



# Bridges Weekly Trade News Digest

*Weekly trade news from a sustainable development perspective*

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## LEAD STORIES

### WTO Panel Rules against China's Export Restrictions on Raw Materials

In a high profile dispute over access to Chinese natural resources, a WTO panel on Tuesday 5 July found that China violated international trade rules by restricting the exportation of nine raw materials, refuting Beijing's claim that these restrictions were based on environmental grounds. The panel sided in all key points with the EU, Mexico, and the US, which jointly initiated the case ([DS394](#), [395](#), [398](#)) in 2009.

China maintains a system of export duties and quotas for a number of raw materials, including coke, zinc, and bauxite. These are essential for the global production of everyday items such as medicine, CDs, automobiles, and batteries as well as high technology products, such as computers and mobile phones. China greatly reduced its quotas in 2009 and 2010; the high global market prices that followed have been harshly criticised by important trading partners and their industries.

"China's extensive use of export restraints for protectionist economic gain is deeply troubling. China's policies provide substantial competitive advantages for downstream Chinese industries at the expense of non-Chinese users of the materials," US Trade Representative (USTR) Ron Kirk announced in a [statement](#). "They have also caused massive distortions and harmful disruptions in supply chains throughout the global market place."

Western chemical, steel, and non-ferrous metal industries and their downstream clients rely heavily on imports from China, as several of the raw materials can only be sourced there.

When China joined the global trade body, it committed itself to disciplining its export duties for most natural resources, including the materials cited in the dispute; they also agreed to eliminate all quantitative restrictions including quotas.

The panel's decision was thus welcomed as a great victory by the EU, the US and other trading partners that have found themselves increasingly dependent on Chinese natural resources and face growing competition in the manufacturing sector.

"This is a clear verdict for open trade and fair access to raw materials. It sends a strong signal to refrain from imposing unfair restrictions to trade and takes us one step closer to a level playing field for raw materials," EU Trade Commissioner Karel De Gucht said in a [statement](#) issued on Tuesday.

Kirk joined this appraisal. "Today's panel report represents a significant victory ... The panel's findings are also an important confirmation of fundamental principles underlying the global trading system. All WTO Members – whether developed or developing – need non-discriminatory access to raw material supplies in order to grow and thrive," he commented.

### **Export restrictions cannot be justified on environmental grounds, panel finds**

In an email statement sent to Bridges, Beijing expressed "regret that the panel finds that China's relevant measures regarding export duties and export quotas are inconsistent with China's obligations under its Accession Protocol and the WTO covered agreements."

China had argued in its defence that its export restriction policy was justified under WTO law, more precisely the general exception clause of [Article XX](#) of the WTO's General Agreement on Tariffs and Trade, for reasons of natural resource conservation and the protection of public health. "At the 2009 rate of extraction, only four and a half years of China's reserves remain," China noted in one of its submissions to the panel.

Moreover, the extraction of certain materials is harmful for the environment and health, Beijing had argued during the course of litigation. "The control of the export of high-energy-

consumption, high pollution and resource-based products was utterly necessary for the [...] reduction of environmental pollution, freeing the economic development from the limitation by resource and alleviating the tense relations among coal, electricity, and oil," China submitted.

The panel disagreed with this position in their ruling. "Neither the measures implementing the export restrictions, nor the contemporaneous laws and regulations, convey in their texts that the export restrictions are contributing to, or form part of a comprehensive programme for the fulfilment of the stated environmental objective."

Furthermore, the panel found "no clear link between the way the duty and the quota are set and any conservation objective."

The panellists also criticised China for lacking corresponding restrictions on domestic production and consumption of these materials, which is a requirement under WTO law when claiming a GATT Article XX exemption.

In this regard, it noted that "export restrictions are not an efficient policy to address environmental externalities, when these derive from domestic production rather than exports or imports ... The pollution generated by the production of goods consumed domestically is not less than that of the goods consumed abroad."

The EU, which has traditionally supported the GATT's environmental protection clause, welcomed this position. "The EU believes that export restrictions cannot and do not contribute to the aim [of promoting a cleaner and more sustainable production of raw materials]. There are much more effective environmental protection measures that do not discriminate against foreign industry."

### **Raw materials report might give support to EU position on rare earths**

The environmental twist might have ramifications for another looming conflict between China and the EU over seventeen rare earth minerals that are vital for the high-tech industry. China maintains a quasi monopoly for these materials, but has introduced a number of export restrictions in

recent years that have been seen as threatening the EU's position.

Though panel and Appellate Body decisions have no precedence effect at the WTO, the panel's ruling on the raw materials dispute is an important indicator of how WTO rules could be applied to such cases.

Importantly, the panel did not only reject China's conservation defence on the basis of insufficient evidence, but it found that "WTO Members cannot rely on Article XX (g)'s [conservation exception] to excuse export restrictions ... if they operate to increase protection of the domestic industry." It noted that this would violate another provision of Article XX (paragraph (i)) and that "'conservation' cannot be interpreted in such a way as to ... allow a Member, with respect to raw materials, to do indirectly what paragraph (i) prohibits directly."

Finally, the panel stressed export restrictions' potential long-term negative effects on conservation efforts. "By reducing the domestic price, [an export restriction] works in effect as a subsidy to the downstream sector, with the likely result that the downstream sector will demand over time more of these resources than it would have absent the export restriction."

China now has sixty days to decide whether it will appeal or implement the decision. Otherwise it could face retaliatory actions from the EU, Mexico, and the US.

ICTSD reporting.

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## OTHER NEWS

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### US FTAs Reach Congressional Committees, Only to Face Political Limbo over Worker Aid

After signs last week from the White House that the US Congress was ready to move on the long-awaited free trade agreements with Colombia, Panama, and South Korea, Republicans in both chambers have renewed their push against the

reauthorization of extensions to a worker aid programme, even at the expense of slowing the ratification of these FTAs.

Republicans have long been in support of these trade deals. However, the prospect of reauthorizing an extension of the Trade Adjustment Assistance (TAA) programme, which provides assistance to workers displaced by foreign competition, has various Republicans balking, anxious about the increased spending such a measure would require in an era of spending cuts. Over the last several weeks, US President Barack Obama has been pushing for the worker aid bill to be passed concurrently with the FTA legislation (see Bridges Weekly, [1 June 2011](#)).

On 30 June, Republicans on the Senate Finance Committee boycotted a hearing to review the trade pacts, objecting to the limited period of time that Democrats on the committee were allotting for the discussion of various proposed amendments to the legislation. One of these amendments would involve the attachment of the TAA programme to one of the trade deals.

The same day, all eleven Republicans on the committee jointly sent a [letter](#) to Obama on the subject, stating that, "while we may share different views regarding our support for these agreements and on trade adjustment assistance, we are united in our opposition to inclusion of expanded Trade Adjustment Assistance in this implementing bill submitted to Congress under Trade Promotion Authority [i.e. the fast track process for approving FTAs]."

The boycott came as a bit of a surprise, given that White House Press Secretary, Jay Carney had issued a [statement](#) just two days prior suggesting that a compromise on the matter had been reached: "as a result of extensive negotiations, we now have an agreement on the underlying terms for a meaningful renewal of a strengthened TAA."

The White House deal would reauthorize the extension of TAA between old funding levels and levels set by the 2009 version of the bill, though details regarding how scaled back the programme would be from its 2009 levels have yet to be released.

Meanwhile, the US House Committee on Ways and Means will begin considering the US' free trade pacts with Colombia, Panama, and South Korea tomorrow, 7 July, without the Trade Adjustment Assistance (TAA) package that Obama has been pushing for.

Scott Lincicome, a Washington-based international trade lawyer, commented to Bridges that, "at this point, both sides [Democrats and Republicans] are firmly entrenched. It's very difficult to tell who is posturing and who isn't." Given both sides' firm stances on the TAA subject, "we're heading for a big showdown."

Lincicome added that the ongoing negotiations on raising the US debt ceiling are "the wildcard" in this process, adding another layer to the worker aid bill discussion as Congress pushes to cut government spending.

The trade pacts are currently set to go through a fast-track process, in which the Senate Finance and House Ways and Means committees both do a "mock mark-up" of the trade pact legislation where committee members propose amendments to the bills. Following these "mock mark-ups," the White House will decide which, if any, of these amendments to keep, and submit a final version of the trade pacts for an up-or-down vote in both chambers; at that final stage, no more amendments can be added.

In a [statement](#), US Trade Representative Ron Kirk decried the Republican boycott. "Today the agreements were there – and Senate Finance Committee Republicans were not. Americans need their leaders at work – in their seats, eyes on the ball, pushing every day to enact policies that create jobs here at home, advance this country's economic recovery, and help our working families."

He was also hesitant to praise the Ways and Means Committee's push forward on the matter, "welcom[ing] the effort to move the three pending trade agreements forward," while [noting](#) that the documents released by the committee "do not provide a path forward for the bipartisan agreement to renew Trade Adjustment Assistance, and therefore are at odds with the Administration's stated intentions."

Lori Wallach, Director of the Global Trade Watch programme at Washington-based advocacy group Public Citizen, criticised the potential labour losses that might come from the trade pacts, in a statement issued on 28 June. Wallach found that "pushing a deal on TAA is being used as political cover to move more NAFTA-style trade agreements that will kill more American jobs in the first place, especially given our high unemployment rates."

### **Possible impacts from EU-South Korea deal**

The continued setbacks to the passage of these FTAs have prompted fears that the US will fall behind, as Colombia, Korea, and Panama look to set up pacts with other trade partners. On 1 July, the EU-South Korea free trade agreement went into effect, which could put US automobiles, pharmaceuticals, and scientific equipment at a disadvantage against the US' European competitors.

The entry into force of the EU-South Korea deal was part of the reason for trying to push the US FTAs for passage before the August congressional recess, Lincicome noted, as US exporters and consumers will soon feel the economic ramifications of Brussels having a preferential agreement with Seoul. For more on the EU-South Korea deal, please see our article later in this issue: "EU, South Korea Free Trade Pact Enters into Force."

All three trade agreements were signed during the administration of former US President George W. Bush. However, they need to be ratified before they can come into force. Earlier this year – prior to the TAA controversy – the US resolved its market access issues on automobiles and beef for the South Korea pact, set up a labour "Action Plan" for Colombia, and established a tax information exchange agreement for Panama, making Congressional ratification by some point this year appear likely.

The US-Korea pact is the largest of the three that Congress is considering. The US International Trade Commission (ITC), in a [study](#) on the US-Korea agreement, estimated that the Korea trade deal would boost US gross domestic product by between US\$10.1 to 11.9 billion, with

merchandise exports from the US to Korea increasing by between US\$9.7 to 10.9 billion.

Overall, the White House claims that the combined impact of the trade deals would raise US exports by approximately US\$13 billion.

### Colombian labour rights remain a concern

While the battle over TAA extension has dominated headlines, concerns over the protection of labour rights in Colombia continue to persist in discussions over these trade deals. While the two countries have an action plan for improving labour rights in the South American nation, Democrats want to ensure that the action plan language is included in the trade pact legislation.

On 30 June, John Larson, a Democrat on the House Ways and Means Committee, expressed his “[extreme disappointment] that Congressional Republicans have prevented any meaningful reference to the Action Plan Related to Labor Rights in the Colombia Free Trade Agreement implementing legislation that we’re being asked to consider.”

Larson was joined by various other Democrats in insisting that the action plan language be included in the bill, promising not to vote for a deal that excludes these terms.

On 15 June, Kirk announced that Colombia has met the necessary milestones under the action plan, which aims to improve labour rights protection in Colombia, while preventing violence against union leaders. The plan, which was negotiated between the US and Colombian government, was announced in April of this year.

ICTSD reporting; “US trade official ‘dumbfounded’ by Republican move,” ASSOCIATED PRESS, 1 July 2011; “House to Debate Trade Accords Minus Worker Aid,” BLOOMBERG, 5 July 2011; “Republican Trade Boycott Derails Swift Vote,” BLOOMBERG, 1 July 2011; “Congress moves forward on free trade deals,” CNN, 29 June 2011; “Opposition to Colombian trade deal grows among House Democrats,” THE HILL, 30 June 2011; “Trade agreement meeting blocked by GOP,” POLITICO, 30 June 2011; “House Ways and

Means Committee to take up 3 trade agreements but not worker aid bill,” WASHINGTON POST, 5 July 2011; “Senate Finance Committee postpones action on free-trade deals after GOP boycott,” WASHINGTON POST, 1 July 2011.

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## WTO Disputes Roundup: Possible Breakthroughs in Beef and Zeroing Cases

The past few weeks have seen surprising progress on two major WTO controversies, with South Korea and Canada appearing to have settled their differences on market access for Canadian beef, and the US deciding not to appeal a WTO panel report that once again found Washington’s zeroing practices in reviews to be a violation of international trade law.

### Korea-Canada beef dispute could see settlement outside WTO

The Canadian Department for Agriculture and Agri-Food (AGR) has announced a breakthrough in a long-lasting dispute over market access in South Korea for Canadian beef. The 27 June agreement comes only weeks before a WTO panel is expected to release a report on the matter. According to AGR and the South Korean Ministry for Food, Agriculture, Forestry and Fisheries (MIFAFF), Seoul has agreed to resume imports; in turn, Ottawa will drop its challenges at the WTO (case DS391).

“After almost a decade, Canadian beef producers are on track to gain access to the lucrative South Korean market,” Canadian Agriculture Minister Gerry Ritz commented.

MIFAFF Director General Park Chul-soo underlined the scientific basis of the deal. “We checked that no part of the slaughtered cow in question was traded in the food chain both for humans and animals. Accordingly, we thought that beef products from cattle aged less than 30 months are safe,” he explained, according to the Korea Times. In addition, certain bovine products, regardless of age, may not be imported. These restrictions are stricter than those applied to US beef imports.

Seoul had banned Canadian beef imports eight years ago after an outbreak of Bovine Spongiform Encephalopathy (BSE), more commonly known as mad cow disease; South Korea failed to lift the ban even after Canada was categorised as a zone with ‘controlled BSE risk’ by the World Organization for Animal Health (OIE) in 2007. In April 2009, Canada brought the issue to the WTO (see Bridges Weekly, [22 April 2009](#)).

“The United States, which has the same OIE controlled-risk status as Canada, obtained access to the South Korean beef market in June 2008,” the Canadian Minister for Trade explained when the 2009 case was launched.

Before the ban, South Korea was Canada’s fourth largest beef market. The Canadian Beef Export Federation (CBEF) estimates the new agreement to result in approximately US\$31 million by 2015.

According to AGR, Canada will request a suspension of WTO proceedings once South Korea has taken the necessary domestic steps to start implementing the agreed changes. If imports resume within 12 months, the case will be dropped in its entirety. Though Canada was always confident about its prospects for winning the case, Ottawa still pushed to negotiate a bilateral solution that could have a more immediate effect for affected Canadian beef farmers.

### **Adoption of zeroing report could indicate US reforms**

The WTO’s Dispute Settlement Body, in its 17 June meeting, adopted a [panel report](#) on the US’ controversial application of “zeroing” in anti-dumping administrative reviews ([DS382](#)). The case concerned anti-dumping duties imposed against Brazilian orange juice. The move came as a surprise to many observers that had expected Washington to appeal the decision, which found the US to be in violation of WTO law (see Bridges Weekly, [30 March 2011](#)). This could indicate that Washington is ready to implement the zeroing reforms introduced by the US Department of Commerce earlier this year (see [Bridges Weekly 19 January 2011](#)).

While Brazil insisted that the ruling did not go far enough, the US criticised the panel for following previous Appellate Body rulings in making its decision. Despite these reservations, both members agreed to have the report adopted rather than sending it to appeal. It is the first time that Washington has accepted a ruling condemning zeroing in reviews.

Despite a large number of WTO rulings against the practice, Washington has yet to bring its anti-dumping laws into compliance with the global trading body’s rules. In the past, a number of panels sided with the US but were overruled by the WTO’s Appellate Body, which consistently argued that the only permissible interpretation of “dumping” prohibits zeroing. As panels are not bound by previous rulings, the WTO has issued a myriad of diverse rulings on the subject.

The latest zeroing ruling distinguished itself from previous decisions as the panel followed the Appellate Body’s line of argumentation condemning the practice of zeroing. It did so, however, “with a demonstrable lack of enthusiasm,” as Brendan McGivern, a partner at the Geneva office of law firm White & Case LLP noted in a [commentary](#).

“Zeroing has tested the limits of the WTO dispute settlement for almost 10 years now [and has] occupied the work of Members, panels and the Appellate Body like no other controversy,” the panel explained. There is “no doubt that this experience has not served to advance the system’s efficiency,” it added.

At the same time the panel acknowledged the challenges faced by Members and adjudicative institutions. “There exists no single answer. The objective lack of clarity on this issue... lends legitimacy to both parties’ positions.” In the end, however, the panel decided to side with Brazil. “The integrity and effectiveness of the WTO dispute settlement ... are best served in the present instance by following the Appellate Body,” the panel concluded.

The US has announced that they will implement the ruling within nine months. However, “the United States considers that the Uruguay Round Antidumping Agreement permitted zeroing, and



the US will work hard to reaffirm the ability to use this practice through the Doha Round negotiations,” a spokesperson for the US Trade Representative’s office told Bridges.

The confirmation of ambiguity might eventually play well for the US, as it affirms that there continues to be considerable disagreement on the ‘correct’ interpretation of the agreement. While the Appellate Body is unlikely to change its position, the panel’s reaffirmation might support the US’ argument in WTO negotiations on the subject.

The practice of zeroing continues to be a major irritant in trade relations between the US and some of its most important trading partners. Disagreement centres on the “correct” interpretation of dumping, in which countries export goods at artificially low prices, and whether this would permit zeroing. Zeroing is the practice of discounting “negative dumping margins” - where there is no dumping but the export price is actually higher than the home market price - to zero.

US trading partners complain that this methodology artificially inflates US anti-dumping margins and duties and can lead to anti-dumping duties in situations where no dumping took place.

ICTSD reporting; “Korea to lift import ban on Canadian beef,” THE KOREA TIMES, 26 June 2011.

## IN BRIEF

### EU, South Korea Free Trade Pact Enters into Force

The EU’s free trade agreement (FTA) with South Korea officially came into force on 1 July, making it the 27-member bloc’s first deal with an Asian country; it also marks the largest trade pact negotiated by Brussels. The agreement, which was signed this past October (see Bridges Weekly, 13 October 2010), is expected to have major trade ramifications for both sides.

Trade between the two parties was estimated at €66 billion last year. The European Commission noted that EU exports could rise by approximately €19 billion with the deal, citing a study published by the Copenhagen Economics firm.

Ignacio Garcia Bercero, the EU’s chief negotiator, praised the agreement, noting that it “is very much the model of the type of trade agreement that we would very much wish to conclude with other countries in Asia.” India and Singapore are among several countries discussing similar trade agreements with the EU.

Under the agreement, tariffs will be eliminated or phased out on 96 percent of EU goods and nearly 99 percent of South Korean goods within three years. Within five years, duties on most industrial goods will be abolished.

The EU will benefit from a reduction in trade barriers to plastics, chemicals, and wines and spirits. The EU services industry will also experience a significant boost, as the trade deal will abolish regulations that restrict hotels, accounting services, and legal services from opening offices in South Korea.

The deal also includes provisions on intellectual property rights, serving as a complement to the WTO’s Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement. Notably, geographical indications – which denote a product’s geographical origin as an indication of its quality - on both European and South Korean products will be protected; all agricultural indications will have the same levels of protection, according to the trade pact.

The agreement reaffirms commitments from both sides on sustainable development, with strong provisions on labour and environmental standards. Both parties have stated a commitment to the implementation of the International Labour Organization Conventions (ILO) that they have respectively ratified, along with their commitments toward the effective implementation of multilateral environmental agreements that each are party to.

“This Free Trade Agreement is the most ambitious trade deal ever concluded by the EU

and should become a game-changer for our trade relations with Asia,” said EU Trade Commissioner Karel De Gucht.

The EU Trade Commission reports that the FTA will save EU exporters €850 million in tariff payments in the first year.

### **Automobile industry to be affected strongly on both sides**

The international automotive industry is especially likely to experience significant impacts from the agreement. Over the next five years, South Korea’s eight percent tariff on imports of automobiles and auto parts from the EU will be abolished in steps; prices for European automobiles are expected to drop as a result.

South Korean Trade Minister Kim Jong-hoon stated that, although South Korean car companies will face a more competitive local market, the trade deal will allow them to make inroads into the much larger European market.

Auto manufacturers from Japan and Germany have expressed considerable anxiety about the agreement. South Korean automobiles are currently about 15 percent cheaper than the equivalent Japanese models, according to Japanese industry experts quoted in Japan’s Daily Yomiuri newspaper. The cut in tariffs on automobiles coming from South Korea could put like products from Japan at a disadvantage.

In 2010, South Korean auto manufacturer Hyundai Kia Automotive Group sold 38,100 more units in Europe than Japan’s Toyota Motor Corporation. Taniguchi Naoya, Chairman of Toyota’s British unit, noted that with the enactment of the trade agreement, “the gap in competition now exceeds anything we can overcome by our own efforts.” Similar sentiments were expressed by Verband der Automobilindustrie, the interest group representing Germany’s automotive industry.

### **Implications for US**

The US started negotiations with South Korea on a trade pact in April 2007, a month before

Brussels and Seoul started their own negotiations. While the US-South Korea deal was signed in June of that same year, it has yet to be ratified by the US Congress. The past month has seen Democrats and Republicans wrangling over whether or not to attach a reauthorisation of the Trade Adjustment Assistance (TAA) extension to one of the deals; the TAA is a programme that provides benefits to US workers displaced by foreign competition. More on the US-South Korea deal can be seen in our earlier article in this issue, “US FTAs Reach Congressional Committees, Only to Face Political Limbo over Worker Aid.”

Choi Seok-young, Seoul’s top negotiator for free trade pacts, told the Associated Press that the early enactment of the EU-South Korea deal could pose problems for Washington: “US competitors in the Korean market and EU market would face comparatively disadvantaged positions from [July 1] onward.” For more on the US-Korea FTA, along with the US’ trade pacts with Colombia and Panama, see our earlier story in this issue.

ICTSD reporting; “EU sees S. Korea trade pact as model for Asia,” AGENCE FRANCE-PRESS, 19 June 2011; “South Korea-EU FTA takes effect,” ASSOCIATED PRESS, 2 July 2011; “S. Korea-EU FTA Threatens Japan,” DAILY YOMIURI, 4 July 2011; “Wissmann kritisiert Freihandel mit Südkorea,” HANDELSBLATT, 3 July 2011; “EU, South Korea launch trade pact,” WALL STREET JOURNAL, 1 July 2011; “SKorea-EU free trade agreement takes effect as Seoul-Washington deal remains unratified,” WASHINGTON POST, 1 July 2011; “S. Korea aims to up EU market share to 3 pct: official,” YONHAP NEWS AGENCY, 4 July 2011.

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## **Switzerland Tops Innovation Rankings**

Switzerland is the world’s most innovative economy, according to a ranking released last week in Geneva by the Paris-based INSEAD business school, in collaboration with the World Intellectual Property Organization (WIPO), Alcatel-Lucent, Booz & Company, and the



Confederation of Indian Industry (CII). The Global Innovation Index (GII), which has been prepared annually since 2007, aims to establish metrics for measuring innovation to better understand its role in driving economic progress.

Soumitra Dutta, co-author of the report with Daniela Benavente, commented: “The index aims at gauging not only the capacity of an economy to innovate but also the extent of its success in doing so.” Both Dutta and Benavente are from INSEAD.

The rankings are based on innovation “inputs” and “outputs.” In the case of the former, the input pillars attempt to capture elements of a national economy that enable innovation; these include institutions, human capital and research, infrastructure, market sophistication, and business sophistication. Output pillars focus on evidence of scientific and creative innovation.

Following Switzerland, the top ten includes Sweden, Singapore, Hong Kong, Finland, Denmark, US, Canada, the Netherlands, and the UK. China, at position 29, is the only emerging economy that entered the top 30.

Emerging economies came out ahead when the economies are ranked by innovation efficiency – i.e. the ratio of an economy’s innovation output score to its input score – which included some of the world’s most densely populated countries. Côte d’Ivoire tops the innovation efficiency index, followed by Nigeria, China, Pakistan, Moldova, Sweden, Brazil, Argentina, India, and Bangladesh.

Gary Nugent of Alcatel-Lucent emphasised that this ranking demonstrates that developing countries “are generating a substantial amount of scientific and creative output from an environment which is not the most heavily invested or mature. That implies that if they are able to maintain that degree of productivity that will have a gearing effect.”

### Questions about indicators and rankings

The report adopts a broad definition of innovation in line with the most recent developments and standards in this field, such as those of the Organisation for Economic Co-

operation and Development (OECD), which is the publisher of the Oslo Manual.

The GI’s input and output pillars encompass approximately 80 individual indicators. These covered areas such as tertiary student mobility, microfinance, trademarks, and creative outputs, along with more traditional indicators such as research and development expenditure, patents, and scientific publications.

Authors point out that the ranking was submitted to a thorough statistical audit by the Joint Research Centre of the European Commission.

Nevertheless, questions have been raised about the relevance and quality of some of the selected indicators and the resulting rankings.

For instance, some have pointed to the limitations of patents as a measure of innovation. Speaking on a panel at the GI’s Geneva launch, Naushad Forbes, Chairman of the CII Innovation Council and Director of Forbes Marshall, noted that patent counts do not capture sufficiently the full range of new services, products, and business methods brought to the market. Forbes commented that these are key outputs of innovation.

Rolf-Dieter Heuer, Director General of CERN – the European Organization for Nuclear Research – was also at the Geneva launch, and questioned the index’s excessive reliance on patents in promoting innovation. Heuer noted that, had CERN patented the World Wide Web, then the world might be a very different place.

WIPO Director General Francis Gurry responded that, had the internet been patented with fair and flexible licensing terms, it might have prompted major investments into future research. He stressed that, overall, intellectual property rights are not rigid and actually enable knowledge sharing, which fosters innovation.

In conclusion, Gurry noted at the report launch that the journey toward understanding innovation remains incomplete. Bruno Lanvin of INSEAD reaffirmed this sentiment, stating that the GI as it stands is not “ultimate,” and can be improved

through collaboration and further evidence-based research.

ICTSD reporting; “Why did WIPO endorse what looks like a flawed innovation index?” *INTELLECTUAL ASSET MANAGEMENT*, 4 July 2011; “Switzerland ranked world’s most innovative nation,” *WALL STREET JOURNAL*, 30 June 2011; “Global Innovation Index 2011 – Switzerland ranks first among 125 economies on innovation levels,” World Intellectual Property Organization, 30 June 2011.

## EVENTS & RESOURCES

### Events

7-8 July, Washington, US. *CHALLENGES TO CROSS-STRAIT RELATIONS IN 2012*. This conference, hosted by the Carnegie Endowment for International Peace in collaboration with Taiwan’s Mainland Affairs Council and National Chengchi University, will focus on the future of US-Taiwan-China relations. Taiwan Strait and cross-Strait relations have generally been calm over the past year, with regular flights resuming between the mainland and Taiwan and economic integration improving after the signing of the Economic Cooperation Framework Agreement. As 2012 approaches, both Taiwan and the US face presidential elections, while Chinese President Hu Jintao will step down from his position as general secretary. This event will bring together leading Taiwanese, American, and Chinese thinkers to discuss the prospects for cross-Strait relations in the face of these possible leadership and policy changes. For more information visit the event [website](#).

11 July, London, United Kingdom. *20 YEAR JOURNEY: CROATIA’S ACCESSION TO THE EU*. Nearly 20 years after Croatia’s independence, the Balkan state has received the green light from the European Commission to close the final four chapters in accession negotiations. Following a domestic referendum and ratification by all EU members, Croatia will become the EU’s 28th member. At this Chatham House event, Ambassador Vladimir Drobniak,

Croatia’s Chief Negotiator, will discuss the process and political significance of his country’s accession. More information can be found on the Chatham House [website](#).

11-12 July, Geneva, Switzerland. *WORLD INTELLECTUAL PROPERTY ORGANIZATION (WIPO) CONFERENCE ON INNOVATION AND CLIMATE CHANGE*. This global forum will bring together leading thinkers, negotiators, and entrepreneurs from government, academia, nongovernmental organisations, intergovernmental organisations, industry, and the public to discuss and develop ways to accelerate innovation for a carbon-neutral future. The conference will address how the principal factors stimulating innovation can be integrated into coherent strategies that span across research and development, national production capabilities, access to markets, effective regulations, and sound intellectual property management. The conference will also explore options to accelerate technology transfer and diffusion. For more information visit the event [website](#).

11-15 July, Lombok, Indonesia. *INTERNATIONAL CONFERENCE ON FOREST TENURE, GOVERNANCE AND ENTERPRISE: EXPERIENCES AND OPPORTUNITIES FOR ASIA IN A CHANGING CONTEXT*. Organised by the Rights and Resources Initiative (RRI) and the International Tropical Timber Organisation (ITTO) and hosted by the Ministry of Forestry of Indonesia, this conference aims to provide an assessment of the relationship between forest tenure, sustainable forest management, and income-generating enterprises to promote action across a range of Asian countries. It will bring together various stakeholders from the Asia-Pacific region and beyond. The event will act as a follow-up to the RRI-ITTO organised international tenure conferences held in Acre, Brazil in July 2007 and Yaoundé, Cameroon, in May 2009. For further information, visit the ITTO [website](#).

## WTO Events

An updated list of forthcoming WTO meetings is posted [here](#). 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.

11 July and 15 July: Negotiating Group on Trade Facilitation

## Other Upcoming Events

18-19 July, Geneva, Switzerland. AID FOR TRADE THIRD GLOBAL REVIEW 2011. The WTO will be convening its Third Global Review with the goal of strengthening monitoring and evaluation of Aid for Trade initiatives. Prior Global Reviews were held in 2007 and 2009. The Aid for Trade initiative, launched in 2005, aims to help developing countries - particularly least-developed countries - develop the trade-related skills and infrastructure necessary to expand trade and implement WTO agreements. More information about the event is available on the WTO [website](#).

20 July, Geneva, Switzerland. TALKING DISPUTES: THE CHINA RAW MATERIALS DISPUTE. Organised by ICTSD and WTI Advisors, this event aims to introduce the recent WTO panel decision on Chinese export restrictions applied to raw materials (DS cases 394, 395, 398). As the panel refuted Beijing's claim that these restrictions were justified on environmental grounds, the case could have major implications for future disputes involving the GATT Article XX exceptions on, for instance, public health and resource conservation. Two experts will introduce key aspects of the case, setting the stage for a targeted discussion, with a designated commentator breaking the ice. The event marks the second in a new series. 'Talking Disputes,' which is designed to allow for the discussion of WTO dispute settlement cases, one at a time, among interested experts, delegates,

and others in Geneva. More information about the event is available on the ICTSD [website](#).

22 July, London, United Kingdom. THE FUTURE OF THE WORLD TRADING SYSTEM. After a decade of negotiations, there are few signs that the long-running Doha round of global trade talks will be finalised soon. Looking forward, trade officials now openly speak about a "plan B" that will salvage non-divisive issues from the current round as a initial deliverables package, while leaving other subjects for future consideration. This event, hosted by the Overseas Development Institute, will investigate the key factors shaping the future world trading system, in light of these developments. For more information please visit the event [website](#).

19-21 July, Solo, Indonesia. HIGH LEVEL DIALOGUE ON THE INSTITUTIONAL FRAMEWORK FOR SUSTAINABLE DEVELOPMENT. This dialogue on the Institutional Framework for Sustainable Development is being organised by the Government of the Republic of Indonesia and the Rio+20 Secretariat. The purpose of the dialogue is to have a frank and open high-level discussion on options for strengthening the institutional framework for sustainable development, with a view towards formulating concrete proposals for Rio+20. The dialogue will bring together a range of stakeholders with portfolios in sustainable development in the hopes of advancing an agreement for improved arrangements for sustainable development governance. For more information please visit the event [website](#).

21-23 October, Dead Sea, Jordan. WORLD ECONOMIC FORUM ON THE MIDDLE EAST AND NORTH AFRICA 2011. This World Economic Forum will bring together representatives from industry, government, civil society, the media, and academia for a dialogue about "The Future of the Middle East and North Africa." Practical insights on addressing youth employment and competitiveness will top the agenda, as will opportunities for international actors to support the region in the new decade. The Middle East and North Africa regional industry outlook will be a critical component of the proceedings, with executives from the following industries contributing to the

discussions on the region's future: aviation, travel and tourism, consumer goods, energy, information technology, infrastructure and urban development, logistics, media and information, and professional services. For more information visit the event [website](#).

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## Resources

**PREFERENTIAL TRADE AGREEMENT POLICIES FOR DEVELOPMENT: A HANDBOOK.** Edited by Jean-Pierre Chauffour and Jean-Christophe Maur for the World Bank. This handbook offers an introduction to the world of modern preferential trade agreements (PTAs). It goes beyond the traditional paradigm of trade creation versus trade diversion to address the economic and legal aspects of the regulatory policies that are contained in today's PTAs. The publication maps the landscape of PTAs, summarises the theoretical arguments, political economy, and development dimensions of PTAs, and presents the current practice in the main policy areas typically covered in PTAs, including agriculture policy, rules of origin, customs unions, trade remedies, product standards, and technical barriers. The handbook is available for purchase on the World Bank [website](#).

**ESTIMATES OF INCREMENTAL INVESTMENT FOR AND COST OF MITIGATION MEASURES IN DEVELOPING COUNTRIES.** By Susanne Olbrisch, Erik Haites, Matthew Savage, Pradeep Dadhich, and Manish Kumar in the "International Financial Support to Address Climate Change" issue of *Climate Policy* (June 2011). In this study, the authors review estimates for incremental costs for investment and mitigation action in developing countries as a group, by individual country, and by specific sectors. They find that although many mitigation measures are more capital-intensive than the technologies they replace, they have lower operating costs, so the incremental investment exceeds the incremental cost. The authors predict that incremental mitigation costs will likely rise substantially over the next two decades, exceeding US\$100 billion by 2030. The article is available for purchase [online](#).

**ECOSYSTEM MANAGEMENT: TOMORROW'S APPROACH TO ENHANCING FOOD SECURITY UNDER A CHANGING CLIMATE.** By Richard Tingem Munang, Ibrahim Thiaw, and Mike Rivington (June 2011). Ecosystem degradation undermines food production and the availability of clean water, thereby threatening human health, livelihoods, and societal stability. Seventy percent of the estimated 1.1 billion people in poverty around the world live in rural areas and depend directly on the productivity of ecosystems for their livelihoods. There is an urgent need for increased financial investment for integrating ecosystem management with food security and poverty alleviation priorities. In this paper, the authors recommend that full recognition be given to the linkages between protected ecosystems and global food security; that sufficient resources be allocated for improved ecosystem valuation, protection, management, and restoration; and that ecosystem management be integrated in climate change and food security portfolios. The article is available for download [online](#).

**MAKING RIO 2012 WORK: SETTING THE STAGE FOR GLOBAL ECONOMIC, SOCIAL AND ECOLOGICAL RENEWAL.** By Alex Evans and David Steven at New York University (June 2011). In the two decades since the 1992 Earth Summit, sustainable development has failed to materialise. In this report, the authors argue that this failure can be attributed to leaders' reluctance to expend political capital on long-term global risk issues; low multilateral "bandwidth;" and a lack of clarity about what solutions would look like. To turn the tide, Rio 2012 needs to focus on three key areas: greening growth, equity in a world of limits, and building resilience to shocks and stresses. Additionally, multilateral co-operation needs to play a role in sharing ideas, bargaining, and implementing change. The report is available for download [online](#).