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LEAD STORIES

New WTO Agreement on Government Procurement Within Reach by December

A deal that would liberalise access to billions of dollars worth of public procurement contracts among over forty WTO members is within reach by the end of the year, Geneva-based trade officials said. However, it remains unclear whether China will become part of the optional scheme in the foreseeable future; major trading powers like the US and the EU want China to join, but not on the terms Beijing has offered thus far.

The WTO government procurement committee met on 14-15 October, following bilateral and small-group gatherings earlier in the week.

At the top of the committee's agenda are two issues, neither of which are linked to the WTO's struggling Doha Round talks: revising the Agreement on Government Procurement (GPA), a plurilateral WTO accord that has since 1996 opened up access to several types of public tenders to companies from all participating countries; and negotiating the accession to the GPA of several WTO members, most significantly China.

The two issues are related, according to Nicholas Niggli, the Swiss senior trade official who chairs the government procurement committee. He told Bridges that many WTO members, irrespective of whether they belong to the GPA, believe that the agreement in its current form does not reflect "twenty-first century procurement realities." The revisions to the GPA currently under consideration would rectify this, he said. An updated GPA would "undoubtedly" encourage several other members to consider acceding to the plurilateral agreement, he suggested.

Government agencies' procurement of goods and services tends to account for 10 to 20 percent of national GDP. Joining the GPA requires governments to give up the ability to direct certain types of public purchases to domestic firms – traditionally a much-used lever for promoting particular economic sectors (albeit one that has been vulnerable to abuse, at increased cost to taxpayers). In return, their companies receive access to the types of public tenders covered by the GPA in all countries that are party to it.

But not all types of public procurement are covered by the GPA. When the 41 WTO members covered by the agreement signed up to it (the figure includes all 27 member states of the EU), each made a detailed offer describing which types of public purchases of goods and services would be open to competition from other GPA signatories. These offers spelled out which ministries would be covered, monetary thresholds below which GPA obligations would not apply, and exceptions. For instance, the US excludes food aid from its commitments, enabling it to direct such purchases exclusively to domestic suppliers; it also has exceptions for the purchase of construction-grade steel and programmes to support veteran soldiers. Sub-central entities like state and provincial governments are often (but not always) subject to disciplines under the GPA, but tend to have greater latitude to source locally than central governments.

Public procurement practices have been in the spotlight over the past two years, as many governments introduced infrastructure-heavy fiscal stimulus packages to combat the global economic downturn, along with measures aimed at keeping the spending at home. "Buy American" requirements in the United States' 2009 \$787 billion fiscal stimulus package made several WTO members anxious. Before the package became law, Washington modified the domestic-sourcing rules for spending on public works projects to specify that they would be consistent with US obligations under international trade rules – thus meaning that GPA parties could not be excluded from types of procurement covered by its commitments under the agreement (see Bridges Weekly, 18 February 2009, <http://ictsd.org/i/news/bridgesweekly/41050/>).

This, however, still excluded countries like China

and Brazil, which are not parties to the GPA. China in turn introduced "buy Chinese" requirements in its own \$586 billion fiscal stimulus.

WTO government procurement committee Chair Niggli suggested that the experience had demonstrated that GPA accession could protect countries from being shut out of lucrative contracts from other governments.

US, EU ask China for better offer

China is one of the most lucrative of these markets. As part of its terms of joining the WTO in 2001, China promised to accede to the GPA as soon as possible, but with no specific timetable for doing so. Beijing duly started negotiations on acceding to the GPA accession, but there are no clear indications about when these talks might conclude.

During the committee meeting, sources report that Niggli observed that China had made a revised offer of access to its market for public purchases in July, but that many countries wanted more. The chair of the government procurement committee is believed to be satisfied with China's level of engagement and commitment to the GPA accession talks.

The EU said that the July offer, while an improvement upon China's original offer, still fell short of Brussels' expectations. A representative of the US expressed concern that China's process of acceding to the GPA was taking so long, and called for accelerating the pace of the talks. The US would like China to table a new offer by June 2011, with commitments covering state-owned enterprises and sub-regional entities.

Japan wants China to make a new revised offer by the first half of 2011, as does Canada. Switzerland too, would like further improvements to China's offer, but it did not mention a timetable.

China said that it was working with trading partners on the issue, but that all changes in its position would be made accordance with the country's economic situation.

Mirroring the process for joining the WTO, acceding to the GPA requires consensus among GPA parties on the terms of accession offered by the would-be party.

Armenia is expected to accede to the GPA soon, possibly by the end of the year. Jordan is also in accession talks. Argentina, Chile, and India are observers to the GPA, but have not started accession negotiations. Brazil and South Africa are yet to seek observer status.

The growing number of bilateral and regional trade agreements with provisions on public procurement may ultimately weaken resistance to joining the GPA: if a government has already committed to open up public tenders to competition from one or two of its trading partners, broadening this to other countries may seem less of a stretch.

Revised GPA may be ready in December

The talks on revising the terms of the GPA are two-pronged: parties must agree on a revised text for the agreement, but also on the coverage of their future commitments on liberalised public procurement.

Governments provisionally agreed on a revised GPA text in December 2006, but it could not come into force until the coverage issue had been resolved. Now, agreement is within reach on both.

The draft revised GPA text is almost complete, based largely on the 2006 version. The parties are presently discussing its final provisions, and confirming the accuracy of legal translations. One area in which it would introduce changes is electronic procurement. In 1994, when governments were negotiating the GPA, virtually none used online advertising to solicit and receive tenders for public projects. Today, most do. The revised text reflects this; minimum notice periods are shortened, for example, to reflect the greater speed with which suppliers can submit proposals. Other changes pertain to flexibility, particularly special and differential treatment, in an attempt to make participation in the GPA more attractive to developing countries. (The 41 WTO members bound by the GPA are for the most part developed countries.)

In the talks on coverage, GPA parties have made substantial progress, submitting revised offers for opened-up procurement markets in line with a roadmap outlined by the chair earlier this year. Most countries have settled their differences, or report that they are close to doing so, sources say.

The main sticking point is between the EU and the US. The EU has historically believed its coverage under the GPA to be broader and more comprehensive than that of the US, and would like Washington to do more than what it has currently offered. US negotiators counter that their public procurement markets are relatively open – more so than the EU's by some metrics.

A two-week session has been planned starting 6 December for members to finalise changes to the draft text. One of the issues that needs to be defined is future work on public procurement.

Niggli told Bridges that members had a window of opportunity between now and early 2011 to reach an agreement on revising the GPA. Beyond that, countries may grow weary and walk away from the process. This would in turn dissuade new countries from joining the GPA, he warned.

ICTSD reporting.

Leaked EU Proposal for Ag Subsidy Reform Criticised by Farm Groups, Development Campaigners

Leaked draft proposals from the European Commission for post-2013 farm spending have drawn fire from environmentalists, development agencies and others seeking more ambitious reforms, as well as from farm groups fearing increased costs resulting from new environmental requirements.

The unofficial proposals plan to maintain the bloc's substantial farm subsidy scheme over the seven-year budgetary cycle, while refocusing spending on more clearly-defined policy outcomes such as environmental goals.

Prepared by the Commission's Directorate-General for Agriculture and Rural Development, the draft document recommends that a future Common Agricultural Policy (CAP) for Europe should focus on three objectives: viable food production, sustainable management of natural resources, and balanced territorial development. The leaked text was posted to the capreform.eu website on 8 October.

The proposal argues that, in order to achieve viable food production within the EU, a future farm policy needs to contribute to farm incomes, and help EU farmers to face competition from the world market (including in areas with natural constraints). It suggests that the CAP needs to provide environmental public goods, foster innovation, and enable farming to mitigate and adapt to climate change. Finally, it sees agriculture as important for supporting rural employment, promoting diversification and contributing to the “attractiveness and identity of rural areas”.

Policy instruments

The outline communication proposes maintaining a decoupled basic income payment for all farmers, plus additional support that would be linked to environmental measures. EU member states would retain the discretion to provide small amounts of production-linked support at the national level, the document suggests, and farmers in areas less conducive to agricultural production would also continue to benefit from additional payments.

The document suggests that the EU maintain “a two pillar structure” for farm support, with one pillar covering support paid to all farmers on a yearly basis and another covering other shared European objectives, such as rural development. To cope with “income uncertainties and market volatility”, members would also be able to make use of a new “risk management toolkit,” which would include policy options “ranging from a new WTO green box compatible income stabilisation tool, to strengthened support to insurance instruments and mutual funds.”

The Commission proposes establishing a new ceiling on direct payments to large individual farms, in a bid to improve the much-criticised

concentration of support on the largest farms – although this measure could also take into consideration the extent to which large farms contribute to rural employment. In a bid to respond to criticism from the European Court of Auditors, payments would be limited to “active farmers.” In recent months, transparency campaigners have highlighted the extent to which payments go to large landowners and food processing firms, and reported that some of the beneficiaries of taxpayers’ largesse include groups such as accordion and billiard clubs.

The leaked document proposes introducing “more equity in the distribution of direct payments between Member States,” although it appears to reject proposals for a single flat rate direct payment available to all producers. Currently, payments are skewed away from farmers in the Eastern European countries that most recently joined the EU, a situation which their governments seek to rectify. Instead, the proposal floats the idea that farmers in all member states could receive on average a minimum share of the EU-wide average level of direct payments.

Three options for reform

The draft outlines three possible reform scenarios: an “enhanced status quo” option, a “radical” option abolishing market and income support, and a mid-way reform option focused on “more balanced, targeted and sustainable support.” The impact of each option will be analysed before the Commission makes a final decision on its CAP proposal, the draft suggests.

While the status quo option would be restricted to “limited improvements in specific areas,” such as greater equity in the distribution of direct payments between member states, the draft suggests this could “arguably represent a missed opportunity” for reform. However, the document is even less enthusiastic about the radical option: if the EU were to abolish market and income support, and focus entirely on environmental and climate change objectives, it warns that this could “lead to a significant reduction in production levels, farm income, and number of farmers for the most vulnerable sectors and areas, as well as cause land abandonment in some areas and intensification of production in other areas, with

serious potential environmental and social consequences.”

The mid-way option would ensure that the EU's farm policy becomes more sustainable, the draft argues, and improve the balance between different policy objectives. More targeted measures would also “be more understandable to the EU citizen”. The size and complexity of the existing policy framework has been repeatedly criticised in recent years, and the draft acknowledges that simplifying existing measures would be helpful.

“Too early”

Officials familiar with the policy-making process warned that it may still be “too early” to comment meaningfully on the draft document. Although marked “*version finale*” (final version), it remains unclear whether the document has gone through intra-departmental consultations, or through vetting by other EU departments with responsibility for trade or development.

The document is also devoid of any figures on the size of the eventual budget for the bloc's agricultural policy – a discussion which reportedly is due to take place between the EU's badly squeezed finance ministers, with potentially important repercussions for agriculture. Furthermore, the draft gives no indication of the relative importance of the main policy instruments, such as the basic income support payments or the environmental subsidy component.

Initial reactions

The leaked document provoked a hostile reaction from COPA-COGECA, a European farmers' group, which warned in a [press release](#) that “the Commission plans will increase costs even further for EU farmers, threatening their competitiveness [sic] and economic viability”. The group advised that “reinforcing the economic production role of farmers must be central to the future CAP.” Environmental organisations, in contrast, have argued that a reformed farm policy must focus instead on the delivery of public goods such as environmental and developmental benefits.

In comments to Bridges, COPA-COGECA Secretary-General Pekka Pesonen cautioned against introducing additional environmental requirements on top of those that EU farmers have to comply with already. European farm income fell by 12 percent in 2009, Pesonen said, and increased costs of production could mean “farm income levels would plummet further.”

Ariel Brunner, head of EU policy at environmental group Birdlife International, told Bridges that the draft was “horribly timid.” While welcoming the overall direction of proposed reform, with a clearer focus on targeted measures and on delivering public goods, he also cautioned that plans to establish a new risk management toolkit covering income stabilisation and insurance “could become another monster very quickly.” Brunner also queried whether food security should be an overriding objective for the CAP, noting that “Europe doesn't have an issue of food security,” while many developing countries face problems with hunger and malnutrition.

Some of his concerns were echoed by Nils Jakobsen, ActionAid's head of policy and campaigns in Denmark. Jakobsen argued that the draft document does not “recognise the CAP has a negative impact - and is certainly trade-distorting - for developing countries.” He suggested that governments should reconsider the criteria determining which subsidies can be classified as 'green box' at the WTO – a category of payments that is exempt from any cap or reduction commitments, on the basis that they cause no more than minimal trade-distortion.

The Commission's finalised CAP proposal is expected in November.

ICTSD reporting.

Lamy: Uncooperative Currency Policies Could Jeopardise Economic Recovery

Global economic recovery could be “put in serious jeopardy” if governments do not cooperate on exchange rate policies, WTO Director-General Pascal Lamy warned this week.

The WTO chief said Tuesday that while major economies had done a good job at resisting protectionist pressures through the worst economic downturn in decades, he had “heard recently warnings that this stability could be put at considerable risk” by disorderly currency movements that “some perceive as a pursuit of an exchange-rate-induced comparative advantage.”

Lamy was reporting on his recent discussions with world leaders to a session of the Trade Negotiations Committee, the WTO body that oversees the Doha Round trade talks. His remarks marked a rare intervention on the subject of exchange rates, an issue that he has generally left to the International Monetary Fund and finance ministers. He acknowledged as much, saying that the IMF and other institutions were better positioned than the WTO to deal with “uncooperative currency behaviour.” Nevertheless, Lamy told representatives of the WTO’s 153 members that he believed that “history will judge us harshly if our collective efforts towards exiting the economic crisis were to be frustrated by short-sighted individual rent-seeking.”

Recent months have been marked by increasingly sharp exchanges among the world’s major economies over currency policy and attempts to boost export competitiveness. Brazil’s finance minister, Guido Mantega, recently declared the world economy to be in an “international currency war” (see Bridges Weekly, 29 September 2010, <http://ictsd.org/i/news/bridgesweekly/85803/>).

The US and the EU have been critical of China for failing to let its currency, the yuan, appreciate more quickly. The US House of Representatives has passed a bill opening the door to the imposition of tariffs on Chinese imports to offset the subsidising effects of China’s allegedly undervalued exchange rate.

China, meanwhile, has rebuffed calls for a stronger yuan. It blames structural factors and financial policies for the US’s cavernous trade deficits, and has criticised ultra-loose monetary policy in developed countries, especially the US, for distorting global demand and currency values.

Several other developing countries have watched with alarm as their exchange rates have been pushed up by inflows of capital in search of higher returns than those offered by the North’s rock-bottom interest rates (China maintains strict capital controls). Appreciating currencies make their own exports, particularly of manufactured goods, less competitive on world markets, and countries like Brazil and Thailand have introduced new taxes on inflows of foreign capital. Officials from developing country governments have for the most part offered no more than muted criticism of China’s exchange rate policy.

While declarations of war may yet be premature, it is clear that governments are still grasping for a way to reduce global macroeconomic imbalances. The IMF’s annual meetings in Washington earlier this month produced no concrete moves towards better coordination (the IMF did promise that its monitoring efforts will henceforth be “more attentive to cross-border spillovers” resulting from governments’ policies). Important surplus economies like China and Germany, as well as deficit economies like the US, both hope to export their way to higher growth. But it is impossible for all countries to run trade surpluses, just as it is impossible for all countries’ currencies to be weak relative to each other.

The tension about how to resolve imbalances between debtor and creditor countries results in part from a deliberate lacuna in the international financial architecture dating back to its creation at the Bretton Woods conference in 1944. John Maynard Keynes, who led the British delegation to the summit, wanted rules that would have shared the burden of adjustment to macroeconomic imbalances among deficit and surplus countries, through penalties for running large current account deficits *or* large surpluses. (Keynes wanted deficit countries to devalue their currencies, thus reducing net imports, and surplus countries to revalue theirs, thus reducing net exports, until the imbalances became manageable.) The US, then the world’s largest creditor by a considerable margin, rejected constraints on surplus economies, viewing balance of payments deficits as a problem for the countries running the deficits. Today, the absence of clear rules governing how surplus and deficit economies could cooperate to restore macroeconomic balance without deflation in the

latter has seen trade relations grow increasingly fraught.

Risk of trade wars rising?

“The risk of global currency and trade wars is rising, with most economies now engaged in competitive devaluations,” believes Nouriel Roubini, the economist whose gloomy prognostications about the world economy earned him the sobriquet ‘Dr. Doom’ before the financial crisis of 2008-09 made him appear prophetic.

In a recent column, Roubini argued that instead of the needed rebalancing, with greater savings by deficit countries like the US and the UK offset by greater domestic spending by China, Japan, and Germany, the world was seeing large-scale intervention (whether through monetary easing or direct intervention) to keep currencies low in order to promote exports. He warned if surplus economies continued to prevent their currencies from appreciating in nominal terms, the only avenue left for deficit countries would be deflation, which would entail economic recession and a massive increase in debt – an outcome that would ultimately damage creditor economies too.

“Currency wars eventually lead to trade wars, as the recent US congressional threat against China shows,” Roubini wrote. “With US unemployment and Chinese growth both at almost 10 percent, the only mystery is that the drums of trade war are not louder than they are.”

Two weeks before his warning to the TNC, Lamy downplayed the risks of a trade war resulting from the US-China tensions over the yuan. “I currently do not see that the preconditions for a trade war exist,” he was quoted as saying in *TagesAnzeiger*, a Swiss newspaper, in the wake of the US House of Representatives’ passage of the currency bill. “If it has demonstrable consequences, that’s a different story,” he said, stressing that the appropriate value for currencies was a subject for the IMF. “If this topic were brought forward, the WTO’s dispute resolution system would deal with it.”

Spats over green technology, rare earths

Tariffs linked to exchange rates are not likely in the immediate future: the House bill would need to be approved by the Senate and the White House, and even then procedural requirements would mean months would pass before any duties could be imposed. But trade tensions have not been limited to threats.

To go with a raft of disputes at the WTO covering everything from chicken to steel and credit card companies, the US and China have been sniping over alleged Chinese state support to green technology companies. The US last week announced that it would investigate Chinese support to wind and solar-energy companies and other clean technology sectors, in response to a petition by the United Steelworkers union alleging that Beijing was violating WTO rules by providing subsidies. China’s top energy official, Zhang Guobao, dismissed the probe as an effort to win votes ahead of the US’s Congressional elections in November. He said that China’s support to the sector was dwarfed by US support to its own clean energy industry, according to a report by Xinhua, a Chinese state-owned news agency.

Trade in so-called rare earth elements have been another source of tension over the past month – although in this case China’s trading partners are complaining that China is not exporting enough. China dominates world production of the minerals, which are necessary to make high-technology products ranging from hybrid cars to wind turbines, consumer electronics, and sophisticated weaponry.

Japanese officials claim that China stopped exporting rare earth minerals to Japan as of 21 September. The *New York Times* reported Tuesday that shipments of the materials to the US and Europe had also come to a halt, citing industry officials. Beijing denies the existence of an embargo. It says that export quotas have been reduced, alongside the introduction of restrictions on domestic mining and processing, for the sake of environmental protection. US trade officials have said that they would investigate whether China’s policies were consistent with its WTO obligations.

Bloomberg reported Wednesday that the Chinese commerce ministry denied the *New York Times*

report of a rare earths embargo on Japan, the US, and Europe. It quoted a Chinese official as saying that China may slightly raise the export quota for the minerals next year.

Finance ministers from the Group of 20 leading industrialised and developing nations are set to meet in Korea this weekend, ahead of a leaders' summit in Seoul next month.

ICTSD reporting; "China lashes at U.S. probe into Chinese clean energy policies," XINHUA, 18 October 2010; "WTO's Lamy says no signs of trade war – paper," REUTERS, 9 October 2010; "Only the Weak Survive," PROJECT SYNDICATE, 14 October 2010; "China Said to Widen Its Embargo of Minerals," NEW YORK TIMES, 19 October 2010; "China Pledges Rare Earth Supplies, Signals Exports May Rebound," BLOOMBERG, 20 October 2010.

OTHER NEWS

WIPO Patent Committee Agrees on Issues for Future Work

The World Intellectual Property Organization's main patent committee last week reached an agreement on issues to be addressed in its future work. The future work agenda for the Standing Committee on the Law of Patents (SCP) will cover a number of issues, such as exceptions and limitations to patent rights; quality of patents, including opposition systems; patents and health; client-patent advisor privilege and transfer of technology.

The accord, which was reached late Friday evening after a week of discussions and informal consultations, was hailed as a balanced outcome as it included issues of interest to both developed and developing countries.

The accord marked the first time that the issue of 'patents and health', which was brought forward by the African group, was formally made an independent item on the work programme of WIPO's principal patent body.

The quality of patents was a topic proposed by developed countries. They suggested in their proposal that the SCP establish a work program "elaborating options, measures and conditions, both legal and practical, that would be required to ensure and, where necessary improve, the issuance of high-quality patents". Their proposal also noted "the objectives of the patent system are to promote innovation and foster technological and economic development" and stressed "the importance of a well functioning patent system for countries at all levels of development."

Developing countries belonging to the Development Agenda Group (Algeria, Brazil, Cuba, Djibouti, Ecuador, Egypt, Guatemala, India, Indonesia, Iran, Malaysia, Pakistan, the Philippines, South Africa, Sri Lanka, Sudan, Uruguay, and Yemen) were keen to establish a work programme on 'limitations and exceptions' to patent rights. Brazil called for the creation of such a work programme in the SCP in January 2010, arguing that limitations and exceptions to patent law were essential to strike an appropriate balance between patent-holders' rights and public welfare. They also pressed for the inclusion of technology transfer in issues to be addressed in future work, a demand that developed countries accepted reluctantly.

The SCP agreed to include four more issues in a 'non-exhaustive list of issues' it had established in 2008 and which will remain open for further discussion at its next session, scheduled for May 2011. The four issues are: the impact of the patent system on developing countries and LDCs; patents and food security; the strategic use of patents in business; and enhancing the IT infrastructure for patent processing.

During its week long deliberations, the SCP also discussed the issue of patents and standards as well as a study on "exclusions from patentable subject matter and exceptions and limitations to patent rights" coordinated by Lionel Bently, a Cambridge University professor, and authored by a group of academics from Australia, India, Brazil, South Africa and Canada. The SCP had decided at its March 2009 session that the Secretariat would commission such a study.

Discussions on the study led to a vivid exchange among participants. The representative of the International Chamber of Commerce (ICC) cautioned “against any activity at the national or international level to broaden exclusions from patentability – such that the exception swallows the general rule.” The ICC thinks that broadening limitations and exceptions would undermine the functioning of patent systems as a whole. He argued that instead of limitations and exceptions to patent rights, “negotiations with rights holders on licensing are usually a better tool to obtaining policy objectives like improved healthcare, food security and tackle climate change.”

Thiru Balasubramaniam, the representative of Knowledge Ecology International (KEI), recommended that the SCP request the WIPO secretariat to “produce a comprehensive report documenting the use of compulsory licensing by Member States including providing empirical data on the royalty rates set in each case, as policy makers have long expressed interest in state practices in setting royalty rates.”

One matter of open disagreement was the interpretation of relevant provisions of the WTO Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS) in relation to exclusions from patentable subject matter and exceptions and limitations to patent rights. The ICC representative said that studies in this area lacked rigour. The ICC feels that patents in all fields of technology play a critical role in encouraging research and development and technology transfer, he argued, and suggestions that there is uncertainty about what deserves patent protection “run counter to this role.”

Development Agenda Group countries, for their part, recalled that discussions at the SCP should never lose sight of the “fundamental trade-off at the root of the patent system”: the temporary waiver granting of exclusive rights to inventors for their inventions, in return for the public dissemination of the technology contained in that innovation.

Developing countries also pointed to the margin of interpretation of a number of TRIPS provisions that can be invoked in determining the scope of patentability, exclusions and the application of

patentability criteria. One developing country solicited the views of the WTO secretariat on the issue. However, the WTO official present indicated that the secretariat had no mandate to provide interpretations of the TRIPS agreement, a matter left to WTO member states.

In a press release, WIPO Director General Francis Gurry expressed “satisfaction about the progress achieved and highlighted the importance for WIPO to be able to offer a consensus-based and a multilateral forum to all member states for patent-related matters. “

Although the accord on future work represents a positive development, it remains unclear whether the upcoming discussions in the SCP will be able to set it on a path towards the committee’s original function of norm-setting.

ICTSD reporting.

TNC: Lamy Urges Further Brainstorming, Looks to G-20, APEC for ‘Political Signal’ on Doha

Informal talks among Geneva-based delegations have helped WTO members build trust and identify specific obstacles to an agreement in the Doha Round of global trade talks, but a “clear political signal” from world leaders would be needed for the struggling negotiations to enter the “final stretch,” WTO Director-General Pascal Lamy said Tuesday.

Speaking to the Trade Negotiations Committee, the WTO body that oversees the Doha Round trade talks – and of which he is the chair – Lamy made clear that officials in Geneva were hoping that such signals would emerge from next month’s summit of leaders from the Group of 20 leading industrialised and developing nations in Seoul, as well as from an Asia-Pacific Economic Cooperation gathering in Japan.

Declarations of support for a swift conclusion to the Doha Round have in recent years become a fixture of international economic summitry – albeit to little effect on the WTO talks themselves,

which have dragged on into what will soon become their tenth year.

In Geneva, WTO member delegations have been meeting with each other in a variety of configurations – bilaterally, in groups of varying sizes, in consultations with Lamy, and in the Doha Round negotiating committees – in an attempt to understand each others' positions and find a way forward. The WTO chief has dubbed this the "cocktail approach."

In particular, a group of ambassadors has been meeting regularly since September to exchange views and "brainstorm" on each issue in the negotiations. It has been the first time that some issues, such as fisheries subsidies, have received detailed attention at the ambassadorial level (as opposed to examination by technical specialists).

Lamy spoke favourably about the various meetings. "I understand that good and positive discussions are taking place, ideas are being exchanged, brains are being stormed, scenarios are being tested," he told the TNC. "As negotiators, you all know that engagement and trust-building are pre-conditions for any end-game." Lamy said that the discussions had been useful to identify differences more clearly, though not to identify potential trade-offs. He said that "some potential flexibility has emerged in some cases," although he did not go into details. Officials familiar with some of the ongoing talks told Bridges that the discussions have been useful mainly to clarify each other's positions, and gain a better appreciation of the scope of the gaps between members' positions.

The director-general emphasised that the smaller groups were "brainstorming and not negotiating" – and thus no replacement for multilateral negotiations. "The foremost challenge facing us all over the next several weeks," he said, "is to take this engagement to a higher gear by going deeper and wider in the discussions, as a prelude for the 'give and takes' that will be required to build a final package." He said that Members would need to take stock of progress made in the various meetings in mid-November, to determine where to go from there.

On the subject of political will among governments to conclude the Doha Round, Lamy

told members that several heads of state had pointed to the WTO negotiations during their interventions at a September UN summit on the Millennium Development Goals. "Concluding this round is not only about generating new growth opportunities for all of the WTO membership," he said. "It is about reinforcing a global partnership which firmly establishes trade opening at the service of development." Lamy believes that the multilateral trading system served as a bulwark against protectionism during the worst of the global economic downturn.

As is customary in TNC meetings, Lamy reported to members on the state of play in the different areas of the Doha Round negotiations, including agriculture, non-agricultural market access, services, rules, trade facilitation, special and differential treatment, and intellectual property.

Several negotiations intervened to express support for the various small-group discussions, while stressing the primacy of the multilateral process. Australia described the brainstorming as useful, but said that political input would be needed to break the deadlock in the negotiations. Mauritius wondered aloud whether the cocktail approach had reached its limits, and the focus now needed to shift to the multilateral level. A number of delegations expressed the belief that the ambassadors' discussions should continue so that all of the issues can receive adequate consideration.

Zambia, speaking on behalf of the group of least-developed countries, praised the 'cocktail approach' for helping to clarify several issues. However, its representative warned that members were not yet ready to start horizontal tradeoffs – the cross-sectoral concessions that are typically the final precursor to an agreement. He called for an 'early harvest' of concessions for LDCs that would be implemented before a final Doha Round accord. Specifically, he urged WTO members to agree to duty- and quota-free access for all LDC exports, along with enhanced rules-of-origin that make it easier for goods to qualify for the unrestricted market access. He also called for this early harvest to include a waiver currently under consideration that would enable WTO members to give preferential treatment to services suppliers from LDCs.

The principal fault line in the Doha Round negotiations -- the US's belief that large developing countries must offer additional market access, while China, Brazil, and India reject Washington's demands as disproportionate and unreasonable -- was alluded to during the TNC meeting.

China called for a sober assessment of what is currently on the table in the Doha Round, suggesting that developing countries have already put quite a bit of market access on the table. Brazil said that it had not seen any new contributions from developed countries during the brainstorming process.

US Ambassador Michael Punke argued that just as WTO members recognise that LDCs are deserving of special treatment, developing countries should not be looked at as a monolithic bloc, subject to identical treatment. He argued that larger emerging economies should be asked to contribute more.

Trade is on the agenda for the G-20 leaders' summit in Seoul on 11-12 November. As during the Toronto summit earlier this year, trade will be the focus of a leaders-only lunch. Whether the meeting -- and crucially, governments' follow-up to it -- yields anything more than the standard pledge to conclude the Doha Round as soon as possible remains to be seen.

ICTSD reporting.

IN BRIEF

Negotiators in Nagoya Working Overtime to Clinch an ABS Protocol

Government negotiators are meeting in Nagoya, Japan to try to agree on a protocol on Access and Benefit Sharing (ABS) as part of the Convention on Biological Diversity (CBD).

The establishment of an ABS protocol is an important goal for this year's Conference of the Parties, the CBD's tenth. The prospective

international protocol would set the terms for commercial access to genetic resources and traditional knowledge, and the sharing of benefits arising from products incorporating those resources or knowledge with the communities in which they originate. The issue is closely watched by the environment and trade community, which views an agreement on ABS as crucial for creating incentives for biodiversity protection, as well as for fighting biopiracy.

Many commercial pharmaceuticals, cosmetics, and biochemicals have been derived from plants and animals found in nature. And because the most biodiverse countries in the world are developing countries, while the users of genetic resources are typically located in the developed world, ABS has long been an important priority on the agenda of developing countries. But while all parties involved in the negotiations generally agree that countries and communities should be fairly compensated by industry, consensus on the details has eluded negotiators for more than six years.

Most accounts of the negotiations taking place in Nagoya since the COP got underway on Monday report that delegates have broken up into small groups to tackle specific contentious issues in the draft protocol text, and that the escalated pace of negotiations has already yielded some success. .

North-South divides in the talks generally revolve around political differences and the highly technical nature of the topic. The latter became apparent during talks in Montreal earlier this year, when negotiators had difficulty agreeing even on the meaning of the terms "genetic resource," "derivates," and "utilisation of genetic resources." Other outstanding issues include clarifying the scope of the protocol, the inclusion of associated traditional knowledge, and enforcement (which is addressed in a number of provisions on monitoring and tracking and on compliance).

Discussions in Nagoya on traditional knowledge have reportedly been held up by a footnote proposed by the EU calling for a number of traditional knowledge-related issues to be reviewed once relevant negotiations in other organisations -- mainly at the World Intellectual Property Organization (WIPO) --are concluded. The proposal has not yet been formally discussed,

but has already received much opposition.

Small groups have also been meeting to address compliance, with the appropriate role of patent offices – or similar national institutions – under the microscope. Early reports suggest that these discussions have made surprising progress thus far.

Another small group, this one working on the relationship between the protocol and other international agreements, introduced text referring to the provision of affordable medical treatment to those in need, with an emphasis on developing countries. The text is notable because it differs from the WTO's Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), and may form the basis for a compromise.

One issue that will need to be resolved by senior officials is the “temporal scope” of any ABS protocol – the duration for which the protocol will be retroactive, once it enters into force.

It remains unclear whether negotiators will be able to overcome their differences to finalise a text. The CBD COP runs through 29 October.

ICTSD reporting.

WTO IN BRIEF

US Reports Increase in 2008 Farm Subsidies to WTO

The US last week formally reported its farm subsidy spending for 2008 to the WTO, indicating a slight overall increase over the previous year. The notification demonstrated that while trade-distorting support remains low, in part a function of high farm prices that year, spending on payments delinked from production was higher than ever before.

The notification reports that the US spent \$6.25 billion in 'amber box' spending - the most trade-distorting form of permitted support under the WTO's 'traffic light' system for classifying farm subsidies. Washington also spent \$6.7 billion in 'de

minimis' spending, a category of trade-distorting support that is currently allowed in small amounts under WTO rules so long as it falls below 5 percent of the value of production.

'Green box' spending – allowed without limits, on the basis that it causes no more than minimal trade distortion – was reported to be \$81.59 billion, an increase of around \$5 billion from the previous year. Other categories of support did not appear to have increased.

The increase in green box spending was largely due to a corresponding growth in outlays on 'food stamps', a form of domestic food aid that helps low-income Americans buy food.

The US did not report any spending on 'blue box' support – production-limiting measures that are nonetheless considered to be trade-distorting at the WTO. No blue box spending has been reported by the US since 1995.

Unusually high prices for many agricultural commodities in 2007 and 2008 meant that subsidy spending was correspondingly low. 'Counter-cyclical' support measures in US farm subsidy policy mean that payments increase when prices fall, but drop when they rise again.

Combined spending on amber, blue and de minimis support – known as 'overall trade-distorting support' or OTDS – was less than \$7 billion from 2006 to 2008, a figure that is significantly lower than the \$14.5 billion ceiling US officials have proposed in the Doha Round of trade talks. However, US OTDS reached \$24 billion in 1999 and 2000, and was as high as \$19 billion in 2005.

Despite fluctuations in trade-distorting support, green box spending in the US has continued to grow steadily since 1999, and is now at a historic high. Many developing countries remain concerned that the large amounts of support notified in this category do in fact cause more than minimal trade distortion, by providing US producers with a competitive advantage over producers elsewhere.

The notification (G/AG/N/USA/77) is available at: <http://docsonline.wto.org/>

ICTSD reporting.

EVENTS & RESOURCES

Events

Coming up this week

22-23 October, Gyeongju, Korea. G-20 FINANCE MINISTERS MEETING. This meeting will take place under the ongoing G20 meetings in South Korea, and as such, the meeting will be chaired by South Korea, and attended by Finance Ministers and Central Bank Governors. For more information, please visit the G20's website at http://www.seoulsummit.kr/eng/goPage.g20?menu_seq=G20MENU00060&return_url=TOP01SUB04

26 October, Geneva, Switzerland. SHORT COURSES ON KEY INTERNATIONAL ECONOMIC ISSUES – MILLENNIUM DEVELOPMENT GOALS. This conference hosted by the United Nations Conference on Trade and Development (UNCTAD) is part of a series of short courses on key international economic issues to be held in the second half of 2010 for delegates and other staff who follow matters pertaining to UNCTAD or the WTO. For more information, please visit UNCTAD's website at <http://www.unctad.org/Templates/meeting.asp?intItemID=2068&lang=1&m=20242>

26-28 October, Marrakech, Morocco. WORLD ECONOMIC FORUM ON THE MIDDLE EAST AND NORTH AFRICA. The 2010 World Economic Forum on the Middle East and North Africa will take place on 26-28 October in Marrakech, in partnership with the Government of Morocco. Under the theme "Purpose, Resilience and Prosperity", the meeting will gather the foremost leaders from business, government and civil society to renew the region's growth and development strategies in the context of pressing global risks, including oil price volatility, water scarcity and migration. For more information, please visit the Forum's website at

<http://www.weforum.org/en/events/WorldEconomicForumontheMiddleEastandNorthAfrica/index.htm>

27-29 Delhi, India. DELHI INTERNATIONAL RENEWABLE ENERGY CONFERENCE 2010. The government of India is hosting the Delhi International Renewable Energy Conference (DIREC) 2010 from October 27-29, 2010 on the theme of "Up-scaling and Mainstreaming Renewables for Energy Security, Climate Change and Economic Development". DIREC 2010 is the fourth in the series of global Ministerial-level Conferences on Renewable Energy, which follows from the initiative taken at the 2002 World Summit on Sustainable Development in Johannesburg, acknowledging the significance of renewable energy for sustainable development. For more information, please visit the Indian Government's website at <http://direc2010.gov.in/>

WTO events

An updated list of forthcoming WTO meetings is posted at: 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.

21 October: General Council

22 October: Working Group on Standards and Trade Development Facility

25 October: Committee on Safeguards

25 October: Dispute Settlement Body

26 October: Workshop on Aid for Trade

26 – 27 October: Council for Trade-Related Aspects of Intellectual Property Rights

Other upcoming events

31 October, The Hague, Netherlands. GLOBAL CONFERENCE ON AGRICULTURE, FOOD SECURITY AND CLIMATE CHANGE. The conference hosted by the government of The Netherlands, where governments, international organizations, the private sector, non-governmental organizations, philanthropic foundations, local community producers and the scientific community, will together develop a roadmap with concrete actions linking agriculture-related investments, policies and measures, to the transition to lower carbon-emitting climate resilient growth. In the firm belief that agriculture can be the solution to many of the world problems. The conference will be chaired by the Dutch Minister of Agriculture, Nature and Food Quality. For more information, please refer to the conference's website at <http://www.afconference.com/>

1-7 November, Virtual. KLIMA/CLIMATE 2010. Let the conference, organized by the Hamburg University of Applied Sciences in cooperation with other international bodies, introduce you to the latest scientific findings on the social, economic and political aspects of climate change. Enter this platform on 1-7 November 2010 and read about new projects and innovative initiatives being undertaken in both industrialised and developing countries by universities and scientific institutions, government bodies, NGOs and other stakeholders. For more information, please refer to the conference's website at <http://www.climate2010.net/>

1-5 November, Maputo, Mozambique. FIRST ALL AFRICA ENERGY WEEK. The African Development Bank (AfDB), in cooperation with the African Union Commission (AUC), and the Economic Commission for Africa (ECA), will host the First All-Africa Energy Week (AAWE) from 1-5 November 2010 in Maputo, Mozambique. The AAWE will take place on the theme: "Energy Infrastructure and Services in the Context of Climate Challenges". For more information, please refer to the Bank's website at <http://www.afdb.org/en/news-events/article/afdb-organizes-first-all-african-energy-week-7191/>

3 November, Washington, United States of America. ACCESS TO ENERGY FOR LATIN AMERICA AND THE CARIBBEAN: GREEN SOLUTIONS TO REGIONAL CHALLENGES. In support of its commitment to environmentally-responsible economic growth in Latin America and the Caribbean, the Inter-American Development Bank will hold a seminar focused on the role of the private sector in sustainable growth. The seminar is designed to engage private sector audiences on a variety of issues including access to energy, available green solutions and the indispensable role of the private sector in each. Additionally, we will provide information on consulting, procurement, investment and financing opportunities available to businesses in the clean and sustainable energy fields in Latin America and the Caribbean. Participants will have ample opportunity to meet and interact with one another as well as with IDB representatives. For more information, please visit the Bank's Website at <http://events.iadb.org/calendar/eventDetail.aspx?lang=En&id=2488>

Resources

GOVERNMENTS, NON-STATE ACTORS AND TRADE POLICY-MAKING: NEGOTIATING PREFERENTIALLY OR MULTILATERALLY? (The World Trade Organization, 2010). One of the most pressing issues confronting the multilateral trade system is the challenge posed by the rapid proliferation of preferential trade agreements. Plenty has been written about why governments might choose to negotiate preferentially or multilaterally, but until now it has been written almost exclusively from the perspective of governments. We know very little about how non-state actors view this issue of 'forum choice', nor how they position themselves to influence choices by governments about whether to emphasize preferential trade agreements or the WTO. This book addresses that issue squarely through case studies of trade policy-making and forum choice in eight developing countries: Chile, Colombia, Mexico, South Africa, Kenya, Jordan, Indonesia and Thailand. For more information on this book, please visit the WTO's website at

http://www.wto.org/english/res_e/publications_e/gov_2010_e.htm

WHO BENEFITS FROM GM CROPS? THE GREAT CLIMATE CHANGE SWINDLE. (Friends of the Earth International, September 2010). This annual report by Friends of the Earth International looks at the evidence used by the International Service for the Acquisition of Agri-Biotech Applications (ISAAA) when they look at successful genetically modified (GM) plants. This year's report shows that in contrast to ISAAA's claims, there is significant and growing opposition to gm crops in many parts of the world. The report also looks at a new claim it says is arising that GM plants can help be a solution to climate change. The report challenges this claim as a myth. To access this report, please refer to <http://www.foei.org/en/resources/publications/pdfs/2010/publications>

WHEN DOES RIGOROUS IMPACT EVALUATION MAKE A DIFFERENCE? THE CASE OF MILLENNIUM VILLAGES. By Michael Clemens and Gabriel Demombynes (Center for Global Development, 11 October 2010). When is the rigorous impact evaluation of development projects a luxury, and when is it a necessity? The authors study one high-profile case: the Millennium Villages Project (MVP), an experimental and intensive package intervention to spark sustained local economic development in rural Africa. They attempt to illustrate the benefits of rigorous impact evaluation in this setting by showing that estimates of the project's effects depend heavily on the evaluation method. They describe how the next wave of the intervention could be designed to allow proper evaluation of the MVP's impact at little additional cost. To access this working paper, please refer to <http://www.cgdev.org/content/publications/detail/1424496>

THE MYTH OF DEVELOPMENT, SECOND EDITION. By Oswaldo de Rivero (Zed Books, 12 August 2010). The claim of this book is that the benefits of development, so long promised over the past sixty years, have not come about for most people. Nor are they going to. State-driven and market-led development models have both failed according to the book. The author argues that the 'wealth of nations' agenda must

be replaced by a 'survival of nations' agenda. In order to prevent increasing human misery and political disorder, many countries must abandon dreams of development and adopt instead a policy of national survival based on providing basic water, food and energy, and stabilizing their populations. For more information, please refer to <http://zedbooks.co.uk/book.asp?bookdetail=4367>
