



# Bridges Weekly Trade News Digest

*Weekly trade news from a sustainable development perspective*

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## LEAD STORIES

### European Commission Looks to Loosen Hold on GMO Regulations

The European Commission recommended sweeping new changes to the European Union's policy on the cultivation of genetically modified organisms (GMOs) on Tuesday, unveiling a proposal to grant individual member states the right to decide for themselves whether to allow their domestic farmers to grow the altered crops.

"I think that this proposal reflects a balanced approach to a sensitive issue, in particular for European citizens," European Health Commissioner John Dalli told journalists on Tuesday.

The possibility of a policy shift drew sharp criticism from both sides of Europe's contentious GMO debate, with industry representatives complaining that the change would make European regulations even more unwieldy and green groups berating what they saw as a fatal weakening of Europe's stance against "frankenfoods."

The proposed changes would come in the form of an amendment to the EU's 2001 Directive on the Deliberate Release of GMOs to allow member states "to restrict or prohibit cultivation of GMOs on their territories," according to a statement from the Commission. However, the amendment would not give countries the right to ban imports of GM products or to prohibit the marketing of those seeds within their borders.

Before it can become law, the amendment will have to win the approval of both the European Parliament and a qualified majority of EU member states. Regardless of whether the amendment is adopted, the EU-wide system for granting approval for the cultivation of genetically

modified seeds in Europe will remain in place, Commissioner Dalli insisted on Tuesday.

“Let me be clear,” he said at a press conference, “this proposal does not mean that the Commission walks away from its responsibilities. On the contrary, and far from it.”

The EU-level process considers petitions from biotech companies on a case-by-case basis, evaluating the potential environmental and health effects of each new GM seed for which a petition has been submitted. Only two genetically modified seeds have been approved for cultivation in Europe: a strain of maize produced by agriculture giant Monsanto and a type of starch potato from Amflora, which was approved in March, but only for industrial uses. The amendment proposed on Tuesday, however, would allow individual member states the right to effectively overrule the bloc-level authorisation of GM seeds.

The 27-nation EU has long been schizophrenic in its attitudes toward GMOs. Member states Austria, Bulgaria, Germany, Greece, Hungary, Ireland and Luxembourg have issued blanket bans on the cultivation of GM seeds, citing health and environmental concerns under a safeguard clause contained in the 2001 directive. Other countries, however – including the Czech Republic, the Netherlands and the United Kingdom – appear more open to allowing their farmers to grow the altered crops.

### **Industry, green groups wary of shift**

Representatives of European farmers expressed concerns on Tuesday that the devolution of GM approval to member states would muddle up regulations across the EU and potentially trigger a flood of new lawsuits. Carel du Marchie Sarvaas of EuropaBio, the European Association for Bioindustries, warned that the amendment would cause “further legal uncertainty” for farmers who want to grow the crops.

“These proposals appear to give carte blanche to ban safe and approved GM crops in any country or region regardless of the needs or wishes of their farmers,” Sarvaas said.

Meanwhile, Greenpeace and Friends of the Earth Europe worried that after the shift, the European Commission would lean on EU member states to approve GM seeds at the bloc level – an accusation that Dalli denied at his press conference on Tuesday. The two environmental groups also say that the national bans would not be legally enforceable and could be subject to challenges. They insist that the safety of genetically altered products has not yet been adequately proven.

“The Commission continues to fail to protect Europe’s food and feed from contamination by GM crops, and we urge countries to reject this deal as it stands,” said Mute Schimpf, a food campaigner for Friends of the Earth Europe. “Until member states’ demands for a full reassessment of the risks of GM crops are met, there should be a moratorium on authorising new GM crops.”

Some say that the move to devolve regulatory authority on GMOs back to member states could set a dangerous precedent for European integration. Already this year, the 27-nation bloc has struggled to overcome deep internal divisions over how to respond to fiscal crises in Greece and other debt-ridden member states.

“GM crops are an extremely divisive subject between member states, but if they do it for this issue, what other issues will they do it for in future?” Jo Swinnen, a senior research fellow at the Brussels-based Centre for European Policy studies, told the EurActiv news agency. “This is actually an enormous precedent to hand EU powers back to the member states.”

ICTSD reporting; “EU eyes looser biotech controls,” THE NEW YORK TIMES, 10 July 2010; “GM crop ban may be lifted in Europe,” THE GUARDIAN, 12 July 2010; “EU wants to put GMO dispute to an end,” EURACTIV, 12 July 2010; “EU move to break GM deadlock could sow discord,” EURACTIV, 1 July 2010.

## OTHER NEWS

### OECD: Rich Countries Raised Farm Subsidies in 2009

The world's rich countries boosted government support for agriculture in 2009, according to a report that the Organisation for Economic Co-operation and Development (OECD) released last week. The report, "Agricultural Policies in OECD Countries: At a Glance 2010," is part of the OECD's annual effort to quantify and assess the support that its 31 developed country members provide to their agricultural producers.

The OECD found that the Producer Support Estimate (PSE) rose to US\$252 billion dollars in 2009, which was the equivalent of 22 percent of total farm receipts in that year. In 2008, the share of farm receipts attributable to agricultural support was 21 percent.

The Producer Support Estimate measures the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, relative to a situation without those policy measures in place. It is one of the many indicators designed and used by the OECD for monitoring and evaluating the composition of government support for agriculture.

The support increase among OECD countries was primarily due to dips in agricultural commodity prices, which had been exceptionally high during the previous two years. Many of these subsidies are tied to prices, and tend to increase when prices drop. The global economic crisis also played a role in the up-tick in state support, as governments sought to shield their producers from the drop in global demand, especially for "higher value-added products," such as meat and dairy.

While rich countries enacted only a few new policy measures in 2009, much of the registered increase in support came under policies that were already in place, especially those policies that most distort agricultural trade and production, which are still prevalent in OECD countries. Such support mechanisms, combined with the dampened world commodity prices, caused the

amount of agricultural support to go up relative to total farm receipts -- even though many OECD countries have begun to transition away from using the most distorting subsidies.

Despite sharing most of these overall trends, the OECD countries individually adopted a wide range of policy approaches, which differed according to their respective objectives.

For instance, the EU's policies are subject to the concerns of its 27 members, and therefore incorporate agricultural support mechanisms to serve a range of objectives, while the United States also uses various means of support -- in its case, to help protect producers from market shocks. Meanwhile, Australian and New Zealand producers largely shy away from support mechanisms -- agricultural support makes up less than one and three percent of producer revenue, respectively. Instead, both countries allow the world market to indicate what to produce and where.

#### Market-distorting mechanisms still in place; OECD urges greater policy shift

Many of the most trade-distorting farm subsidies aim to keep domestic prices fixed despite fluctuations in world prices. Market price support makes up the majority of commodity-linked support, which in turn is the largest component of the PSE. In 2009, for instance, market price support was estimated at US\$116 billion -- or 46 percent of the PSE.

The OECD has traditionally taken a stance against these types of subsidies, given their potentially adverse impacts on economic efficiency, the environment, and growth in developing countries, along with their distortionary effects on trade and production.

Member countries have been urged to separate their support mechanisms from commodity production, a process referred to as "decoupling." The report noted that support not linked to production is often more effective at improving farm income, without having the above-mentioned spillover effects.

The organisation also lauded policies that are based on non-commodity criteria, such as environmental performance, while recognising that these policies are slightly less feasible due to their associated transactions costs and demands on budget.

Many of the OECD member countries have begun moving in this direction, according to the report. Decoupled support has increased from 1 percent of the PSE in 1986-1988 to 23 percent in 2007-2009.

### Recommendations to members

As a result of these findings, the OECD made a series of recommendations for its member governments.

OECD Director of Trade and Agriculture Ken Ash noted that members should focus more on “improving risk management.” He also recommended that the transparency and overall function of global markets should be improved for the sake of “reducing price volatility.”

In keeping with the OECD’s goal of incorporating climate change objectives into agricultural policy recommendations, the organisation also asked states to implement policies that will help producers respond to climate change and give them new opportunities for focusing on natural resource and biodiversity conservation.

The OECD urged countries to try improving on a more general level the environmental performance of the agricultural sector. One suggested option was for member states to develop new approaches that might give farmers incentive to provide ecosystem services that the market itself would not reward.

On a broad level, the report stressed the importance of directing agricultural support towards economic, environmental, and social objectives.

### Additional information

The highlights of the report are available in PDF form [http://www.oecd.org/document/27/0,3343,en\\_2649\\_33773\\_45538523\\_1\\_1\\_1\\_37401,00.html](http://www.oecd.org/document/27/0,3343,en_2649_33773_45538523_1_1_1_37401,00.html). The

full report can also be purchased through the [OECD bookshop](#).

ICTSD reporting.

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## Biodiversity Meeting Delves Into Access and Benefit Sharing

Parties to the Convention on Biological Diversity (CBD) are meeting in Montreal, Canada this week to resume talks on establishing an international regime on Access and Benefit Sharing (ABS) and to push to clinch a deal later this year. The meeting —the continuation of the ninth meeting of the Ad-Hoc Working Group – picked up where negotiations left off in Santiago de Cali, Colombia in March. The Working Group suspended talks on 28 March, with the understanding that the negotiations would resume at a later date.

The CBD’s Tenth Conference of the Parties (COP 10) - set to take place from 18-29 October in Nagoya, Japan - is the targeted deadline for the ABS Working Group to agree upon the details of a protocol. And while the Montreal meeting is meant to establish a clean draft text before the COP, some countries doubt whether this is a feasible goal. While some officials from rich countries are confident that a protocol will be agreed upon at COP 10, developing country delegates say the odds of striking a new deal are closer to fifty-fifty.

Developing country officials are cautious in their approach to establishing an international regime on ABS for several reasons. First, they say they are frustrated by the limited benefits that their countries gain under the current ABS frameworks, complaining that the rich world is engaging in “biopiracy” – plundering their resources without sharing any of the loot. Second, developing countries that have been subjected to illegal access, misappropriation or biopiracy say they are at a disadvantage when it comes to challenging such cases through legal channels. Finally, developing countries say their interests are undermined by the dearth of national ABS regulations in the developed world, where most pharmaceutical, biotechnology, and agricultural companies have their headquarters.

While the establishment of a protocol in Nagoya would help address these concerns, it is not yet clear whether developing countries' concerns can be satisfied. A better picture will emerge following Montreal.

### **Text emerging bit by bit**

The decision to establish an international regime on ABS emerged from the World Summit on Sustainable Development in Johannesburg, South Africa in 2002. Eight years later, however, consensus remains elusive.

The ABS negotiations are complicated by their interactions with an array of areas that are closely linked to the issue. One major sticking point centres on how the benefits of a patent can be shared within the country where the intellectual property used in the patent was sourced. Other hot topics include the relationship that a new protocol will have with other international agreements, including the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) as well as the role of non-parties - especially the US, which has not ratified the CBD - and the details of disclosure requirements.

At COP 8 - which took place in March 2006 in Curitiba, Brazil - the ABS working group was asked to complete its work by 2010. The working group has met several times since then in places like Geneva, Bonn, Paris, and Montreal. Much progress was made at the eighth Working Group meeting in Montreal (9-15 November 2009), but the heavily bracketed text was kicked down the road to the Group's next meeting in Santiago de Cali, which took place from 16-18 March 2010.

A draft protocol was tabled at the Cali meeting by the co-chairs and was subsequently accepted by parties as a basis for further negotiations. However, because the draft was not finalised by the end of the seven-day meeting, the Working Group suspended talks. Key trade issues incorporated into the Cali text include disclosure requirements in IPR applications, the certificate of compliance, technology transfer, and the protection of traditional knowledge associated with genetic resources.

Since March, the Cali text has been discussed at meetings in Nairobi, Kenya and Busan, South Korea. While any post-Cali changes to the text have not been made public, one delegate said recently that issues on financing and strategic planning have been consolidated. Delegates are aiming to tackle all outstanding issues in Montreal to be able to arrive in Nagoya with a clean text. A G27 delegate says all countries appear to be ready to meaningfully engage in in-depth negotiations to make this possible, even if sessions spill over into the night.

### **What to expect in Montreal**

Some 12-15 delegations are expected to take the lead on the text-based negotiations this week. The European Commission (EC) and Canada have been playing an important role in the negotiations since Cali, but insiders say Canada has been less engaged recently. Also, the EC appears to be rattled somewhat by various changes implemented by the Lisbon Treaty and tensions have reportedly emerged over whether a member country or the Commission itself should lead the negotiations. Recent ABS negotiations have seen high-level officials taking a less active role. In the past, environment ministers were involved in technical negotiations early in the process. But while ministers are currently engaged in the ABS talks on a national level, the next formal ministerial-level meeting is not scheduled until the second week of COP-10.

Looking beyond Nagoya, several delegates have said that regardless of whether the Working Group is able to establish a new protocol, the true proof of success will be whether an agreement can be effectively implemented.

In the absence of a protocol, free trade agreements will continue to be of highest importance for the management of ABS. Some analysts speculate that the bottom-up approach of FTAs may, in reality, be more effective than a top-down international protocol.

ICTSD reporting.

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## Russia Bolsters Regional Influence with New Customs Union

Belarus has – at least temporarily – put aside its differences with Russia, joining it and Kazakhstan in a new customs union that aims to serve as a framework for a future common market. The trilateral agreement, which came into force on 6 July, follows an earlier bilateral agreement between Russia and Kazakhstan that became active five days prior.

The agreement, however, does not mean that the dispute between Russia and Belarus over Russian tariffs on crude oil exports to Belarusian refineries has been resolved. While Belarus hopes that the union will prompt the lifting of the tariff, Russia insists that it is not required to eliminate the tariff until the common economic space is in place.

The stated goal of the union is to set up by 2012 a free trade area that would encompass the 170 million people living in the three participating countries. The current union does not fully eliminate all tariffs or duties between members.

Yaroslav Lissovolik, chief economist at Deutsche Bank's Moscow branch, called the union a “positive paradigm shift in how Russia deals with the near abroad,” according to The New York Times. He noted that Russia appears to have abandoned the norm of “giving out economic favours in exchange for political favours.”

While Lissovolik is among the experts hailing the new customs union as a means of repairing trade and investment links between the former Soviet countries, others warn that it could harm Russia's long-standing bid to join the WTO. Russia first submitted its application to join the global trade organisation in 1993, but the country's bid has hit a number of roadblocks – political and otherwise – along the way. The customs union itself currently lacks a common position on WTO membership.

Whether Russia can even join the WTO as part of a group is unclear.

The US recently threw its support behind Russia's WTO membership bid, after Russian President

Dmitry Medvedev toured the States late last month.

After meeting with US President Barack Obama, Medvedev released a [joint statement](#) with the US president, in which the two leaders called Russia's admittance to the WTO a “trade priority for both nations.” Obama also mentioned to Medvedev his hope that Russia can resolve its remaining obstacles to accession as early as September 30.

However, Anders Aslund, a senior fellow at the Washington-based Peterson Institute for International Economics, told the British Broadcasting Corporation that some top Russian officials have pushed for this union “in order to avoid joining the WTO” – putting in question Russia's commitment to the accession.

### Kyrgyzstan, Tajikistan possible contenders for customs union

Now that the customs union is in place, Kyrgyzstan and Tajikistan are among the Central Asian countries reported to be considering joining the bloc. Kyrgyzstan is already a member of the WTO, and it is unclear whether joining the customs union would be compatible with the country's commitments at the global trade body.

The union is expected to increase Russia's influence over the Kyrgyz and Tajik economies, a development that would not sit well with officials in the smaller former Soviet states. Kyrgyzstan has traditionally served as a stopping point for Chinese goods headed for markets in the former Soviet Union, where traders can then buy the goods at low prices only to sell them at higher prices in Russia and Kazakhstan, among other countries, for profit. The existence of the customs union could force them to change that practice.

These potential new members could be lured in by the possibility of accessing Russia's domestic labour market, given that Russia is the world's second largest importer of labour. Both Tajikistan and Kyrgyzstan rely heavily on migrant labour remittances from Russia, according to The New York Times. The possibility of Russia lifting its punitive tariff on refined fuel could provide another incentive for the two economies to join.



According to EurasiaNet, a New York-based news service focusing on Central Asia and the Caucasus, the union creates a two-tiered economic system among the former Soviet states, separating the customs union countries from Kyrgyzstan and Tajikistan, among others. All five countries are still in the Eurasian Economic Union (EurAsEC), an international economic organisation that aims to develop certain aspects of a common market among its members.

The Commonwealth of Independent States, another group of nations of which the three customs union countries are members, could also be adversely impacted by the customs union. However, CIS leaders announced at a 10 July summit that they would consider a free trade zone at the next session of the CIS Council. The zone would encompass all member states, including the customs union countries.

ICTSD reporting; "Will a new customs union hurt Russia's WTO bid?" BBC NEWS, 30 June 2010; "Moscow Using New Customs Union to Extend Influence in Central Asia," EURASIANET, 7 July 2010; "Russia's Mounting Influence In Belarus And Kazakhstan," FORBES, 6 July 2010; "Russia and 2 Neighbors Form Economic Union," THE NEW YORK TIMES, 5 July 2010; "Belarus wants free trade zone with EU – Deputy PM," REUTERS, 26 June 2010; "CIS leaders to work on free trade agreement: Voice of Russia," VOICE OF RUSSIA, 10 July 2010; "Obama: Russia Belongs in WTO," THE WALL STREET JOURNAL, 25 June 2010.

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## US Climate Bill Hits Summer Snag

Developments in US climate change legislation have been slow in the past month, as Senate Democrats continue to debate how they should try to push through new rules to cut the country's emissions of greenhouse gases.

Two left-leaning Senate heavyweights - John Kerry, a Democrat and Joe Lieberman, an Independent - unveiled their American Power Act in May. Since then, a senior Republican lawmaker, Richard Lugar, has released his own legislative alternative, the Lugar Practical Energy and

Climate Plan. Unlike the American Power Act (also known as the "Kerry-Lieberman" bill), Lugar's plan would not put a price on carbon through a cap-and-trade mechanism or any other scheme. Most of its emissions reductions would be achieved through new energy standards and subsidies to select clean energy sources, such as nuclear power. Ultimately, its impact on climate change would not be as far-reaching as that of the Kerry-Lieberman bill. However, Lugar's legislation may be more likely to win the Senate's approval.

Recent statements by prominent Senators, including Democrats, suggest that lawmakers may be scaling back their climate change ambitions, at least for this year. Senator Jeff Bingaman, a Democrat, has argued for an emissions cap that would affect only the utilities sector, as opposed to the Kerry-Lieberman bill's economy-wide cap. Bingaman may release his own bill within the next month.

### Utilities-only cap floated

Senator Lindsey Graham - a former co-author of the Kerry-Lieberman bill - has intimated that he would accept a utilities-only cap, but only if the bill were put to a vote after the November elections. Since the US Environmental Protection Agency (EPA) has already calculated that the bulk of the emissions reductions under Kerry-Lieberman would come from the utilities sector, Senators Kerry and Lieberman might find such a concession acceptable. Both lawmakers have said they are open to compromise, with Lieberman specifically mentioning the utilities-only approach.

Kerry-Lieberman may have gotten a political boost from a recent report by the Congressional Budget Office (CBO), a branch of the government that estimates the costs of potential new legislation. On 7 July, the CBO predicted that the Kerry-Lieberman bill, with its current economy-wide emissions program, would have a net effect of reducing the US budget deficit by US\$19 billion between 2011 and 2020. Though it would cost US\$732 billion to implement, the bill would also generate US\$751 billion in revenue, thereby producing the net positive figure, the CBO reported. However, if the Kerry-Lieberman emissions cap were limited to the utilities sector, its net revenue would be significantly smaller.

Regardless, the CBO will not calculate such a proposal until the scale-back is written into a new bill, as Senator Bingaman has suggested he might do.

### **Economic focus could open doors for climate bill**

As fiscal issues dominated the recent G20 summit in Toronto, the budgetary effects of US climate change legislation could take on a new political importance. The CBO report on the Kerry-Lieberman bill could thus be a boon to Democrats, helping them shrug off Republican criticisms that their party is fiscally irresponsible.

Ultimately, any proposal that Senate Democrats push this year will hinge on the strategic decisions of Democratic Senator Harry Reid, the Senate Majority Leader. Despite numerous meetings with other lawmakers, as well as US President Barack Obama, Reid has yet to clearly signal what kind of bill he would put to a vote. Similarly, Obama has been reluctant to push a specific plan before the US public, though he has offered general support for Congressional efforts thus far.

Assuming some form of climate legislation is passed, the new law will serve as the foundation for the US position in the next round of international climate negotiations. Administration officials will likely hesitate to negotiate an international commitment that is more ambitious than the legislation, given that any climate bill is unlikely to garner more than 60 votes in the US Senate – a necessary condition to avoid a Senate filibuster – and that a new international agreement needs the support of at least 67 senators for ratification.

Another round of international negotiations may be approaching more quickly than either the US Senate or the President would like. The next major talks will take place from 29 November to 10 December in Cancun, Mexico, not long after the 2 November Congressional elections in the US. Thus, the Cancun talks will fall in the “lame duck” period between the US election and the swearing-in of the new Congress on 3 January 2011, a time when Congress is traditionally loath to vote on landmark measures.

Climate negotiations set to take place in China just before the US elections could put pressure on Congress to produce a bill before November, some analysts say. However, with elections coming up soon, vulnerable Democratic Senators, including Majority Leader Reid, may be inclined to scale back their ambitions. For a climate change bill with emissions caps, the path to the President’s signature looks murky at best.

ICTSD reporting.

## **IN BRIEF**

### **Innovation is Critical to Economic Recovery: OECD**

Innovation and coherence in policy interventions can spur economic recovery and address global challenges such as climate change, according to the recently released “OECD Innovation Strategy” report. The main findings of the report were presented in Geneva on Tuesday by Andrew Wyckoff, the Organisation for Economic Co-operation and Development’s Director of Science, in a panel discussion.

Wyckoff emphasised that the report aims to disclose the complexities of innovation and provide policy makers with strategic priorities and policy advice to better encourage innovation and promote economic growth. One of the report’s key messages is that innovation policies should encompass a wide range of activities in addition to the standard research and development (R&D). Other critical areas include design, marketing and organisational changes. Consequently, innovation should be addressed and encouraged in an increasingly horizontal approach, through a wide spectre of policies, the report concluded.

The report urges governments to make long-term investments in education, research and knowledge infrastructure. At the same, it notes that governments should fuel demand-side policies such as smart regulations, consumer education and public procurement. To encourage green technology for example, governments should not only fund research, but also use public



procurement rules that favour environmentally friendly products and technology.

According to the report, just 700 firms account for close to half of the world's total R&D expenditure. The OECD stressed that improved mechanisms for technology transfer, including the removal of trade barriers that limit technology transfer, and the development of knowledge markets (e.g. voluntary patent pools) is called for to address this imbalance and encourage innovation in developing countries. The report noted that new global players such as China, Brazil, and India are being increasingly active on the innovation front.

The report also found that weak protection of intellectual property rights (IPRs) undermines incentives to invest in innovation, while excessively strong IPRs can hamper access to technology and discourage research.

James Pooley, Deputy Director General of the World Intellectual Property Organization, stressed that IPRs – “the package in which technology travels,” as he put it – are essential for the commercialisation of innovation.

Pedro Roffe – a Senior Fellow at the International Centre for Trade and Sustainable Development, which is the publisher of Bridges Weekly – indicated that developing countries could draw lessons from the OECD experience in this area, while taking into consideration their own circumstances. He emphasised the need for balanced IP protection that is combined with policies and mechanisms to facilitate access to and the transfer of technology. He stressed the importance of advancing IP policymaking on the basis of empirical evidence. Roffe also made reference to bilateral agreements in which OECD countries have exported their strong IP standards to poorer nations, which may not be equipped with the same checks and balances.

The report was first presented at an OECD ministerial meeting last month. It reflects the growing recognition of the role of innovation in meeting development goals and in offering solutions to key public policy challenges such as food security, climate change and health needs of the poor. Innovation has been high on the agenda

of several international organisations and processes in recent years, including the World Health Organization, the World Bank and the UN Conference on Trade and Development, as well as WIPO and the OECD.

ICTSD reporting.

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## Afghanistan, Pakistan Move Ahead on ‘Transit Trade’ Deal

Despite reaching a deadlock during their seventh round of talks last week, Afghanistan and Pakistan are still pushing ahead on a transit trade deal. The pact would give landlocked Afghanistan sea access and provide Pakistan with a direct link to other Central Asian economies.

Another beneficiary of this treaty would likely be India, which would have access through Pakistan to the Afghan market. India and Afghanistan are already major trade partners, yet their lack of a common border limits that relationship. Afghanistan wants access to the sea for exports to India, along with land access through the Wagah land route through Pakistan.

However, the prospect of India benefiting from the agreement is currently stalling the negotiations, as Pakistan does not believe that India should fall under the pact's scope. Afghanistan has refused to sign the agreement without a land access provision, but Pakistan is only willing to concede air-to-air access, according to The Express Tribune, a Pakistan-based affiliate of The International Herald Tribune.

Alongside its concern that India would benefit from the pact, Pakistan has also alleged that Afghanistan has refused to a series of measures that would target illegal smuggling.

India and Pakistan have long been seen as competing for influence in war-torn Afghanistan. The Council on Foreign Relations -- a think tank based in both New York and Washington -- noted in an article recently that India's increasing clout in Afghanistan is perceived by Pakistan as a threat to its own regional interests.

The estimated worth of official bilateral trade between Afghanistan and Pakistan is over US\$1 billion; the World Bank credits most of this to Pakistani imports. Black-market trade is estimated to be several times greater. Should the pact pass, however, negotiators hope that the deal would help rein in some of that illegal trade, given that traders would have more legal options.

Afghanistan's lack of sea access has made it dependent on transit countries for foreign trade. In theory, this treaty could turn Afghanistan into a regional trade hub, while allowing Pakistan to serve as a gateway through which Central Asia could transfer some of its excess energy to India, which lacks energy resources. However, freer trade with India could also put Central Asian products at a disadvantage relative to more competitive Indian products.

Negotiations on this treaty – known as the Afghanistan-Pakistan Transit Trade Agreement, or APTTA -- have been underway for the past two years; the original Memorandum of Understanding regarding this pact was signed in May 2009, with the goal of finalising the agreement by the end of that year.

Despite the slow rate of negotiations since the MOU's signing and the current disagreements on the treaty's provisions, Afghanistan remains optimistic. Afghanistan Chamber of Commerce director Abdul Qadir, speaking to Reuters, referred to recent discussions that gave him "strong hopes" that differences have been overcome.

The eighth round of talks will be held in advance of an international conference in Kabul later this month.

ICTSD reporting; "India-Afghanistan Relations," COUNCIL ON FOREIGN RELATIONS, 22 June 2009; "Pak refuses trade route to India," EXPRESS INDIA, 8 July 2010; "Pak-Afghan transit trade agreement consensus: Round 7," THE EXPRESS TRIBUNE, 6 July 2010; "Pakistan, Afghanistan fail to sign new transit trade treaty," THE EXPRESS TRIBUNE, 8 July 2010; "Afghanistan sees Pakistan border trade deal in weeks," REUTERS, 10 July 2010.

## WTO IN BRIEF

### WTO's Rules Group Gets a New Chair

Dennis Francis, WTO Ambassador from Trinidad and Tobago, is the new chair of the Doha Round's Negotiating Group on Rules. He follows Uruguayan Ambassador Guillermo Valles Galmés, who left the position earlier this year.

Francis was elected during yesterday's informal committee meeting in Geneva. Speaking to the group, Francis expressed his commitment to doing everything to move work forward, while recognising that the issues still not agreed will probably be difficult to resolve.

Francis has served as his country's ambassador to the WTO since 2006; during that time, he acted as chair of the Council for Trade-Related Aspects of Intellectual Property Rights (TRIPS) from late 2008 until mid-2009. He is also Trinidad and Tobago's ambassador to the United Nations, along with several other Geneva-based international organisations.

Francis has been a career diplomat for the past 30 years, serving in a variety of posts. He has worked in several divisions of his country's Ministry of Foreign Affairs, and served as High Commissioner of Trinidad and Tobago to Jamaica from 1999 until his move to Geneva in 2006.

The rules group focuses on negotiating disciplines on several topics, including anti-dumping, subsidies and countervailing measures, fisheries subsidies, and WTO provisions applying to regional trade agreements (RTAs).

A draft text released in December 2008 by then-chair Valles Galmés highlighted some of the areas of discord among group members, such as zeroing. Despite these disagreements, members have made some progress recently in resolving the fisheries subsidies issue, using the roadmap suggested by Valles Galmés in his text.

US Ambassador Michael Punke, [in his statement](#) congratulating Francis on his new position, urged the Rules Group to “remain engaged at a technical level to better understand each others’ rules and positions,” in order to soon reach a compromise on the issues still outstanding.

ICTSD reporting; “Summertime Changes for IP Policymakers in Geneva,” IP WATCH, 4 August 2008; “One on One with Dennis Francis,” JAMAICAN GLEANER, 5 June 2006.

## EVENTS & RESOURCES

### Events

#### Coming up this week

15 July, London, UK. ILLEGAL LOGGING AND RELATED TRADE: INDICATORS OF THE GLOBAL RESPONSE. The Chatham House will be using this event to launch a report on how tackling illegal logging and improving forest governance will affect the development of poor countries, as well as climate change. The report assesses the results of the global effort to combat illegal logging and its associated trade, analysing the response and progress being made in select producer countries (Brazil, Cameroon, Ghana, Indonesia, and Malaysia), processing countries (China, Vietnam), and consumer countries (France, Japan, the Netherlands, USA, and UK); officials from these countries, along with UK and EU private sector and environment and development NGOs will be present. This event is by invitation only. The report itself, *Illegal Logging and Related Trade*, will also be available on the Chatham House website on 15 July. For more information, please visit <http://www.chathamhouse.org.uk/events/view/-/id/1631/>.

July 15, Washington, DC. CHALLENGES OF INDUSTRIAL POLICY, INNOVATION AND COMPETITIVENESS IN BRAZIL. The Woodrow Wilson International Center for Scholars and the Brazil-US Business Council of the US Chamber of Commerce will be hosting a discussion featuring Luciano Coutinho, the President of the Brazilian Development Bank

(BNDES). The discussion’s theme will be the Challenges of Industrial Policy, Innovation, and Competitiveness in Brazil. Dr. Coutinho is a specialist in industrial and international economics and has placed innovation and international competitiveness at the centre of Brazil’s national development bank strategy to foster faster, sustainable and equitable growth during his tenure at BNDES. For more information, please visit [http://www.wilsoncenter.org/index.cfm?fuseaction=events.event\\_summary&event\\_id=626193](http://www.wilsoncenter.org/index.cfm?fuseaction=events.event_summary&event_id=626193).

19 July, London, UK. AIMING FOR NEW VIGOUR: THE UK IN THE GLOBAL ECONOMY. This event, hosted by Chatham House, will focus on the organisation’s new report, *Aiming for Vigour: The UK in the Global Economy*. The report focuses on the interaction between global growth and domestic austerity, which the report’s authors believe to be instrumental in determining the UK economy’s future. They argue that virtually all of the world’s developed economies must address the risks that are associated with rising public-sector debt. The report’s authors predict that, in the best case scenario, these countries will have to adopt a policy of fiscal austerity for some time; however, in the worst case scenario, more instability might arise as a result of debt crises in one continent or another. The report’s authors will be speaking at this event, along with discussants from the *Financial Times* and the Public Accounts Select Committee. Dr. Robin Niblett, the Director of Chatham House, will serve as the discussion’s chair. For more information, or to register, please visit <http://www.chathamhouse.org.uk/events/view/-/id/1617/>.

19 July-6 August, Baku, Azerbaijan. REGIONAL COURSE ON KEY ISSUES ON THE INTERNATIONAL ECONOMIC AGENDA FOR ECONOMIES IN TRANSITION.

This course, which will be held at the Azerbaijan Diplomatic Academy, aims to focus on the links between trade, investment, finance and development, including in the context of international trade negotiations. The course’s objective is to improve the understanding of linkages among these areas, and the connection between these subjects and countries’ development strategies. Participants – which will

include government officials in related industries and academics – will learn skills for designing and implementing trade and development policies, and for use in trade negotiations. For more information, please visit <http://www.unctad.org/Templates/Meeting.asp?intItemID=2068&lang=1&m=19214&year=2010&month=7>.

21-24 June, Quito, Ecuador. INTERNATIONAL CONFERENCE ON BIODIVERSITY CONSERVATION IN TRANSBOUNDARY TROPICAL FORESTS. The International Tropical Timber Organization (ITTO) will be hosting this conference, in collaboration with the Secretariat of the Convention of Biological Diversity and the International Union for Conservation of Nature, with support from the Government of Ecuador. The conference's objective is to review the status and goals for the conservation, management, and financing of biodiversity in tropical transboundary conservation areas (TBCAs). Conference organisers hope that stakeholders can use this conference to review the social, economic and political implications and impacts of TBCA projects, with the goal of identifying the best strategies for their contribution to sustainable development. The conference's results and recommendations will be presented to the Convention on Biological Diversity's Conference of the Parties 10 in Nagoya, Japan this October. For more information, please visit [http://www.itto.int/en/workshop\\_detail/id=2245](http://www.itto.int/en/workshop_detail/id=2245).

### WTO events

An updated list of forthcoming WTO meetings is posted at: [http://www.wto.org/meets\\_public/meets\\_e.pdf](http://www.wto.org/meets_public/meets_e.pdf). Please bear in mind that dates and times of WTO meetings are often changed, and that the WTO does not always announce the important informal meetings of the different bodies. Unless otherwise indicated, all WTO meetings are held at the WTO, Centre William Rappard, rue de Lausanne 154, 1211 Geneva, Switzerland, and are open to WTO Members and accredited observers only.

15 July: WTO Introduction Day

16 July: Working Group on Trade and Transfer of Technology

20 July: Committee on Trade and Development – Special Session

20 July: Dispute Settlement Body

### Other upcoming events

23 July, Washington, DC USA: BOOK LAUNCH: EUROPE'S DESTINY: THE OLD LADY AND THE BULL. The Woodrow Wilson Center will be hosting a book launch and discussion in honour of one of their newest publications: Europe's Destiny – The Old Lady and the Bull. This book, published by the Wilson Center Press and Johns Hopkins University Press, focuses on the current challenges Europe is facing, including growing international competition, the emergence and improving performance of Europe's competitors, the shifting balance of power, and the potential perils of responding to globalisation with protectionist policies. Brussels-based economist Attila Marjan, author of this book, will be on hand to discuss the book's findings. For more information, or to register, please visit [http://www.wilsoncenter.org/index.cfm?fuseaction=events.event\\_summary&event\\_id=625163](http://www.wilsoncenter.org/index.cfm?fuseaction=events.event_summary&event_id=625163).

26-30 July, Accra, Ghana. APPLYING SUSTAINABLE FOREST MANAGEMENT TO POVERTY REDUCTION: STRENGTHENING THE MULTI-STAKEHOLDER APPROACH WITHIN THE UNITED NATIONS FORUM ON FORESTS (UNFF). The Major Groups participating in the UNFF process will be organising this international workshop, which will use case studies as the basis for discussions, and as resources for developing policy recommendations. Organisers aim to achieve the following objectives: (a) develop concrete recommendations for UNFF 9, which will be held in January/February of next year; (b) identify the strengths and weaknesses of the Multi-Stakeholder Dialogue process associated with the UNFF in order to develop specific recommendations to improve its effectiveness; (c) identify specific activities that the Major Groups can engage in for the sake of contributing to the UN's International Year of Forests (2011); and (d)

develop and foster alliances, partnerships, and networking both within Major Groups and between those groups and other major players in the UNFF process. For more information, please visit <http://ica-international.org/case-study.htm>.

29 July, London, UK. CHRISTIAN AID'S CLIMATE CHANGE & ADAPTATION WORK WITH LINKS TO EMERGING RENEWABLE ENERGY ISSUES. Christian Aid will be hosting this event, open to the public, which will feature Richard Ewbank – Climate Change Programme Coordinator at Christian Aid – as the principal speaker. Ewbank will discuss how Christian Aid's main programme work involves supporting poor communities, so that they can cope with the increasing levels of climate change that they are experiencing. Christian Aid's work in this area mainly focuses on increasing the resilience of their livelihoods, enhancing the ability of their communities to identify and plan for the likely future climate threats they may face, and diversifying their sources of income. Ewbank will put special emphasis on the importance of detecting the level of climate change that has already occurred and will be likely in the future, along with recognising which livelihood risks are a result of climate change and which are a result of other factors. Given that 44 percent of India's population and over 70 percent of Africa's population are not currently connected to grid sources of electricity, renewable energy will be an instrumental resource in this adaptation process. For more information, please visit the Household Energy Network website at <http://www.hedon.info/LondonRIG:29Jul2010>.

increasing trade orientation as a development strategy. However, the states of the Mekong are now facing the challenge of balancing trade and investment liberalisation with environmental protection. These case studies present the issues involved in depth, and present policy recommendations for the subregion. For more information, or to download the paper, please visit <http://www.tradeknowledgenetwork.net/research/pub.aspx?id=1284>.

DEPLOYING ENERGY-EFFICIENCY AND RENEWABLE-ENERGY TECHNOLOGIES IN RESIDENTIAL AND COMMERCIAL BUILDINGS: WHAT ARE THE TRADING OPPORTUNITIES FOR DEVELOPING COUNTRIES? By Renee Vossenaar and Veena Jha, ICTSD, June 2010. The objective of this paper is to develop a better understanding of the patterns of trade flows and market drivers for climate-friendly technologies and associated goods. It builds upon a mapping exercise of climate-friendly technologies and associated goods in the residential and commercial buildings sector. It also highlights the challenges involved in accurately identifying and classifying many of the energy-efficient goods used in the buildings sector, for trade statistics purposes. The paper then makes recommendations on what policies would best complement trade liberalisation to promote a significant uptake of renewable energy and energy-efficiency technologies in residential and commercial buildings. For more information, or to download the paper, please visit <http://ictsd.org/i/publications/79573/>.

THE IMPACT OF THE GLOBAL ECONOMIC CRISIS ON INDUSTRIAL DEVELOPMENT OF LEAST DEVELOPED COUNTRIES. The South Centre, May 2010. This research paper examines the impact of the external shocks from the global economic crisis on industrial development of Least Developed Countries. These countries were, according to the South Centre's research, more exposed toward external shocks due to their extensive trade with the rest of the world, despite being marginalised in terms of their share in international trade and output. This paper makes a series of proposals for industrial development in order to avoid adverse impacts from another such crisis – including changes in WTO rules and a basic reconsideration

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## Resources

BALANCING TRADE GROWTH AND ENVIRONMENTAL PROTECTION IN THE ASEAN: CASE STUDIES FROM THE MEKONG SUBREGION. By Jörn Dosch, International Institute for Sustainable Development, 2010. The subregion surrounding the Mekong River – Southeast Asia's longest waterway – has mainly been subject to centrally planned market systems. However, the subregion is now transitioning towards closer integration with external markets, and is in the process of



of proposed Economic Partnership Agreements. For more information, or to download the paper, please visit <http://bit.ly/98d0HT>.

TRADE AND CLIMATE CHANGE IMPLICATIONS FOR FOOD SECURITY: THE CASE OF MAINLAND SOUTHEAST ASIA. By Antonio Schiavone, International Institute for Sustainable Development, 2010. This paper uses a case study of Cambodia, along with a policy, trade, and climate change perspective, to uncover some of the underlying issues that determine food insecurity in the Mekong region in Southeast Asia. The paper discusses the variety of ways that trade and climate change can impact food security, such as how global food shortages that could result in restrictive trade policies, and comes up with a series of recommendations to address food security concerns. Forthcoming papers also published by IISD's Trade Knowledge Network will focus on Latin America and southern Africa. For more information, or to download the paper, please see <http://www.tradeknowledgenetwork.net/research/pub.aspx?id=1290>.