



Bridges Weekly Trade News Digest

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LEAD STORIES

Medicines Patent Pool Receives First Licence for HIV Drugs from Major Pharmaceutical Company

Gilead Sciences has become the first pharmaceutical company to set up a licensing agreement with the recently-established Medicines Patent Pool (MPP), in a move aimed toward increasing access in developing countries to drugs that treat HIV and Hepatitis B. The landmark deal was announced yesterday, 12 July.

The goal of the UN-backed Pool is to stimulate innovation and improve access to HIV medicines through the negotiation of voluntary licenses on medicines patents that enable robust generic competition and facilitate the development of new formulations. The Pool focuses mainly on HIV/AIDS medicines.

It was set up as a Swiss non-profit foundation in 2010 by UNITAID, the international drug purchasing facility, after having been approved by UNITAID's Executive Board in December 2009 (see Bridges Weekly, [9 June 2010](#) and [16 December 2009](#)). UNITAID, which now has 29 members, was co-founded in 2006 by Brazil, Chile, France, Norway, and the UK, and is funded by a levy on airline tickets.

Key features of the licensing agreement

According to the MPP press release, the licensing agreement will cover at least five products: HIV medicines tenofovir, emtricitabine, cobicistat, and elvitegravir, along with “the Quad,” which is a combination of the above-mentioned products in one pill. Tenofovir is also licensed for Hepatitis B treatment.

Ellen ‘t Hoen, the MPP's Executive Director, highlighted in a statement that the agreement

would allow for medicines to be available more cheaply, in formulations that are easier to use. She further underlined that the licensing of drugs still in clinical development – i.e. the elvitegravir, cobicistat, and the Quad drugs – would speed up their availability to patients who need them.

“People in developing countries often have to wait for years before they can access new health technologies. Today’s agreement changed that,” she added.

Philippe Douste-Blazy, chair of the UNITAID Executive Board, also praised the agreement. “UNITAID has worked for four years to develop the Medicines Patent Pool concept. Today we are proud to see that it is becoming a tangible reality.” He urged other pharmaceutical companies to follow Gilead’s lead in using intellectual property to advance public health objectives.

Gregg Alton, Executive Vice President, Corporate and Medical Affairs for Gilead Sciences noted that his company is “pleased to enter into this collaboration, and we hope to see the Pool become an effective mechanism for providing access to an increasingly broader range of antiretrovirals to treat HIV in resource-limited parts of the world.”

While this is the first instance of a pharmaceutical company sharing licenses with the MPP, the UN-backed body did establish a similar agreement with the US government’s health research agency, the National Institutes of Health (NIH), in October of last year (see Bridges Weekly, [7 October 2010](#)). In that particular case, the NIH gave the Pool a royalty-free licence of its darunavir patent, which is part of the protease inhibitor class of medicines that targets drug-resistant HIV infections.

The Pool allows for the sharing of various patents from a range of owners, making them available to third parties in exchange for the payment of a royalty. From there, manufacturers that purchase a licence from the Pool can produce generics that can compete with those from other companies; this market competition would, in turn, drive down drug prices, making them more affordable for developing countries.

In Gilead’s case, the royalties will amount to three to five percent of generic sales; however, royalties will be waived in the instance of new paediatric formulations.

The licenses will allow for the supply of tenofovir and emtricitabine in 111 countries, for cobicistat in 102 countries, and for elvitegravir and the Quad in 99 countries, according to the Pool.

However, unlike the NIH deal, the licensing agreement will not cover all developing countries.

A 2010 UNAIDS [report](#) estimates that 5.2 million people in low and middle income countries had access to antiretroviral therapy in 2009, of the 15 million people that needed it.

Room for improvement remains

Médecins Sans Frontières (MSF), the international medical humanitarian group, indicated that the agreement could improve access to medicines for patients, but also excludes several countries with large numbers of people living with HIV.

“This agreement is an improvement over what other big pharma companies are doing to ensure access to their patented AIDS medicines in developing countries,” Michelle Childs, Policy and Advocacy Director at MSF’s Campaign for Access to Essential Medicines, acknowledged in a statement. She mentioned, however, that caution is needed because in several key areas, Gilead is not going beyond the status quo. “More needs to be done to fulfil the vision of the Patent Pool to provide a solution to all people living with HIV, so this licence should not become the template for future agreement,” she added.

One of MSF’s main criticisms of the agreement is its exclusion of various middle income countries that have high numbers of HIV-positive patients.

Dr. Tido von Schoen-Angerer, Executive Director of MSF’s Access Campaign, noted that his organisation transferred to local authorities several treatment programmes in Latin America and Asia, with the hope that these authorities would be able to provide people with necessary treatment. “If people in middle-income countries are left out of such deals, their governments still need to pursue

compulsory licences to overcome patent barriers,” he added. These licenses allow for the production of generic copies of a patented drug without the right-holder’s consent, in exchange for the payment of a royalty.

MSF also found points of contention with the limitation of manufacturing to one country, India – a provision that excludes countries like Brazil and Thailand that are also capable of producing the drugs. India currently produces over 90 percent of the antiretrovirals used in developing country HIV treatment programmes. In addition, the organisation noted that the agreement includes narrow supply options for those active pharmaceutical ingredients that are required for making those medicines.

Knowledge Ecology International (KEI), a health group that, like MSF, played an active role in promoting the initiative to establish a medicines patent pool, generally welcomed the agreement, despite having a number of reservations and comments, some similar to those made by MSF.

The Medicines Patent Pool recognised some of these shortcomings, noting that there were areas in the agreement “in which the Pool sought but did not get improvements.” These included limits on the geographical scope of the licences: “while the number of countries has increased in the Patent Pool licence, there are still developing countries with high HIV burdens that the Pool was unable to negotiate into the licences.”

“We will continue to work with Gilead and others to expand access to all people living with HIV in developing countries,” said Ellen ‘t Hoen. The Pool is currently in negotiations with six other patent holders.

ICTSD reporting.

Trade Policy Review Lauds EU for Resisting Protectionism, Marks Areas for Improvement

WTO Members gathered last week to review a report from the trade body’s Secretariat on the EU’s trade policies over the last two years; the review praised the 27-member bloc for “restrain[ing] from tightening restrictions on imports in response to the crisis” – a decision that had a “stabilising effect on the multilateral trading system.” However, the Trade Policy Review (TPR) found that the EU still has room for improvement in the areas of intellectual property, anti-dumping measures, agricultural support and tariff policies, and regulatory practices.

The 6 and 8 July meeting marked the first time that EU policies have come under review since the Treaty of Lisbon came into force on 1 December 2009, which altered the way that the EU adopts trade policy decisions and included foreign direct investment in the bloc’s common commercial policy.

The on-going EU debt crisis acted as a backdrop to the WTO discussions; Chairperson Mario Matus, who is also Chile’s Ambassador to the global trade body, noted in his closing remarks that various delegations wish the EU to continue with initiatives to cut back on crisis-related support, with the aim of reducing the distortions that these cause to trade and international investments.

Discussant Fernando de Mateo, Mexico’s WTO Ambassador, acknowledged in his comments that the EU did what it had to with regards to government spending and providing help to the financial sector in order to avoid another Great Depression. However, he emphasised that “the EU and its Member States also authorised subsidies destined toward specific sectors. These types of subsidies are the least efficient and, in particular, the most trade-distorting.”

The struggling Doha Round of negotiations also featured in the discussions. de Mateo urged the EU to “take on a position of greater leadership [in the talks],” while recognising the EU’s active participation in the trade negotiations to date.

In a statement, the EU stressed that “the WTO and the multilateral trading system are the focus of the EU trade policy, as we strongly believe that a system of global rules and multilaterally bound, non-discriminatory market access commitments provide the best way to keep international trade open, ensuring that prosperity can be widely shared.”

Agriculture tariffs, total support levels remain high

The TPR report found that the role of the EU’s Common Agricultural Policy (CAP) – the system of production targets and market mechanisms designed to manage agricultural trade within the EU and with its external trading partners – has been reduced. Notably, the CAP “Health Check” has also led to an increase in decoupled support.

However, the report also determined that total support over the last two years was “considerable in both absolute and relative terms and market price support continues to represent a large, though declining, portion of transfers to producers.” Levels of support for 2009, according to figures from the Organisation for Economic Co-operation and Development, made up nearly a third of total agricultural production value during that year.

The report also noted that CAP reforms have been primarily directed toward cuts in export subsidies and trade-distorting domestic support, while leaving MFN tariffs “relatively high.”

Various members reiterated these concerns at the meeting, with China and the US both stressing the tariff level issue. While the average applied MFN tariff rate for agriculture dropped from 17.9 percent in 2008 to 15.2 percent in 2011, the report attributed this decrease to the rise of world commodity prices, which led to a drop in ad valorem equivalent rates.

The US also criticised the EU for issuing sanitary and phytosanitary measures on food and animal feed products “that have been safely consumed in the United States for decades, and that the United States exports to dozens of other members.”

In particular, the US cited the EU’s restrictions on importing and marketing certain agricultural biotechnology products, and preventing the use of certain pathogen reduction treatments on food, which “the EU’s own scientists have concluded pose no risk to human, animal, and plant life or health.”

Costa Rica stated that, like others, “we are concerned about the trade impact of the EU’s technical regulations, along with the weight that the CAP continues to have, hence our interest in learning about the steps being taken toward its reform.”

Ecuador also acknowledged EU’s efforts toward decoupling support to European farmers, while noting that total support levels remain high “and dissuade farmers in developing countries from productive activity, by excluding them from the possibility of competing in an egalitarian market.”

Regulatory practices criticised

Various delegations spoke out about the EU’s regulatory practices, such as the WTO finding that the EU comment period for new regulations is often less than the standard 60 days. In the case of individual member state notifications, for instance, the period between notification and adoption of the regulation was less than 60 days in 17 percent of cases.

de Mateo noted that this shortened time makes it difficult for some WTO members to issue comments, for reasons such as limited institutional capacity. The notifications are also often released at the point where deliberations among EU members are “too far advanced for the opinions of WTO Members to be considered appropriately.” The US added that some of these measures have “enormous trade implications.”

Between October 2008 and January 2011, the EU notified the global trade body of 146 technical regulations and procedures of evaluating conformity; individual member states notified the WTO of an additional 140 regulations.

The report did find, however, that the EU has adopted various measures to remove regulatory obstacles to intra-EU trade in goods, along with

legislation that minimises the chance of EU members restricting goods marketing that does not comply with their national technical standards in cases when another EU member state has placed those same goods on the market.

China stressed that the EU's technical barriers to trade (TBT) and sanitary and phytosanitary (SPS) measures were "persistent causes of concern" in terms of causing barriers to trade – a matter raised by various delegations. China added that the TBT and SPS issues both came up in the last review, and have not been improved, noting that some EU member states "fail to notify TBT/SPS measures at the national level in line with WTO rules."

Anti-dumping, intellectual property

The use of anti-dumping measures, which are designed to counteract the selling of products on foreign markets at prices lower than what an exporter charges in its home market, also came under fire at the WTO meeting. The secretariat report noted that, even though the "number of anti-dumping measures in force and the rate at which these are adopted have decreased since 2008" the EU still "remains an important user of anti-dumping measures. Almost 45 percent of these measures are applied to a single WTO Member (China)."

In response to this finding, China stressed that it was "firmly opposed to the abuse of trade remedy measures and the practice to convert them into a form of handy trade protectionist tool."

The EU's work toward establishing an intellectual property regime also featured in the review; the report found that, since the last TPR, the EU has lowered the costs for registering European Community trademarks, while improving the enforcement of intellectual property rights and working toward major copyright and patent reforms. However, the report also cited the EU's inability to create a unitary EU patent and a unified patent court.

The last review of the EU was in April 2009, when the bloc was still referred to at the global trade body as the European Communities; WTO rules require that the four largest traders – i.e. China,

the EU, Japan, and the US – undergo reviews of their trade policies every two years, with other countries having longer lag times between reviews.

ICTSD reporting.

OTHER NEWS

WIPO Conference Reflects Contrasting Views on Climate Change, Innovation, IP

The possibility of leveraging innovation and intellectual property to address the climate change challenge was the key focus of this week's World Intellectual Property Organization (WIPO) conference. However, the 11-12 July gathering saw developed and developing countries express contrasting views on the role of intellectual property in the diffusion of climate friendly technologies.

Intellectual property has been a notoriously divisive issue in negotiations at the United Nations Framework Convention on Climate Change (UNFCCC). Parties at the 2010 Cancun Conference agreed to the creation of a new Technology Mechanism to enhance the transfer of climate friendly technologies to developing countries, but did not succeed in reaching common ground on the issue of intellectual property (IP). The final Cancun Agreements did not include a mention of IP.

Wanna Tanunchaiwatana, of the UNFCCC Secretariat, indicated that the Technology Mechanism is expected to be operational by 2012. She pointed to the disagreements on the role of intellectual property rights (IPRs) in the discussions on technology transfer, and highlighted the need for a better understanding of this complex issue.

On his part, WIPO Director-General Francis Gurry emphasised in his opening remarks that "if we are to overcome the challenge of human induced climate change, intellectual property is by definition a way to address it in order to

encourage innovation and provide a framework for which solutions can be achieved.”

The role of IPRs in climate friendly technologies

Discussions at the Innovation & Climate Change Conference were structured around a number of key themes, such as Innovation and Partnership Models, Real World Experiences of Technology Transfer, and Facilitating Finance to Accelerate Diffusion. These themes were first addressed in plenary and then during breakout sessions.

One of the most salient issues during the conference was how to enable a framework that fosters innovation in climate change and the role intellectual property rights play within that framework.

Carl Horton, Chief Intellectual Property Counsel of General Electric, and Matthew Bateson from the World Business Council for Sustainable Development both stressed the importance of IPRs in fostering a safe enabling environment for private investors in innovative technologies. Bateson argued that IPRs “enable businesses to mitigate risks,” while preventing the establishment of a price barrier for developing countries.

Both speakers stressed that climate change technology’s relationship to the patent system is vastly different from that of the pharmaceutical industry. “People tend to conflate the two,” said Bateson, “but the costs of a patent for climate change technologies is not a significant proportion of the total costs as opposed to the pharmaceutical industry.”

“No single patent can block an entire technology,” Horton added.

ICTSD Senior Fellow Pedro Roffe presented key findings of a joint project of the United Nations Environment Programme (UNEP), the European Patent Office (EPO), and ICTSD on trends in patent ownership and licensing of clean energy technologies.

Roffe indicated that it was “difficult to isolate IP issues from macroeconomic factors such as market size and local capabilities and other general

framework conditions to enhance innovation and facilitate technology transfer.” However, Roffe also stressed the importance of ensuring that intellectual property is balanced and effectively achieves its intended objectives of both incentivising innovation and contributing to technology diffusion.

Ambassador Chandrashekhar Dasgupta from the Energy and Resources Institute (TER) in New Delhi emphasised that, in the absence of strong commitments by developed countries to ambitious reductions in green house gas emissions, there would be no boost in clean energy research and development and innovation.

He highlighted that IPRs “must be respected fully but permissible flexibilities such as compulsory licensing maybe be invoked as appropriate.” He added that these should be fully utilised to reduce manufacturing costs and to address anti-competitive practices.

Paolo Yu from the South Centre remarked that the subject of whether or not intellectual property is a barrier to transfer of climate friendly technologies should be examined. However, he noted that it is likely to be a barrier in the future, in light of the steep increase in patenting of climate change technologies.

Scaling up financing to facilitate transfer of clean energy technologies

The role of climate financing in facilitating the diffusion of climate change technologies was also featured at the conference.

Ari Huhtala, Senior Environmental Specialist at the World Bank, asserted that financing must be provided through multiple streams, and that “governments cannot be the sole funders of climate change technologies.”

Speakers from both the private and public sectors emphasised the importance of private investments in financing the diffusion of green technologies. The major question then became how to identify and best utilise these financial streams.

WIPO signals readiness to step up engagement in climate change matters

Several speakers from industrialised countries pointed to the usefulness of a greater role for WIPO in addressing the interface of IP and climate change matters. “WIPO has an important role to play in this context and should be more involved in UNFCCC negotiations,” remarked José Romero, Head of the Rio-Conventions Section of the Swiss government. This sentiment was echoed by Ambassador Luis Alfonso de Alba, Mexican Special Representative for Climate Change.

In this regard, Johannes Christian Wichard, WIPO Deputy Director General for Global Issues, brought the conference to a close by underlining that the event was a sign of solidarity with the UNFCCC climate negotiation process, and that WIPO would be ready to scale up its engagement in this area if it can make a useful contribution. “We are available,” he concluded.

ICTSD reporting.

WTO Environment Committee Puts the Spotlight on Climate Change

The trade dimension of border measures – one of the more challenging issues at the trade and climate change nexus – took centre stage at last week’s meeting of the WTO’s Committee on Trade and Environment (CTE). Members discussed a proposal, tabled by Singapore, which stressed the importance of the multilateral trading system and environmental protection. The submission emphasised the need for these two fields to be mutually supportive for the sake of promoting sustainable development.

The submission, entitled “Promoting Mutual Supportiveness between Trade and Climate Change Mitigation Actions: Carbon-related Border Tax Adjustments,” argues that trade liberalisation is crucial for environmental protection.

“Trade Policy and the WTO can and should play a role in supporting environmental protection,” the

submission reads, suggesting the liberalisation of Environmental Goods and Services as a “concrete way” of achieving this aim. “Aside from environmental benefits, EGS liberalisation will also have trade-led development benefits.”

Singapore added that the use of trade restrictions, “albeit for the purposes of combating climate change,” would counteract any benefits coming from that liberalisation.

The Singapore document refers to a list of 35 environmental goods that it has submitted to the CTE Special Session (JOB/TE/5) and says that trade policy – particularly the liberalisation of climate friendly goods, services and technologies – will complement UN Framework Convention on Climate Change (UNFCCC) efforts to combat climate change.

The WTO-UNFCCC nexus

Article 3.5 of the UNFCCC requires members to ensure that the domestic actions they take to combat climate change are non-discriminatory and are not used as disguised trade barriers.

International trade law contains similar requirements. Because WTO members may adopt domestic carbon price mechanisms, such as cap-and-trade or carbon taxes, to mitigate climate change, some consider implementing border measures – or border tax adjustments (BTAs) – to address trade competitiveness and carbon leakage issues that may result.

The global trading body allows, under certain conditions, the use of border measures. It is, however, unclear whether all measures on imports would track with international trade rules. Even if such measures are permitted, they could potentially be the subject of abuse; in its submission, Singapore cites anti-dumping and safeguard measures as instances where WTO sanctioned measures have been misused in the past.

In addition, BTAs could conflict with the UNFCCC-recognised need for policy flexibility in this field, given the range of conditions that prevail in different countries – i.e. the principle of common but differentiated responsibilities. Not all

countries have the capacity to develop alternative energy sources, especially given that identifying the energy or carbon content embodied in traded products can be a cumbersome process.

According to Singapore's submission, if a future global agreement on climate change does include text on trade, members should "ensure that it is consistent with their rights and obligations in the UNFCCC and the WTO."

Singapore requested that the WTO Secretariat prepare a compilation of existing studies on the role that these measures can have in resolving concerns over trade competitiveness and carbon leakage, so that measures can be applied in a WTO-consistent manner. The studies should also examine the possibility of developing multilaterally agreed guidelines for pre-empting the abuse of BTAs.

Other members did not support this request, as they consider the 2009 study on trade and climate change conducted by the WTO and the UN Environment Programme to be sufficient, according to sources close to the talks. The same members reportedly say there is no room for BTAs to be permitted under WTO rules. Despite this pushback, members generally favoured further discussion of the measures in the CTE; in that regard, the submission reached its objective of raising awareness on the issue.

UNFCCC updates members on climate negotiations

Other climate issues were also featured at the CTE meeting, when a UNFCCC secretariat representative briefed members on the progress of the climate change negotiations. A few emerging economy members reiterated that the CTE might not be the right place to discuss climate change, as they would prefer to have the freedom to first reach a climate change agreement under the UNFCCC and afterwards discuss the trade implications.

Most other members reportedly responded positively to the presentation, remarking that it is useful to be aware of developments in the climate talks.

There was particular interest in a "forum on response measures" under the UNFCCC, which would look into ways to address the negative consequences on developing countries of efforts to mitigate greenhouse gas emissions. For example, border taxes, free allowances in emissions trading schemes, and access to climate-friendly goods and technology could have adverse effects on international trade.

While there is currently no ongoing forum to discuss and address these trade-related climate issues, UNFCCC members last December in Cancun, Mexico agreed to devote time and space to these response measures during the Bonn and Durban climate talks this year. Although there was a forum held on the subject at the Bonn talks, which were held from 6-17 June, questions remain about whether such a forum will convene during the upcoming Durban talks (see Bridges Weekly, [22 June 2011](#)).

ICTSD reporting.

Horn of Africa Drought, Food Crisis: Agricultural Trade Policies Questioned

Severe drought has left some ten million people in the Horn of Africa short of food and water, the UN has warned. As the crisis grows, some experts are questioning the role of agricultural trade and investment policies in the region.

A joint [statement](#) from two intergovernmental agencies and a humanitarian aid group has said that the "slow-onset" humanitarian crisis leaves millions of women, men, and children vulnerable to "devastating hunger and malnutrition."

Full funding of emergency assistance, support to poor farmers, and policies to address challenges such as climate change are needed "to ensure that complacency does not drive destiny in this region," claims the communiqué, which was issued on 8 July by the UN's Food and Agriculture Organization (FAO) and the World Food Programme (WFP), along with aid agency Oxfam.

The groups say that Djibouti, Ethiopia, Kenya, Somalia, and parts of Uganda are affected by the crisis; the majority of the newly affected people – 1.2 million, by the groups' estimates – are reportedly in Kenya. The number of Somali refugees in Kenyan and Ethiopian camps has also grown to a record of over half a million people.

"As a net food importing country, we have suffered the full force of the food crisis that is currently affecting the region," one government official told Bridges. "Malnutrition has exacerbated the rural exodus, with thousands of refugees fleeing their villages every day and piling into camps."

Drought remains "a major threat with no likelihood of improvement until early 2012," the UN Office for the Coordination of Humanitarian Affairs (OCHA) said in a separate statement.

Investment: small farmers neglected

"There's been a neglect of agriculture and, importantly, of sustainable agricultural practices," an FAO economist told Bridges, arguing that the region has the potential to feed its population if local producers are given the resources they need.

Farmers in the drought-stricken countries lack infrastructure – storage facilities, rural roads, and electricity – as well as inputs such as machinery, fertiliser, and water, the official noted. Substantial increases in investment in these areas are needed for people to be able to withstand supply shocks such as drought, he added.

In Somalia, conflict and political instability have triggered the large-scale collapse of state institutions, undermining agricultural productivity and creating knock-on effects on other countries in the region.

"Some of the most fertile areas in the world" can be found in the countries affected by the crisis, the FAO official said. "Why do we not help the poor to reap the potential that's there?"

Trade: livestock disease and unsustainable grazing

Trade flows, and in particular the export of livestock from the Horn of Africa to neighbouring countries in the Gulf, may have played a role in contributing to the current crisis, one expert said. Consumers in countries such as Saudi Arabia and Yemen have contributed to strong demand for sheep and goat meat from the region, which they tend to prefer over imported livestock from other agricultural producers, such as Australia or New Zealand.

The strong demand may have contributed to unsustainable grazing practices and to a growth in the prevalence of diseases, such as tuberculosis, that can affect both livestock and people.

"Moving supplies internally takes a lot of time and is very expensive," said another UN official familiar with the region, who noted that live animals often have to be transported thousands of kilometres on foot and in lorries before they reach a port. The arduous journey can mean that animals lose a substantial share of their value in transit – a problem compounded by internal roadblocks and fees levied by government officials.

Streamlining internal markets could help countries meet domestic demand more efficiently, the official claimed.

Food price increases

Citing OCHA data, the Guardian reported high levels of food price inflation in the region, with red sorghum increasing 240 percent in the Somali town of Baidoa, yellow maize increasing by 117 percent in Jiga, Ethiopia, and an increase of 58 percent in the price of white maize in Mandera, Kenya.

While high prices reflect the collapse in domestic supply of agricultural products, experts said they may also reflect the unusually high level of price transmission from international markets at a time of global shortages for many farm commodities.

One Geneva-based trade negotiator from the region pinned the blame for local price increases

on structural adjustment reforms, arguing that these had constrained the policies that their government could use to respond to emergency situations.

Price controls, emergency reserves and intervention buying had also been used in the past to respond to natural disasters when they had occurred – but the structural adjustment reforms passed in the 1990s limited their government's ability to use these instruments, the official said.

Despite recent riots over food price inflation, policy-makers were unable to respond effectively. “Now the government just looks on helplessly,” the source added.

Agricultural export restrictions

With food prices at record levels, even some exporting countries have decided to impose restrictions on farm exports in recent months, prompting recriminations from food importing countries who claim that these measures have exacerbated global shortages and escalating prices on world markets.

Egypt, on behalf of a group of net food importing countries at the WTO, recently proposed that least-developed countries and net food importing countries should be exempt from restrictions on agricultural exports imposed by major exporting nations.

A June meeting of agricultural ministers from the G-20 group of major economies also agreed to remove food export restrictions on humanitarian aid purchased by the World Food Programme, and proposed that trade ministers adopt a specific resolution on the issue at the WTO ministerial conference this December (see Bridges Weekly, 29 June 2011).

“I think that pronouncement is welcome,” observed a government official from the drought-stricken region, who added that the net food importing countries had proposed a more ambitious solution to the problem.

“In the past, the G-20 has made several pronouncements that have not materialised,” the source observed sceptically.

ICTSD reporting; “Horn of Africa drought: interactive map,” THE GUARDIAN, 4 July 2011; “Eastern Africa Drought Humanitarian Report no. 3,” OCHA, 10 June 2011.

IN BRIEF

Australian Government to Tackle Carbon Emissions with Tax on Polluters

Australian Prime Minister Julia Gillard released a plan on 10 July to tax Australia's worst carbon polluters, in a move aimed at reducing carbon pollution by five percent below 2000 levels by 2020 and by 80 percent below 2000 levels by 2050. Once implemented, the Clean Energy Agreement could be the largest emissions trading scheme in the world, outside of the European Union's Emissions Trading Scheme (ETS). The EU aims to reduce emissions by 21 percent below 2005 levels by 2020.

The Agreement was put together by the Multi-Party Climate Change Committee, a group comprised of leaders from the governing Labor Party, the Green Party, and two Independents.

Starting on 1 July 2012, five hundred of Australia's major polluters will be required to purchase a permit for every metric tonne of carbon pollution they produce. Carbon will be priced at A\$23 (US\$24.77) per metric tonne, rising 2.5 percent annually in real terms. For the first three years, the carbon price will be fixed like a tax. In 2015, Australia will introduce an emissions trading scheme, with carbon prices set by the market.

Australia's coal industry is expected to be among the hardest hit from the Clean Energy Agreement. Coal is Australia's largest export industry, earning A\$46 billion (US\$49 billion) in export earnings each year. Coal also accounts for 37 percent of the nation's emissions, and generates 80 percent of the country's electricity. Gillard is calling for the closure of 2000 megawatts of highly polluting electricity generation capacity by 2020, and the

replacement of older coal-fired power stations with cleaner energy sources.

Gillard is offering a A\$1.3 billion (US\$1.39 billion) compensation package to help the worst polluting coal mines adapt to the new policies, as well as loan guarantees for electricity generators to help the industry refinance loans of between A\$9 billion and A\$10 billion (between US\$9.69 billion and US\$10.76 billion) over the next five years.

“Because something they used to do for free now costs money, [big polluters] will innovate, they will change, they will find a way of reducing that bill and in doing so they will reduce their carbon pollution,” noted Gillard at a press conference on Sunday.

Mitch Hooke, chief executive of the Minerals Council of Australia, argued that “the government and Greens are imposing costs that none of our international competitors face, and cannot be justified in transitioning the Australian industry to a low carbon future ... it will simply export investment, jobs, global market share, and emissions offshore,” according to Reuters.

Coal prices are currently at a near record high, above US\$300 per metric tonne. The tax is projected to increase prices by an additional A\$1.80 (US\$1.92) per metric tonne, according to a statement by the Australian Coal Association cited by Reuters.

The increase in energy prices is expected to be shouldered by consumers. The Australian government has estimated that cost of living will increase by 0.7 percent in 2012-2013, with a rise in consumer prices that will amount to about A\$9.90 (US\$10.66) per week. However, modelling data also suggests that incomes and jobs are likely to increase in the coming years under the carbon price.

To compensate for the increased cost of living, the government will be increasing the tax-free income threshold from A\$6,000 (US\$6,460) per year to A\$18,200 (US\$ 19,594).

Gillard has noted that tax cuts will counter average additional costs of the energy package for six million households, and that four million low

income households will receive a budget buffer, with payments being 20 percent higher than average extra costs under the carbon tax.

The Australian Competition and Consumer Commission will be monitoring companies to ensure that product prices are not falsely linked to the carbon tax to increase prices. Industries will be fined \$A1.1 million (US\$1.18 million) if they are caught attempting to profiteer, and individuals will face maximum penalties of A\$220,000 (US\$236,856).

Despite the Treasury’s predictions of increased jobs and incomes, and Gillard’s assurances that the government will help consumers burden the extra cost, the Clean Energy Agreement has been scrutinised by voters, who are apprehensive about high energy costs and the implications of the carbon tax on Australia’s coal sector. Public support for Gillard and the Labor Party’s minority government is on the wane.

Australia’s next election can be called between now and November 2013, and Gillard argues that voters can make a decision about Clean Energy Agreement at the polls. “In 2013, people will have lived under the system...they will be able to decide,” Gillard stated in an interview with ABC Radio.

A\$1 = US\$1.07662

“Australia to tax country's worst polluters,” ALJAZEERA, 10 July 2011; “Australian industries face \$1 million fine if they hike prices using carbon tax as excuse,” ASSOCIATED PRESS, 13 July 2011; “Australia carbon tax hits miners, airlines,” REUTERS, 11 July 2011; “Australian Government Sets a Price on Carbon Emissions,” ENVIRONMENT NEWS SERVICE, 11 July 2011; “RPT-Coal miners say Australia carbon tax treatment unfair,” REUTERS, 10 July 2011.

US Ethanol Subsidies, Import Tariffs under Fire

US Senator Dianne Feinstein joined forces with farm state Senators Amy Klobuchar, a fellow Democrat, and John Thune, a Republican, to announce an agreement on 7 July that would cut the 45 cent a gallon ethanol tax break and the 54 cent a gallon ethanol import tariff, while enacting new subsidies for ethanol infrastructure. The announcement is just one of various signs that ethanol subsidies could find themselves on the chopping block as the US Congress tries to resolve the on-going budget crisis.

The senators' announcement comes just weeks after their chamber voted in favour of a measure to end ethanol subsidies and tariffs on imports. Although the bill that resolution was attached to ultimately failed, pressure is mounting since the US government will be unable to pay its bills after 2 August if an agreement on the budget cannot be reached. Legislators may attempt to include the cuts in a budget package.

According to David Orden of the International Food Policy Research Institute (IFPRI) in Washington DC, this was a "free vote" since law makers knew that the bill it was attached to was going to fail.

The agreement between Feinstein, Klobuchar, and Thune does not change the Renewable Fuels Standard, a government mandate requiring the blending of ethanol into the US fuel supply.

The Renewable Fuel Association, a lobbying group for the US ethanol industry, described the agreement between the Senators as a "bipartisan effort to find common ground."

Geoff Moody of the Grocery Manufacturers Association said that, in the absence of an advanced cellulosic biofuels industry, "any subsidy for infrastructure" would go towards supporting ethanol from corn. Orden noted that the most likely outcome of a reform process would be a "cut" in the tax break and that supporters of ethanol industry would find other programmes to direct funding.

A cut in subsidies, or the Volumetric Ethanol Excise Tax Credit, is expected to save US taxpayers US\$6 billion a year and US\$2 billion by year's end if enacted today, according to the non-partisan US Government Accountability Office.

Representative Walter Herger a Republican from the US state of California, along with seventeen other members of his legislative chamber, responded to the momentum in the Senate by introducing a bill that would end the tax breaks and tariffs without introducing new infrastructure spending.

Procedurally, tax legislation must originate in the US House of Representatives. A compromise between the Senate and the House will be needed for the legislation to be signed into law by President Barack Obama.

Momentum against ethanol subsidies building

Reactions to ethanol support have been harsh in recent weeks. A Washington Post editorial told readers that there was "no need to compromise" on ethanol subsidies. In Geneva, one trade expert sceptically described the US Congressional efforts towards reform as "shadow boxing."

Action against ethanol subsidies has had a wide base in Washington. Earlier this year 50 organisations, from Oxfam America to FreedomWorks, an early Tea Party sponsor, signed a letter to Republican Senator Tom Coburn and Senator Feinstein calling for an end to subsidies and tariffs. A smaller number of similarly diverse organisations, such as the National Turkey Federation and ActionAid USA, signed another letter to Herger in June 2011.

As the deadline for resolving the budget crisis nears, Senate Minority Leader Mitch McConnell, a Republican, floated the idea yesterday, 12 July, of allowing the President to raise the debt limit in three stages, unless stopped by the US Congress. This would potentially ease pressure on law makers to reach a compromise by the 2 August deadline.

Some lobbying for change in ethanol policy are confident that subsidies will be cut but fear that

the blending mandate will continue to drive demand for corn and food prices higher. Shawnee Hoover of Oxfam America told Bridges there “there will be blood in the water to take on the mandate,” when subsidies for ethanol come to an end.

Economists have [called](#) for flexibility on the blending mandate during times of high and volatile food prices. Ethanol production in the US is projected by the Renewable Fuels Association to exceed the government mandate by 1 billion gallons this year and corn prices have fluctuated wildly in the past month.

According to the Financial Times, the ethanol industry will have used more corn than farmers of livestock and poultry combined by 31 of August, consuming 40 percent of the world’s largest producer and exporter’s output.

ICTSD reporting; “Farm-State Senators Agree to End Ethanol Tax Breaks in July,” BLOOMBERG, 7 July 2011; “US ethanol refiners use more corn than farmers,” FINANCIAL TIMES, 12 July 2011; “Nancy Pelosi: Mitch McConnell’s debt ceiling plan has ‘merit,’” POLITICO, 13 July 2011.

EU, Mercosur Talks Continue, Albeit Slowly

The sixth round of negotiations between the EU and the South American trade bloc Mercosur marked limited progress towards the goal of a free trade and co-operation agreement, with both sides reaffirming their commitment to the talks. Even before the latest round of discussions began, however, Brazil openly expressed frustration at the slow pace of talks and began lobbying support from fellow Mercosur members to consider strengthening other trade ties.

Advancements were made in the political dialogue and co-operation pillars of the agreement at the 4-8 July discussions, but no final texts emerged.

In the area of the agreement that pertains to trade, the two parties made “considerable progress in the regulatory texts,” according to the joint statement

by the trade blocs, particularly on the subjects of dispute settlement and services-investment. Another topic addressed at the Brussels gathering was sustainable development.

Amongst the eleven working groups discussing trade arrangements between the 27-member EU and Mercosur – which is comprised of Argentina, Brazil, Paraguay, and Uruguay – agriculture and intellectual property continue to be the two most contentious issues (See Bridges Weekly, [22 June 2011](#)).

The exchange of agriculture proposals during this sixth round of discussions had to be deferred due to EU members still awaiting an agricultural impact assessment report by the European Commission.

Once the impact assessment is released, all EU countries and the European Parliament must have time to consider the report. Given the economic recession and deepening euro crisis, the plausible impacts of inexpensive South American agricultural products entering the European market are highly sensitive issues for EU farmers.

Belgium, France, Ireland, and Poland are four of the EU nations who have exhibited reluctance in accepting any trade concessions in certain agricultural sectors. One of these sectors is beef, where Mercosur is the largest global exporter. These EU countries are demanding that all imports be in compliance with EU sanitary and environmental regulations.

Mercosur remains at odds with EU over agriculture

Frustration has mounted over deadlocks on agricultural goods, primarily over EU farm subsidies and the lack of European market access for less-expensive Mercosur products. EU regulations on genetically modified (GM) organisms are also a source of contention in the agriculture talks, as Argentina and Brazil are forerunners in world production of GM crops (see Puentes Bimestral, [May 2011](#)).

Europe, on the other hand, has one of the most rigid and protective systems against GM crop cultivation and labelling in the world; just last

week, the European Parliament voted in favour of a Commission proposal that would permit individual EU member governments to decide national policy on GM crops, under such grounds as environmental, land use, and socio-economic concerns (see Bridges Trade BioRes, [11 July 2011](#)).

Brazil urges Mercosur partners to broaden horizons

Before EU-Mercosur talks began, Brazilian president Dilma Rousseff tried to rev up support for a swift conclusion to the EU-Mercosur negotiations at the 41st Mercosur presidential summit on 29 June. But she also made a point of reminding her peers that South-South relations, along with strengthened commercial ties with Africa, Middle East and Asian nations, are essential to the health of Mercosur economies.

“We must always keep in mind that markets must be useful for the enrichment of our peoples,” Rousseff said while noting the overall state of the EU and US economies. “Let us be on the lookout because some outer region partners are trying to sell us those products they can’t sell in the rich countries.”

On 24 June, Mercosur and Canada came to an agreement to host exploratory discussions to strengthen their own relationship. In a statement, Canadian International Trade Minister Ed Fast said that Mercosur offered opportunities in areas such as aerospace, life sciences, infrastructure, information and communications technology, clean technology, mining, and oil and gas for Canadian companies.

ICTSD reporting. “Brazil Seeks Higher Tariffs for Mercosur Imports, Official Says,” BLOOMBERG, 30 June 2011; “Brazil calls for conclusion of EU/Mercosur trade talks and warns about cheap imports,” MERCOPRESS, 30 June 2011; “Canada to explore trade talks with Mercosur,” REUTERS, 24 June 2011; “Mercosur pushes for early EU trade pact,” UPI, 30 June 2011; “EU waiting for farm-impact assessment to advance in trade talks with Mercosur,” MERCOPRESS, 8 July 2011.

EVENTS & RESOURCES

Events

16 July, Rome, Italy. CLIMATE CHANGE AND GENETIC RESOURCES FOR FOOD AND AGRICULTURE: STATE OF KNOWLEDGE, RISKS AND OPPORTUNITIES. The Commission on Genetic Resources for Food and Agriculture (CGRFA) of the United Nations Food and Agriculture Organization (FAO) is a permanent forum where governments discuss and negotiate matters relevant to biodiversity for food and agriculture. The main objectives of the Commission are to ensure the conservation and sustainable utilisation of genetic resources for food and agriculture, as well as the fair and equitable sharing of benefits derived from their use. This seminar will include talks and panel discussions that examine food security, agricultural biodiversity, and climate change. More information is available [online](#).

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](#).

19 July, Geneva, Switzerland. AID FOR TRADE ON THE GROUND: EARLY FINDINGS FROM COUNTRY STUDIES. ICTSD will present the preliminary findings of a series of studies assessing the effectiveness and development impact of Aid for Trade at the country level. The meeting will particularly focus on results from Cambodia and Malawi. The event will also provide the opportunity to discuss what Aid for Trade programmes have achieved in addressing supply-side bottlenecks and examine options for enhancing developing country

competitiveness. More information can be found at 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 consideration at 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](#).

20 July, Washington, US. 2011 GLOBAL SERVICES SUMMIT: ENGAGING THE DYNAMIC ASIAN ECONOMIES. This event, sponsored by the Washington International Trade Association in partnership with several other organisations, will discuss the US' expanding services trade and investment in Asia. Topics of discussion will include Asia's competitive environment, the evolving influence of China in Asian markets, and "21st century" issues, including trans-border data flows, forced localisation of business activities, state owned and assisted enterprises, and how to enable the global value chain. US Trade Representative Ron Kirk will be the keynote speaker. For more information please visit the event [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.

15 July: 15th Round of the DGCFMC - Cotton Development Assistance

15 July: Dispute Settlement Body

18-19 July: Third Global Aid for Trade Review

20 July: Dispute Settlement Body

20 July: Committee on Trade and Development – Special Session

Other Upcoming Events

21 July, Geneva, Switzerland. PRESENTATION: AFRICAN ECONOMIC OUTLOOK 2011. This event, organised by ICTSD and the Organisation for Economic Co-operation and Development (OECD), will focus on the recently released African Economic Outlook 2011. The report shows Africa sustaining economic expansion in spite of high food and fuel prices, as well as political upheavals in various countries. The report also shows that Africa benefits increasingly from trade, investment and general economic cooperation with emerging economies, such as Brazil, China, India, Korea, and Turkey, along with its links to other advanced economies. The evolution of the global economy thus brings historic opportunities that Africa can best seize by deepening its own regional co-operation and integration. The publication was prepared by the African Development Bank (AfDC), the OECD Development Centre, the United Nations Development Program (UNDP), and the UN Economic Commission for Africa (UNECA). More information can be found at the event [website](#).

25-29 July, Suva, Fiji. REGIONAL WORKSHOP IN JOINT IMPLEMENTATION OF THE WAIGANI, BASEL, ROTTERDAM AND STOCKHOLM CONVENTIONS. This workshop will offer opportunities for sharing knowledge and experience regarding the requirements of the Waigani, Basel, Rotterdam and Stockholm Conventions. The workshop aims to identify synergies and linkages between the four multilateral environmental agreements in Fiji and the Pacific region as a way to foster

implementation of their requirements. The workshop will address legal considerations for the development of an appropriate national legal framework. For more information visit the event [website](#).

20 September, Geneva, Switzerland. REBALANCING THE RIGHTS OF IMPORTERS. This session will examine the motivations and impacts of agricultural export restrictions undertaken by governments in order to protect their population from high food prices. The session will explore whether and how international trade laws on agricultural export restrictions can be improved, as well as the political factors that must be considered when advocating for rules governing export restrictions. This event will be organised by the International Food and Agricultural Trade Policy Council and CUTS International, and will take place during the World Trade Organization's Public Forum. For more information visit the event [website](#).

27 July, Washington, US. DOHA. After nearly ten years of negotiations, the Doha Round of global trade negotiations is at a crossroads. Revised negotiating texts are working their way to the surface amid new concerns that gaps in the negotiations are unbridgeable. At this event, hosted by the Washington International Trade Association, participants can join trade experts representing a cross-section of interests for an analysis of the economic value of the Doha Round and a frank assessment of the negotiations. For more information visit the event [website](#).

3-5 August, Mexico City, Mexico. LATIN AMERICA AND THE CARIBBEAN REGIONAL SCIENCE AND TECHNOLOGY WORKSHOP. The International Council for Science (ICSU) is organising this workshop as an input to the regional preparatory meeting for the upcoming Rio+20 conference. The workshop is intended for scientists, engineers, high-level policymakers, and representatives of major groups from Latin America and the Caribbean. It seeks to formulate positions using regional expertise to ensure that the best available science is integrated into policy issues treated at Rio+20. The workshop also seeks to organise a regional science policy dialogue at the regional level prior to the regional preparatory meeting, as well as a multi-

stakeholder dialogue with other major groups, including business and industry. For more information visit the event [website](#).

Resources

THE PRICE AND TRADE EFFECTS OF STRICT INFORMATION REQUIREMENTS FOR GENETICALLY MODIFIED COMMODITIES UNDER THE CARTAGENA PROTOCOL ON BIOSAFETY. By Antoine Bouët, Guillaume Gruère, and Laetitia Leroy for the International Food Policy Research Institute (July 2011). This paper assesses the global economic implications of proposed strict documentation requirements on traded shipments of potentially genetically modified (GM) commodities under the Cartagena Protocol on Biosafety. The publication evaluates the trade diversion, price, and welfare effects of requiring all shipments to bear a list of specific GM events in the maize and soybean sectors. The study finds that these requirements would have a significant effect on the world maize and soybean markets, creating significant trade distortions that would divert exports from their original destinations. It would also lead to negative welfare effects for all Protocol members, as well as non-members that produce GM maize, soybeans, or both. The publication is available for download on the IFPRI [website](#).

LA RÉOLUTION DES LITIGES DE PROPRIÉTÉ INTELLECTUELLE (RESOLUTION OF INTELLECTUAL PROPERTY DISPUTES). Edited by Jacques de Werra (2010). This book is comprised of several papers regarding the resolution of intellectual property disputes. The papers were presented at a conference on intellectual property that took place on 8 February 2010 in Geneva, Switzerland. The publication is the second volume in a series on intellectual property, and includes contributions written in French and English. Chapters in the book discuss intellectual property disputes at the WTO, industrial property disputes in Europe, international intellectual property disputes and private international law, and more. The book is available for purchase [online](#).

OECD ECONOMIC OUTLOOK VOLUME 2011 ISSUE 1. By the Organisation for Economic Co-operation and Development (OECD) (June 2011). The OECD Economic Outlook is the OECD's biennial analysis of the major economic trends and prospects for the next two years. The Outlook includes projections for output, employment, prices, and current balances for OECD member countries and select non-member countries. The Outlook also discusses the induced effect of each projection on international developments. This issue includes special chapters on the persistence of high unemployment, as well as drivers and vulnerabilities associated with international capital flows. The Outlook can be purchased on the OECD [website](#).

COMPETITIVENESS AND PRIVATE SECTOR DEVELOPMENT: CENTRAL ASIA 2011. By the Organisation for Economic Co-operation and Development (OECD) (June 2011). With a total population of 92 million people, almost universal literacy, and abundant energy resources, Central Asia has become an attractive destination for investment and trade. However, the poor quality of the region's business environment remains a major obstacle. This publication discusses potential areas for improvement in the region, such as the reinforcement of legal and economic institutions; the development of the small and medium-sized enterprise sector; and the capacity-building of business intermediary organisations. The Outlook also examines key policies that would increase Central Asia's competitiveness and reduce dependence on the natural resources sector. The Outlook can be purchased on the OECD [website](#).

THE IMPACT OF FISCAL DECENTRALIZATION: ISSUES IN THEORY AND CHALLENGES IN PRACTICE. By Jorge Martinez-Vazquez for the Asian Development Bank (July 2011). This policy note analyses the impacts of fiscal decentralisation and the resulting issues and challenges faced by countries. It traces the evolution of fiscal decentralisation as a significant global reform that has transformed sub-national governments into key public sector actors in a majority of countries. The publication explores: (i) the incidence and presence of decentralisation in the world; (ii) the foundation of decentralisation in economic theory; and (iii) what

is known about the impact of decentralisation on economic and political variables. The note concludes that overall, decentralised systems benefit countries, especially when they are well-designed and implemented. The policy note can be viewed on the Asian Development Bank [website](#).