conference," INTERPRESS SERVICE, November 23, 1999; "U.S. Formally Seeks WTO Working Party On Labor Rights And Trade," INSIDE US TRADE, November 1, 1999; "EU Reverses Position on Biotechnology Working Group, Ministers and Experts Disagree," ICTSD BRIDGES DAILY WTO UPDATE, December 1, 1999; "New Trade Round Postponed; Ministerial Meeting Suspended," ICTSD BRIDGES DAILY WTO UPDATE, December 3, 1999; Joseph Kahn and David E. Sanger, "Seattle Talks on Trade End With Stinging Blow to U.S.," NEW YORK TIMES, December 5, 1999; David E. Sanger, "White House Miscalculation Led to Talks Without a Focus," NEW YORK TIMES, December 5, 1999; "Free Trade Talks Collapse Amid Protests," WEEKLY NEWS UPDATE ON THE AMERICAS, December 4, 1999; Peter Constantini, "WTO Talks Resume in Face of Protests," INTERPRESS SERVICE, December 1, 1999; Abid Aslam, "Third World Tastes the Carrot and the Stick," INTERPRESS SERVICE, December 2, 1999; Danielle Knight, "EU Rejects WTO Bio-Tech Proposal," INTERPRESS SERVICE, December 2, 1999; Danielle Knight, "WTO Attacked for Ignoring 'Precautionary Principle,'" INTERPRESS SERVICE, December 3, 1999; Abid Aslam, "Developing Countries Assail WTO 'Dictatorship,'" INTERPRESS SERVICE, December 3, 1999; Abid Aslam, "WTO Talks Collapse Amid Rancour," INTERPRESS SERVICE, December 4, 1999.

PROTESTS FILL STREETS

Protestors hailed the failure of WTO talks as a victory. They agreed on little else. Protestors ranged from environmentalists, labor activists, and human rights advocates to right-wing opponents who characterized the WTO as a dangerous step toward world government. Protests against the WTO's third ministerial conference began before delegates arrived, with a series of rallies, teach-ins, marches and concerts protesting concentration of power in large corporations. Most of the more than 30,000 labor and environmental issues. On November 30, massive, non-violent street protests prevented the opening session of the WTO ministerial from taking place. Estimates of the number of demonstrators ranged from 30-35,000 (New York Times) to 100,000 (British Guardian).

One or two hundred anarchists captured media and public attention wlhen they smashed store windows and engaged in other violence. Non-violent demonstrators tried, unsuccessfully, to stop the anarchist violence. Police waded in and the city cracked down on all demonstrators to prevent disruption of the second day of talks. The National Guard was called in to help maintain order and, in the aftermath of the protests, Seattle's police chief resigned.

Patti Goldman, an attorney with the Seattle-based Earth Justice Legal Defense Fund said that U.S. domestic environmental and health laws had been weakened when regulations were challenged as barriers to free trade. The WTO dispute panel has ruled against U.S. environmental laws protecting sea turtles and dolphins, characterizing them as unfair barriers to trade.

Jerry Mander, president of the International Forum on Globalization, warned that export-oriented production damages the environment by increasing global transport activity and fossil fuel use and encouraging ecologically-damaging new infrastructures.

Among other targets of environmentalists were a U.S. proposal to eliminate tariffs on wood and paper products by 2004 and proposals for bulk export of fresh water from Canada.

Labor representatives charged that free trade serves as a cover for a "race to the bottom" by manufacturing businesses, who move their plants to countries with the lowest labor costs and least worker protections.

Human rights activists focused on U.S. advocacy of the admission of China to the WTO without consideration of China's human rights abuses.

Danielle Knight, "Anti-WTO Protests Begin in Seattle," INTERPRESS SERVICE, November 29, 1999; Gustavo Capdevila, "A Pinch of Social Justice in Each Exported Product," INTERPRESS SERVICE, November 26, 1999; "New Trade Round Postponed; Ministerial Meeting Suspended," ICTSD BRIDGES DAILY WTO UPDATE, December 3, 1999; Steven Greenhouse, "Seattle Protest Could Have Lasting Influence on Trade," NEW YORK TIMES, December 6, 1999; "Free Trade Talks Collapse Amid Protests," WEEKLY NEWS UPDATE ON THE AMERICAS, December 4, 1999.

MAJOR TRADE CASE SET

The U.S. Supreme Court agreed to rule on a lower-court decision that had forbidden state and local governments from refusing to contract for goods and services with multi-national companies doing business in repressive countries. The case arose from a 1996 Massachusetts law imposing a penalty on bids for state contracts by companies doing business in Burma. Massachusetts based its law on its objections to human rights violations by Burma's government. The Massachusetts law was challenged by the National Association of Manufacturers and the American Chamber of Commerce. Their challenge was backed by the European Union, which also filed a challenge to the Massachusetts law with the World Trade Organization.

Selective purchasing laws have been a powerful tool for local human rights activists. Their use was pioneered in the 1970s and 1980s as states and municipalities banned companies with investments in South Africa from bidding on contracts. At least 33 U.S. towns and cities have such human-rights-based selective purchasing laws in effect in 1999.

A Supreme Court decision is expected in the summer of 2000.

Jim Lobe,"Supreme Court to Hear Globalisation Case," INTERPRESS SERVICE, November 30, 1999.

BANANA DISPUTES CONTINUE

In mid-November, Ecuador asked the World Trade Organization for permission to impose $450 million in punitive tariffs on European Union exports to retaliate for the EU's delay in changing its banana import rules. The EU banana import regime favors former colonies in the Caribbean at the expense of Ecuador and other Latin American exporters. Bananas account for 30 percent of Ecuador's exports. Ecuador is the world's largest banana exporter. A World Trade Organization panel ruled that the EU banana regime discriminates unfairly against Latin American producers. Ecuador maintains that the most recent EU proposals for changes favor the large, transnational banana companies. In Ecuador, Dole has only 24 percent of the banana market, Chiquita 13 percent, and Del Monte six percent. While the

United States led the challenge to the EU banana regime mostly in support of Chiquita and the other transnationals, the United States also rejected the most recent EU proposals, and has already imposed its own punitive tariffs.

Meanwhile, major banana transnationals have shut down or threatened to shut down production in Latin America. Standard Fruit (Dole) reduced its production in Costa Rica this year, and closed plantations in Nicaragua and Venezuela, laying off some 9,000 employees and reducing Dole's total banana production by about 17 percent. Executives of the Puerto Armuelles Fruit Company (PAFCO), a Chiquita Brands subsidiary located on the Panama's Pacific coast, threatened in November to shut down operations there.

David Carrasco, Banana Row Heats Up, INTERPRESS SERVICE, November 17, 1999; "Ecuador Pursues Banana Tariffs," BLOOMBERG NEWS, November 18, 1999; Kintto Lucas, "New Battle Erupts in Banana War," INTERPRESS SERVICE, November 13, 1999; "Dole to Exit Nicaragua and Venezuela, Cut 9,000 Jobs," BLOOMBERG NEWS, November 4, 1999; "U.S. Rejects EU Proposal To End Banana Sanctions," CONGRESSDAILY, November 10, 1999; Michael Smith, "Brussels to Back Proposals to Bring End to Banana War," FINANCIAL TIMES, November 9, 1999; Frederic M. Biddle, "Dole Food, Reacting to Glut, to Trim Banana Operations by 17%," WALL STREET JOURNAL, November 5, 1999; Jim Offner, "Banana Production Sliced 17%," THE PACKER, November 8, 1999.

MEXICO-EU PACT

Pending approval by the Mexican parliament and legislatures of European Union countries, Mexico and the EU have agreed to cut tariffs, beginning in July. The agreement, announced on November 24, ends four years of negotiations. Immediately after the Mexico-EU announcement, trade ministers from the EU and Mercosur (Argentina, Brazil, Paraguay, and Uruguay, and Chile as an associate member) announced the launching of formal negotiations for a free trade pact with the EU.

On November 26, Mexican Agriculture Minister Romarico Arroyo said cereals, dairy produce and meat are excluded from the Mexico-EU trade pact. Mexico and the EU agreed to phase out tariffs on 85 percent of agricultural products by 2010.

Diego Cevallos, "Free Trade Starting in July," INTERPRESS SERVICE, November 24, 1999; "Mexican Ag Minister Says Grains, Meat, Dairy Off EU Trade Pact," DOW JONES NEWSWIRES, November 26, 1999; Niccolo Sarno, "After EU-Mexico Agreement, Mercosur to Follow," INTERPRESS SERVICE, November 25, 1999; Diego Cevallos, "Deal With EU Chalked Up to Expertise of Negotiators," INTERPRESS SERVICE, November 25, 1999.

CANADA WATER PROTECTION

In late November, the Canadian government announced a ban on export of Great Lakes water. The ban will be incorporated in the International Boundary Waters Treaty Act, which created the Canada-U.S. International Joint Commission on Boundary Waters. The Joint Commission has called for a moratorium on Great Lakes water exports.

Canadians have recently expressed concern over the possibility of World Trade Organization rules forcing Canada to allow water exports. Warmer weather during the last decade reduced Great Lakes water levels to record lows, at least one meter below 1980 levels.

Foreign Minister Lloyd Axworthy said that an outright ban on bulk fresh water exports would be subject to challenge under NAFTA, making water resources more vulnerable. British Columbia still imposes a ban on fresh water exports.

The federal government is now defending against a $10.5 billion lawsuit brought by U.S.-based Sun Belt Inc., under provisions of NAFTA. Sun Belt's Canadian partner was licensed to export water during the 1980s by the British Columbia government, which later imposed the export moratorium.

Mark Bourrie, "Canada Uses Treaty to Keep Ban on Water Exports Away From WTO Net," INTERPRESS SERVICE, November 25, 1999.

ENVIRONMENTAL WIN

U.S. Federal Court Judge Barbara Rothstein ruled in early November that the federal government was violating the Federal Advisory Council Act by limiting membership in to trade advisory panels to industry representatives. She ruled that this does not provide a "fair balance of viewpoints," as required by the law, and ordered that at least one representative from the enviornmental activist community must be included on the panels.

"The forest ISACs (Industry Sector Advisory Committees) offer advice on diverse and far-reaching issues that affect others, especially those who promote forest conservation," wrote Rothstein. The ruling came in a lawsuit filed in Seattle by several environmental groups, including the Northwestern Ecosystem Alliance, the Pacific Environment and Resources Center, the Sierra Club, and the International Forum on Globalization.

Jim Lobe, "Environmentalists to Sit on Trade Panels," INTERPRESS SERVICE, November 10, 1999.

CBI PARITY

On November 3, the U.S. Senate passed a bill that would end duties on apparel made in the Caribbean and Central America. The Senate version combines the Africa Growth and Opportunity Act (ALGOA), called "NAFTA for Africa" by its opponents, with the United States-Caribbean Basin Trade Enhancement Act. The bill would effectively grant the region trade parity with Mexico for selected products, restoring benefits formerly granted under the Caribbean Basin Initiative. The House of Representatives had already passed ALGOA, but had rejected the CBI portion of the legislation. The two versions of trade legislation now go to a joint conference committee.

CBI countries have lost export share and Mexican textile imports to the United States have risen at a rate of 44 percent per year since NAFTA's implementation opened Mexico-U.S. trade. In Jamaica, garment exports dropped from a high of $268 million in 1995 to $200 million in 1998, contributing to a Jamaican unemployment rate estimated between 20 and 25 percent.

Matthew J. Rosenberg, "From Time to Time: Nando's In-Depth Look at the 20th Century," ASSOCIATED PRESS, November 16, 1999; "U.S. Senate Passes 'Free Trade' Bill," WEEKLY NEWS UPDATE ON THE AMERICAS, November 7, 1999.

PATENT OVERTURNED

On November 4, the U.S. Patent and Trademark Office (PTO) canceled a patent issued to U.S. citizen Loren Miller, owner for the International Plant Medicine Corporation. The 1986 patent on a variety of the ayahuasca vine native to the Amazon rain forest was challenged by indigenous people from nine South American countries. More than 400 indigenous groups use ayahuasca in traditional religious and healing ceremonies.

"Amazon Indigenous Win Patent Dispute," WEEKLY NEWS UPDATE ON THE AMERICAS, November 7, 1999.

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