



# Bridges Weekly Trade News Digest

*Weekly trade news from a sustainable development perspective*

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## LEAD STORIES

European Parliament Rejects Anti-Counterfeiting Pact ..... 1

## OTHER NEWS

WTO Appellate Body Confirms US Country of Origin Label Illegal..... 2

WTO Sub-Committee Clinches Preliminary Deal on Accession Guidelines for Poorest Countries . 4

Political Controversy in Paraguay Prompts Reshuffling of Mercosur Membership..... 7

Build-up of Trade Restrictions “A Matter of Concern,” Lamy Warns..... 9

## IN BRIEF

Australian Carbon Tax Takes Effect..... 10

Switzerland Retains Top Rank in Innovation, Report Says..... 11

EU, Central America Sign Region-to-Region Deal ..... 12

## WTO IN BRIEF

WTO Members Should Quickly Conclude Trade Facilitation Deal, Development Bank Chiefs Say ..... 13

## EVENTS & RESOURCES

Events..... 14

Resources ..... 16

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## LEAD STORIES

### European Parliament Rejects Anti-Counterfeiting Pact

In a landmark decision earlier today, the European Parliament rejected the controversial Anti-Counterfeiting Trade Agreement (ACTA) by a vast majority, with 478 votes against the deal, 39 in favour, and 165 abstentions.

ACTA is a plurilateral trade pact seeking to strengthen global standards for the enforcement of intellectual property rights in order to combat counterfeiting and piracy. The deal's opponents fear that some of the provisions contained in the final text, which go beyond the standards set by the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), could have a detrimental effect on access to medicines and freedoms in the digital environment.

Australia, Canada, Japan, South Korea, Morocco, New Zealand, Singapore, and the United States are the other signatories to the deal; however, they have yet to ratify the agreement.

The move comes just weeks after the EU International Trade Committee (INTA) adopted an official recommendation asking the European Parliament to reject the agreement due to the pact's ambiguous definition of “commercial-scale” counterfeiting and online piracy, the role of internet service providers, and the possible seizures of in-transit generic medicines. (See Bridges Weekly, [27 June 2012](#))

Four other EU committees have also previously expressed negative opinions on the agreement for similar considerations. (See Bridges Weekly, [6 June 2012](#))

Speaking before the vote, David Martin – British Member of the European Parliament (MEP) and

leading ACTA rapporteur to the Parliament – said that “No emergency surgery, no transplant, no long period of recuperation is going to save ACTA.”

“It’s time to give it its last rites,” Martin added.

### Civil society welcomes vote

The high-profile vote was watched closely by civil society groups, many of which praised the outcome.

“The way it was written, ACTA would have given an unfair advantage to patented medicines, and restricted access to affordable generic medicines to the detriment of patients and treatment providers alike,” said Aziz ur Rehman, Intellectual Property Advisor for the Médecins Sans Frontières Access Campaign.

In a statement, Ante Wessels from the Foundation for a Free Information Infrastructure (FFII), an NGO, called the vote a “major victory for civil society, Internet freedom, access to medicine and knowledge, and innovative companies.”

“Criminalising whole societies is not the solution,” Wessels said. “It is essential that societies retain the policy space to find proportional solutions.”

Philippe Aigrain, co-founder of the advocacy group La Quadrature du Net, similarly lauded the decision. “European institutions must now recognise that the alliance between citizens, civil society organizations and the EU Parliament is at the core of a new democratic era in Europe,” he said. “European copyright policy must now be built with the participation of citizens.”

### EU Trade Commissioner pledges to continue fight against piracy

Prior to the vote, EU Trade Commissioner Karel De Gucht urged MEPs on Tuesday to delay their decision until the European Court of Justice (ECJ) – the EU’s highest court – can rule on the treaty’s compatibility with current EU laws. However, a proposal to postpone a decision on the treaty and refer it back to the International Trade Committee in the meantime was rejected with 420 votes to 255, with nine abstentions.

After today’s vote, De Gucht promised that the parliamentary outcome would not be the end of the road for ACTA. “The European Commission will continue to seek the legal opinion of the European Court of Justice on whether this agreement harms any of the fundamental rights of European citizens – including freedom of speech,” he said.

“With the rejection of ACTA, the need to protect the backbone of Europe’s economy across the globe: our innovation, our creativity, our ideas — our intellectual property — does not disappear,” the EU trade chief continued.

An EU Commission representative indicated that, once the ECJ opinion is issued, the Commission “will study the opinion with the European Parliament and consider further steps together with our negotiating partners.”

Regardless, MEP David Martin stressed in an earlier statement that “no assurances the Commission could give to the Parliament would change a legal text.”

ICTSD reporting. “Acta: Controversial anti-piracy agreement rejected by EU,” BBC, 4 July 2012; “EU Parliament rejects ACTA anti-piracy treaty,” ASSOCIATED PRESS, 4 July 2012.

## OTHER NEWS

### WTO Appellate Body Confirms US Country of Origin Label Illegal

The US’ country-of-origin labelling (COOL) requirements for livestock and meat imports are inconsistent with international trade rules, the WTO’s highest court said on Friday ([DS384](#), [386](#)). The highly-anticipated ruling, which stemmed from a dispute launched by Canada and Mexico in 2008, found that the US measure put foreign products at a disadvantage by making the processing of imported livestock prohibitively costly. The judges, however, disagreed that the measure was also more trade restrictive than necessary to achieve the legitimate objective of consumer information.

The finding was lauded by Mexico City and Ottawa. “With this ruling, this process has been concluded in a successful and definitive manner for Mexico,” the country’s Secretary of the Economy said in a [statement](#). “The Mexican government reiterates its commitment to fight any practice that goes against the international commitments that have been made by our trading partners and that unduly disadvantage our producers,” the government agency added.

“We are pleased with today’s World Trade Organization appeal decision in favour of our livestock industry,” Canadian Agriculture Minister Gerry Ritz [said](#). “Our government has always stood with our cattle and hog producers, in order to create a stronger and more profitable integrated North American livestock industry.”

Beef and pork producers in both countries similarly welcomed the ruling, noting that it would likely ease the economic situation of the North American meat market. “COOL has affected billions of dollars of commerce in cattle and beef products since it was implemented in 2008,” the Canadian Cattleman’s Association (CCA) [said](#). “At a cost of [C]\$25 to [C]\$40 per head, the current impact of COOL to Canadian producers is approximately [C]\$150 million per year.” [C\$1 = US\$1.01]

Despite losing the case overall, Washington focused on the aspects of the WTO decision that were in its favour. “We are pleased with today’s ruling, which affirmed the United States’ right to adopt labelling requirements that provide information to American consumers about the meat they buy,” US Trade Representative (USTR) Ron Kirk [said](#).

While the three judges overall sided with a previous WTO panel in their overall conclusion that COOL is inconsistent with the WTO’s Agreement on Technical Barriers to Trade (TBT), they overruled the earlier report on important systemic points (See Bridges Weekly, [23 November 2011](#)).

The decision marks the third time this year where the Appellate Body has dismissed the US implementation of a consumer protection policy, with the other disputes involving US dolphin-safe

labelling requirements and Washington’s ban of flavoured cigarettes. (See Bridges Weekly, [16 May 2012](#) and [11 April 2012](#), respectively) In each case, the US measures were not justified by legitimate regulatory distinctions, according to WTO judges. The three disputes have been watched closely by trade observers for their potential to clarify the TBT Agreement.

### **Segregation not mandatory, but in effect required**

COOL – consisting of a number of different instruments enacted as part of the 2002 US Farm Bill and substantially revised in 2009 – requires that consumers be informed of the countries of origin of meat via a label on the sale package. It provides for a total of five different categories of country of origin label, each divided into up to three sub-categories.

To receive an “A” label, for example, cattle must be born, raised, and slaughtered in the US. Meat from cattle with a mixed life – for example, born abroad but raised and slaughtered in the US – must have a label indicating that mix.

In cases where meat (including live feedstock) with different eligibility gets mingled, the final label needs to be determined on the basis of a complex formula. For instance, the mixing of A and B meat results in a B or C label for the final product, depending on when and where the mixing occurred. Moreover, mixing A and C meat can result in a B label. On the final labels, B and C origin indications are difficult to distinguish: “product of the US, Country X” stands for label B while “product of Country X, the US” stands for label C.

In order to be able to comply with the measure, which requires that meat of mixed origin be labelled – even where the cattle was mixed right after birth – producers need to constantly monitor and segregate the different cattle and hogs. Processing only domestically born, raised, and slaughtered meat, on the other hand, does not require such monitoring, which makes foreign livestock clearly less competitive, the judges found.

## Appellate Body unable to complete full analysis

Importantly, the judges disagreed with Mexico's and Canada's argument that the measure was not only discriminatory but also more trade restrictive than necessary. In doing so, they also overruled the previous panel, which had argued that the measure was unable to achieve the stated objective as the labels were confusing and misleading for consumers.

While the Appellate Body disagreed on this point, it nonetheless could not fully agree with the US. Instead, it noted that it was not able to complete its analysis on the trade restrictiveness, as the panel had provided inadequate information on less trade restrictive alternatives.

"[D]ue to the absence of relevant factual findings by the panel, and of undisputed facts on the records, we are unable to...determine whether the COOL measure is more trade restrictive than necessary to fulfil its legitimate objective," the judges said.

Under WTO law, where less trade restrictive alternatives exist that would be able to achieve the stated objective, a measure may be found more trade restrictive than necessary.

During the dispute, Canada and Mexico had offered four different alternatives that the US could apply instead of the current policy that would, the complainants argued, be both less trade restrictive and fulfil the objective of providing information on origin to consumers "at an equal or greater level than the COOL measure."

These suggested measures included a voluntary COOL requirement; a mandatory COOL requirement in cases of "substantial transformation," or where processing in a second country changes the nature of the product and thus makes that country the country of origin; a voluntary labelling regime combined with a mandatory COOL requirement based on substantial transformation; or a trace-back system that would allow a retailer to trace a piece of meat back to the original animal.

The countries have until September to agree on a compliance timetable.

ICTSD reporting.

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## WTO Sub-Committee Clinches Preliminary Deal on Accession Guidelines for Poorest Countries

WTO members have reached a preliminary agreement updating the accession guidelines for least developed countries (LDCs), according to Geneva-based delegates. The 29 June draft recommendations, prepared by the LDC Sub-Committee, were reportedly still awaiting formal approval from some member capitals as Bridges went to press on Wednesday evening; if and when the confirmation is received, the guidelines will be forwarded to the General Council – the WTO's highest decision-making body outside of the ministerial conference – for adoption later this month.

The draft guidelines – available as a working document on the WTO website – are the result of a December decision by trade ministers at the Eighth WTO Ministerial Conference to "further strengthen, streamline, and operationalise the 2002 LDC accession guidelines," with the inclusion of benchmarks, particularly in the area of goods. Members were also urged to explore benchmarks in the area of services, with July's General Council meeting set as the deadline for finalising all of the recommendations.

The document agreed in 2002 had urged WTO members to exercise restraint in the demands made of LDCs during the accession negotiations.

However, least developed countries have long complained that their trading partners routinely ask them to take on commitments beyond what they are capable of during their bidding process to join the WTO, as seen in the cases of the five most recent LDCs to accede. These commitments, they argue, were also well beyond those that were required from LDCs that had previously joined the organisation.

When the WTO was founded in 1995, 30 LDCs joined the organisation. Since then, only five LDCs have joined the global trade body, with ten currently negotiating to join the 155-member group. Of these ten, Laos and Yemen are in the final stages of accession, and are widely expected to complete the negotiating process this year.

### July date in the background

Since the December ministerial, trade officials have stressed in various contexts – including the Paris trade ministers’ meeting in April – the need to quickly conclude the negotiations for the new LDC accession guidelines.

“It’s not a part of our Doha mandate, but it is an area where we can demonstrate that we can come together and do something we haven’t done, frankly, [in] the last ten years,” US Trade Representative Ron Kirk said in April after the Paris trade ministers’ meeting. (See Bridges Weekly, [30 May 2012](#))

However, the difficulty of the discussions in Geneva had raised questions in some circles over whether meeting the July General Council deadline would be feasible.

“The negotiations [for the revised guidelines] were long, and quite hard,” one developing country official commented to Bridges.

“Had things not worked out by July... The momentum would have gone by the wayside and there would have been a lot of bitterness in the July Council,” the official continued. “If we could not do something as simple for LDCs, then there would have been questions regarding the virtues of the system.”

“In an organisation where no negotiation seems to end, this is something we could do in time,” another developing country official commented.

“While there was a push to delay [by some], it was not clear that there would have been a better deal that way.”

### Goods debate

Market access in goods took centre stage during the accession guidelines discussions, with talks focusing on the level of binding coverage – in other words, how many tariff lines acceding LDCs will have to bind upon joining the WTO – and what average bound rates should be (i.e. the average maximum tariff rate agreed to by each WTO member), along with the implicit trade-off between the two.

“While comprehensive binding coverage is a fundamental objective, flexibilities shall be provided to acceding LDCs consistent with their individual development, financial, and trade needs,” the draft text reads.

All agricultural tariff lines will be bound under the new benchmarks, as required by all WTO members in the organisation’s Agreement on Agriculture. The average bound rate of these lines will be 50 percent, the new accession guidelines text reads.

The debate on non-agricultural market access was particularly contentious, delegates commented to Bridges. While some developed country members lobbied for 100 percent binding coverage on the grounds that this would ensure predictability of the system, many LDCs argued that some tariff lines should be left unbound, should problems arise with lines that are especially sensitive.

Another issue that was raised was whether the conditions for entry for the first 30 LDCs to accede to the WTO – which did so under less stringent binding coverage and average bound rates – or for the five most recent LDCs, which had tougher terms, should be used as a basis of comparison, or if some average between the two should be used.

Members on Friday at the LDC Sub-Committee ultimately agreed on binding 95 percent of tariff lines for non-agricultural products, at an average bound rate of 35 percent, with the latter number reflecting a middle ground between the average bound rate for the 30 original LDCs to accede – at an average bound rate of 44.4 percent – and the five recently acceded LDCs, with an average bound rate of 23 percent.

While some developing countries had pushed for the remaining five percent of unbound tariff lines to be open for self-selection, sources told Bridges, a footnote in the draft text explains that those lines will ultimately be subject to negotiation, “and will include tariff lines that take into account the sensitivities of acceding LDCs.”

Notably, acceding LDCs that wish to take on comprehensive bindings of non-agricultural tariff lines can do so, in exchange for “proportionately higher overall average rates than provided for [above], with the precise level of bindings and average rates to be agreed between the acceding LDC and the members.” Those LDCs would also be entitled to transition periods “of up to 10 years for up to 10 percent of their tariff lines.”

The draft text also emphasises the uniqueness of each accession process, stating that the tariff concessions to be offered by the acceding LDC may vary depending on individual circumstances. “Establishing benchmarks on average bound rates does not prejudice the right of members to negotiate the level of bound rates in individual lines of interest to them,” the text reads. “At the same time, this offers an opportunity to acceding LDCs to determine the bound rate suitable to each tariff line.”

“The benchmarks proposed for the goods negotiations are a step forward,” said Nicolas Imboden, Executive Director of the Geneva-based IDEAS Centre, an organisation that works to help low-income countries integrate into the world trading system. “They are clearly a compromise between what LDCs wanted and what the other WTO members were willing to give. The merit is that the two parties could agree on a common denominator that puts clear and enforceable limits to potential unreasonable demands on LDC acceding countries.”

## Services

Unlike the goods section, the services section of the preliminary text does not include quantitative benchmarks. Rather, it outlines a series of qualitative benchmarks, noting that there shall be “flexibility for LDCs for opening fewer sectors, liberalising fewer types of transactions, and

progressively extending market access in line with their development situation.”

In addition, LDCs bidding to join the global trade body will not be expected to offer full national treatment, or to take on additional commitments under Article XVIII of the WTO’s General Agreement on Trade in Services on regulatory issues “which may go beyond their institutional, regulatory, and administrative capacity.”

Under the draft recommendations, these LDCs will also not be required to undertake services sector and sub-sector commitments “beyond those that have been committed by existing WTO LDC members, nor in sectors and sub-sectors that do not correspond to their individual development, financial, and trade needs.”

“The services section was very difficult, as the [goods] concept of benchmarks would not apply,” one developing country official said. However, the final result is “quite helpful in guiding negotiations for LDC accession. It puts certain limits on what can and cannot be done.”

The lack of detail in the proposed services benchmarks, however, has been criticised by some trade observers, who note that more might be needed to ensure LDCs not face overly stringent requests in that area.

“The proposed benchmarks on services are a missed opportunity,” Imboden commented. “The proposed text... clearly shows that no serious effort has been made to show either the importance of services for the development of the countries concerned or to find some common ground on what would be a reasonable approach to services negotiations.”

## Transparency, S&D, and technical assistance

The text also includes sections on transparency, special and differential (S&D) treatment, and technical assistance.

Part of WTO accession negotiations involves bilateral talks between current and prospective members to reach bilateral deals, a process that has been criticised by some for allowing members



to potentially make disproportionate demands of acceding LDCs.

To that end, the draft text on transparency includes a clause that says that “the Accession Working Parties will continue to provide the forum for Members and acceding LDCs to collectively review the bilateral market access negotiations on goods and services.”

The preliminary text also reaffirms that S&D treatment, as outlined in the WTO agreements, ministerial decisions, and other relevant WTO legal instruments, shall be applicable to all LDCs in the process of joining the WTO.

The WTO Secretariat will also prepare technical assistance framework plans built on input provided by acceding LDCs, with the goal of achieving “greater coordination and effective delivery at all stages of the process,” according to the recommendations. Such plans, the draft text says, will be “demand-driven” and will be modified over time depending on changes in the needs of these acceding countries.

#### More information

The draft decision (WT/COMTD/LDC/W/55/Rev.2) is available at <http://docsonline.wto.org>. Bridges will provide further updates should any changes appear in the final version if and when capital officials approve the document.

ICTSD reporting.

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### Political Controversy in Paraguay Prompts Reshuffling of Mercosur Membership

South American customs bloc Mercosur will see Venezuela join as a full member by the end of this month, and has temporarily suspended current member Paraguay from the grouping in the wake of President Fernando Lugo’s impeachment in late June. During their presidential summit last week, the bloc also decided against raising its common external tariff, while declaring – together

with Beijing – a goal to double Mercosur-China trade by 2016.

#### Paraguay suspended; Venezuela welcomed in

The rapid impeachment of Paraguayan President Fernando Lugo by his country’s Senate topped the agenda during last week’s gathering of Mercosur leaders, with the three other members of the bloc – Argentina, Brazil, and Uruguay – voting unanimously to suspend the membership of their Southern Cone neighbor.

Asunción’s suspension will remain in effect until the next presidential election, according to the final summit declaration; elections are scheduled for April of next year.

Though the political controversy in Paraguay has created waves among its Latin American trading partners, who have raised questions about the removal of a democratically elected leader, Mercosur will not be imposing economic sanctions on Asunción.

“We are not in any way applying economic sanctions because our aim is to improve our people’s quality of life,” Argentine President Cristina Kirchner explained at the end of the summit, held in the Argentine province of Mendoza. “[But we cannot] tolerate these ‘gentle coups’ or movements that – under a veneer of institutional correctness – shatter the constitutional order.”

In Paraguay’s absence, Venezuela will officially become a full member of Mercosur on 31 July, Argentine President Cristina Kirchner announced during the presidential summit. Venezuela’s membership had already been approved by Buenos Aires, Brasilia, and Montevideo, with ratification by Paraguay’s Congress being the last impediment to entry.

Following the summit, however, Uruguayan officials noted that the decision to invite Venezuela in the absence of Paraguay had not originally been planned. “For us it wasn’t the time and it shouldn’t have been implemented under these circumstances,” Uruguayan Foreign Minister Luis Almagro said, explaining that the 31 July date is a reflection of these doubts.

“For me, this isn’t the last word on the matter,” he noted, adding that Brazil played a major role in bringing about the decision. However, Brazilian officials have disputed that claim, arguing that it was Uruguayan President José Mujica who suggested the move.

Caracas’ newly-announced full membership in the grouping has also sparked a mixed response among some private sector leaders in Venezuela, who argue that the country might struggle to compete with regional heavyweights Argentina and Brazil. Others, however have noted that the decision could be a boon to Venezuela’s economy by allowing the direct exchange of products of mass consumption and providing opportunities for joint co-operation on major projects.

### **Tariff hike proposed**

Also on the high-level meeting’s agenda was an Argentine proposal to increase its common external tariff on all imports to the maximum level permitted by WTO rules. The proposal, however, was ultimately rejected by Buenos Aires’ Mercosur partners, according to the government of Uruguay.

However, leaders agreed to allow members of the trading bloc to increase tariffs on up to 200 tariff lines on a unilateral basis – an increase from the 100 lines originally agreed upon in December following a proposal made by Brazil. Both Argentina and Brazil have been struggling against a wave of imports, which has been credited for both countries’ controversial decisions to take measures to protect their domestic industries.

“What we have here [in the agreements reached in Mendoza] is a very limited flexibility for each member state to be able to take the decision to increase or not increase their national tariff,” Álvaro Ons, Director for Integration and Mercosur at the Uruguayan Foreign Ministry, explained. “This now becomes an individual decision for each country with regard to its own interest.”

### **Brazil, Argentina trade ties**

Trade officials from Brasilia and Buenos Aires – the two largest economies of Mercosur – also met

on the sidelines of the high-level gathering, inking a deal aimed at helping their respective automotive industries.

According to the Brazilian industry ministry, Brasilia will begin instituting a local content requirement for car part producers that receive certain incentives. However, Argentina will be among the regional partners to be exempt from part of this requirement, which is set to take effect next year.

“We will exclude from the calculation all regional content that does not have a direct relationship with production,” the ministry said.

The two sides have engaged in a series of trade spats over the years, with rows centring on import restrictions imposed by both sides on each other’s products. At their meeting, officials also agreed to lift some of the barriers at their shared border, a recurring source of disagreement on both sides. Brazil will stop slowing imports of Argentine dairy goods, grapes, olive oil, wheat flour, candies, frozen potatoes, olives, wine, and jams, according to Dow Jones Newswires; in return, Argentina will speed up imports of Brazilian textiles, shoes, furniture, appliances, auto parts, tires, pork, and farm machinery.

### **Mercosur, China aim to double trade by 2016**

The South American custom bloc’s relationship with China also featured during the high-level talks, with trade observers watching to see whether Beijing’s recent proposal that the two sides negotiate a free trade agreement might be addressed at the summit. The FTA idea was raised during Chinese Premier Wen Jiabao’s recent trip through the region.

However, no mention of the FTA suggestion was included in the final Mercosur summit declaration, with leaders instead noting the importance of China-Mercosur relations and their joint pledge to increase economic and trade co-operation and double China-Mercosur trade to US\$200 billion by 2016. Beijing is currently Mercosur’s second-largest trading partner.

ICTSD reporting; “El sector privado en Venezuela critica su ingreso al Mercosur,”



CLARÍN, 1 July 2012; “Empresarios de Brasil salieron a cuestionar las trabas del Gobierno a las importaciones,” CLARÍN, 30 June 2012; “El canciller uruguayo cuestionó el ingreso de Venezuela al Mercosur,” CLARÍN, 3 July 2012; “Brasil niega presiones a los socios del bloque,” CLARÍN, 3 July 2012; “China commits \$15 billion in development funds for Latin America,” LOS ANGELES TIMES, 27 June 2012; “Mercosur welcomes Venezuela, suspends Paraguay,” REUTERS, 29 June 2012; “Argentina, Brazil Sign Car Deal, Ease Trade Tension,” WALL STREET JOURNAL, 29 June 2012.

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### **Build-up of Trade Restrictions “A Matter of Concern,” Lamy Warns**

The imposition of trade-restrictive measures by WTO members has continued virtually unabated over the last seven months, according to a new report issued last week by WTO Director-General Pascal Lamy, prompting concern that governments are continuing to look toward protectionist measures as a means of strengthening domestic economies.

In his biennial report to the WTO’s Trade Policy Review Body, Lamy found that 182 trade-restrictive measures – affecting 0.9 percent of global imports – have been implemented by WTO members and observers from mid-October 2011 to mid-May 2012, a number consistent with the number of new protectionist measures in the two previous roughly six-month intervals. Lamy called the continuing accumulation of trade restrictions “a matter of concern,” urging governments to resist new protectionist measures.

“Governments need to redouble their efforts to resist protectionist pressures and take active steps to keep markets open and advance trade liberalisation,” wrote Lamy.

This review follows a 31 May WTO report that found accumulating protectionist measures in G-20 countries, despite a standstill commitment from the countries to avoid issuing further restrictions on trade during the economic crisis and rollback existing measures. (See Bridges Weekly, 6 June 2012)

### **No slowdown in protectionism**

The 182 new potentially trade-restrictive measures represent an increase in protectionism consistent with prior periods, a sign that governments are still searching for remedies to the global economic crisis. These measures accounted for over 53 percent of total trade restrictive policies implemented over the period examined in the report. As of mid-May, G-20 import-restrictive measures covered 2.9 percent of world imports and 3.8 percent of imports in G-20 countries.

The report cited trade remedy actions, import tariff increases, import licensing processes, and non-tariff measures such as non-automatic import-licensing requirements and other forms of border controls as the majority of the new trade-restrictive measures. WTO member countries also expressed concern over the increased use of private import standards, including new Sanitary and Phytosanitary (SPS) regulations – those dealing with the protection of food safety and animal or plant health – not based on scientific standards.

### **Decelerating trade growth increasing threat of future restrictions**

The impact of the global economic crisis is still affecting world markets, as growth in world trade volume fell to 5.0 percent in 2011 from 13.8 percent in 2010, the report said, in line with earlier findings released this past April. The loss of momentum is expected to quell trade growth even further, with 2012’s projected growth falling to 3.7 percent as the spectre of global uncertainty and potentially worsening economic conditions looms over world markets. (See Bridges Weekly, 18 April 2012)

With the global economy in flux, Lamy noted that “the threat of protectionist pressures looms even larger,” expressing concern about governments turning to protectionism as a remedy for economic stagnation.

“The more recent wave of trade restrictions seems no longer to be aimed at combatting the temporary effects of the global crisis, but rather at trying to stimulate recovery through national

industrial planning, which is an altogether longer-term affair,” read the report.

The report stressed the importance that on-going reform efforts – including the EU’s Common Agricultural Policy and the US Farm Bill – work toward increased liberalisation and avoid trade-distorting policies.

### Room for improvement

As countries have relied increasingly on non-tariff barriers to restrict trade, monitoring those activities has become increasingly difficult. The report emphasised the need for improvements in transparency and peer review of trade-related measures, as increased public access to information and enhanced monitoring processes will encourage openness and accountability.

Looking forward, the Director-General reiterated the need for trade liberalisation efforts to occur on a global scale.

“Stronger global cooperation is needed to rebuild a robust architecture for trade in the 21st century. Greater international cooperation is also needed to make the case for open trade, escape the current economic crisis, and advance the multilateral trade agenda.”

ICTSD reporting.

## IN BRIEF

### Australian Carbon Tax Takes Effect

Increased political bickering and intense public debate marked the days leading up to the 1 July onset of Australia’s first-ever carbon tax, a measure that will impose emissions costs on the country’s largest polluters.

Australia’s major political parties have amplified the debate surrounding the controversial measure, as opposition leader Tony Abbott – having committed to repeal the tax if the opposition wins power in the next election – attempted to issue a parliamentary censure of Prime Minister Julia

Gillard for having “misled and lied to the Australian people.”

Abbott’s move was the latest in the ongoing struggle over Gillard’s ambitious, yet divisive, introduction of regulations on carbon emissions in the developed world’s largest per capita polluting country.

The carbon tax originates from the Clean Energy Agreement, a multi-party initiative designed to reduce carbon pollution that narrowly passed the Australian parliament last fall (see Bridges Weekly, [9 November 2011](#)). Beginning 1 July, the government will impose a tax of A\$23 (US\$23.67) per tonne of carbon emitted from the country’s 294 largest polluters – down from the 500 that had been previously announced. The tax is set to increase 2.5 percent annually until 2015, when an emissions trading scheme will replace the tax.

The measure aims to cut 160 million tonnes of carbon emissions by 2020, and proponents of the legislation believe that the tax will spur multi-billion dollar investment and innovation in newer, cleaner energy sources.

Opponents of the carbon tax, however, contend that it will lead to mine and factory closures, job losses, and increased costs of living for Australians as higher energy prices find their way to the consumer. The coal industry, which will shoulder a large portion of the new tax, is Australia’s largest exporter, earning A\$46 billion in exports in 2010. The Treasury has estimated that consumer prices will rise by 0.7 percent as a result of the new tax.

Prime Minister Gillard dismissed the opposition’s claim that the tax would cripple the Australian economy. “None of those claims to try to induce fear in the Australian community are true, have ever been true or will ever be true,” she said earlier in the week.

To offset the increase in energy prices, the prime minister has pledged A\$7 billion in tax cuts and assistance to eight million households. More than A\$1 billion was paid in the month of June to families, students, and pensioners in anticipation of the tax.

But the offset measures have not appeased the opposition.

“There is a deep and lasting consensus that this is a bad tax and we can’t trust a single commitment that this prime minister gives,” Abbott said. The opposition leader, who is neck-and-neck with Gillard in opinion polls for next year’s federal election, has promised to repeal the carbon tax if he becomes prime minister.

ICTSD reporting; “Abbott makes solemn pledge on carbon tax,” THE AUSTRALIAN, 29 Jun 2012; “Abbott moves to censure PM on carbon tax,” THE AUSTRALIAN, 28 Jun 2012; “Opposition carbon tax claims untrue: PM,” THE SYDNEY MORNING HERALD, 25 June 2012; “Australians ‘will accept’ carbon tax,” THE CANBERRA TIMES, 29 Jun 2012.

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## Switzerland Retains Top Rank in Innovation, Report Says

Switzerland has been named the world’s most innovative economy for the second consecutive year, according to a report released on Tuesday in Geneva by business school INSEAD and the World Intellectual Property Organization (WIPO). Sweden and Singapore retained their positions as second and third most innovative economies, with Finland, the UK, the Netherlands, Denmark, Hong Kong, Ireland, and the US rounding out the top ten.

The Global Innovation Index (GII) – published in collaboration with Alcatel-Lucent, Booz & Company, and the Confederation of Indian Industry (CII) – has been prepared annually since 2007 “to measure countries’ innovation capacity and innovation performances,” said Soumitra Dutta, Roland Berger Professor of Business and Technology at INSEAD and founder of the GII.

To achieve this objective, Dutta said, the GII tries to go beyond the classic indicators of innovation. “Indicators of the past – such as the number of scientists and publications or the expenditures on research and development – are still relevant. However, the concept of innovation has broadened,” Dutta explained.

This year’s edition assesses 141 countries through innovation inputs and outputs, divided into a total of 84 indicators. The input indicators attempt to capture elements of a national economy that enable innovation, such as ecological sustainability, access to information and communication technologies, quality of research institutions, and political stability. Outputs focus on evidence of scientific and creative innovation such as online creativity, domestic resident patent applications, computer software spending, and creative services exports.

## Emerging economies top innovation efficiency ranking

Though no emerging economies placed in the GII top 30, China and India came out ahead in the innovation efficiency index ranking, which indicates which countries are best in transforming given innovation inputs into innovation outputs. They are followed by Moldova, Malta, Switzerland, Paraguay, Serbia, Estonia, the Netherlands, and Sri Lanka.

“Strong innovation divides still persist between different countries and regions, with high-income countries still dominating the innovation landscape,” said Dutta, who stressed the need for the so-called BRIC countries – Brazil, Russia, India, and China – to continue investing in innovation. Dutta also pointed out that China is now close or even supersedes the top 10 ranking with respect to some indicators – such as knowledge and technology outcomes.

## Innovation key for economic growth, social transformation

“Innovation is a crucial element for economic growth and employment,” WIPO Director General Francis Gurry said in his opening remarks at the launch on Tuesday, particularly as policymakers endeavour to find solutions for the ongoing global economic crisis.

During the panel discussion that followed, Sibusiso Sibisi – President and CEO of the Council for Scientific and Industrial Research, South Africa – called innovation a “social transformer” that can “enable greater inclusion, to

enable people to create their enterprises and participate in economic growth.”

Commentators also highlighted the importance of linkages between different innovation actors. “Coherence at country level and coherence of innovation policies are important,” said Per-Ola Karlsson, Senior Partner and Managing Director of Europe, Booz & Company.

“It is not a question of quantitative R&D expenditures, number of researchers or patents...It’s about strategies, how to link various stakeholders towards successful innovation,” Karlsson added.

The importance of tailoring innovation to regional and local needs was also a main point expressed by discussants. Mohammed Al-Suwaiyel - President of King Abdulaziz City for Science and Technology, Saudi Arabia - said that “we need a different set of tools to nurture and promote innovation in the developing world.”

Jeong Kim of Bell Labs/Alcatel-Lucent echoed that sentiment, saying that in order to reap the benefits from innovation, results should be tailored to “local visions” in each country.

ICTSD reporting.

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## EU, Central America Sign Region-to-Region Deal

Officials from the EU and six Central American countries signed the EU-Central America Association Agreement last Friday in Tegucigalpa, Honduras following a negotiating process that had been launched in 2007. The deal, which includes what proponents term an “ambitious” trade component and provisions regarding sustainable development, will enter into force upon ratification by all parties, with the trade-related aspects expected to take effect either by the end of this year or early 2013.

The six Central American countries involved are Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama. Negotiations for the

region-to-region deal had ended in 2010. (See Bridges Weekly, [19 May 2010](#))

An Association Agreement, which in this case includes political dialogue, co-operation, and trade pillars, is “the strongest institutional bond that can tie the EU to its partners,” said Christian Leffler, European External Action Service Managing Director for the Americas.

“The region-to-region trade deal will help to establish major business opportunities for both sides,” EU Trade Commissioner Karel de Gucht [said](#), noting also the potential spill-over effects on the region’s overall economic integration and stability. “European exporters will save around €90 million on customs per year and European service providers, such as for telecoms and transport, will get greater market access.”

The Agreement “will fuel trade and investment relations between Central American countries and the old continent, as it provides a framework for institutional strengthening of the region, improving the business climate and building new opportunities for trade, investment, and employment,” Costa Rican Minister of Foreign Trade Anabel González [commented](#).

In 2010, EU [accounted](#) for 9.4 percent of Central America’s trade flows, making it the region’s second trade partner after the US, if not counting intra-regional trade. Central America, for its part, constitutes only 0.4 percent of EU’s trade volume.

### Trade, sustainable development provisions

Under the [trade pillar](#) of the agreement, parties will largely eliminate tariffs for manufactured goods, fisheries, and agriculture, with the EU liberalising 91 percent of tariff lines for Central American exports upon the pact’s entry into force. The six Central American countries, meanwhile, will liberalise 48 percent of tariff lines, completing the liberalisation schedule within ten years.

In agriculture, tariffs on most of the key agricultural products will be eliminated while tariffs on “sensitive areas” for local markets will remain.

The agreement aims to address other obstacles to trade in goods. To that end, the agreement includes provisions on non-tariff barriers that go beyond the WTO Agreement on Technical Barriers to Trade (TBT), as well as the WTO's Sanitary and Phytosanitary (SPS) Agreement – which deals with food safety and animal and plant health – in some areas.

The deal also has a chapter focused on trade and sustainable development, recognising the right and responsibility of parties to adopt social and environmental regulations in order to meet their sustainable development priorities, focusing especially on the enforcement of domestic labour and environmental laws.

“Each Party shall strive to ensure that its laws and policies provide for and encourage high levels of environmental and labour protection, appropriate to its social, environment and economic conditions ... and shall strive to improve these laws and policies, provided that they are not applied in a manner that would constitute a means of arbitrary or unjustifiable discrimination between the Parties or a disguised restriction on international trade,” the agreement reads.

ICTSD reporting.

## WTO IN BRIEF

### WTO Members Should Quickly Conclude Trade Facilitation Deal, Development Bank Chiefs Say

Members of the Geneva-based WTO should move to quickly finish an agreement on trade facilitation, leaders from various regional development banks and then-World Bank head Robert Zoellick said last week.

The call was made in an editorial that was jointly signed by Zoellick, who also finished his term as World Bank President last week, and the heads of the Islamic Development Bank, African Development Bank, Asian Development Bank, European Bank for Reconstruction and

Development; and Inter-American Development Bank.

“The WTO's best defense of open trade is a good offense,” the letter said, noting that a trade facilitation agreement “would be a win-win for all.”

“More than a decade after the launch of the Doha Round, this agreement could be a down payment on the commitment WTO members have made to linking trade and development,” they added, noting the measures likely to be covered in such a pact would have major gains for developing countries and likely cost just US\$7 million to US\$11 million to implement, spread over various years, according to World Bank research.

An agreement on trade facilitation – which deals with issues such as customs and border measures – has been floated in various contexts over the past few months as a Doha deliverable that could soon be achieved. The eleven-year Doha talks were declared at an impasse last December, with members being directed to explore new negotiating approaches to advance the talks in areas where progress might be possible.

Last year, the chair of the trade facilitation talks was the only one to submit a new, full draft text ahead of an Easter deadline, which showed few obstacles in the way of eventually clinching a deal and prompted speculation from some trade observers that an agreement in this area could eventually be possible, though questions over matching commitments with resources and how to achieve balance within those negotiations have continued to be floated by various members. (See Bridges Weekly, [27 April 2011](#))

Notably, however, the question of whether trade facilitation can truly be a “self-balancing pillar” within the overall Doha talks has been raised repeatedly in recent months, with some countries – including emerging economies such as India and Brazil – arguing against de-linking trade facilitation from other aspects of the Doha Round.

“No one is willing to give trade facilitation away without a counterpart,” one developing country official commented to Bridges. “That's the position of most of the countries.” Members are



now discussing what such counterparts could be, the official noted, adding that the idea of putting together various items a small Doha package – which has been attempted before, unsuccessfully – is one that members wish to avoid.

Rather, “if there could be some counterparts, even if not the full length and breadth of an issue [full sector], but if there could be elements that could be harvested earlier, or reaped, then I think people will be willing to go for it,” the official said. “The only thing is how to sift through those different elements, for something acceptable to all where there are no red lines.”

When such a trade facilitation agreement might be reached is still unclear, Geneva-based delegates have said, with one noting that the current talks are “free-floating discussions” rather than running along a set timeframe.

One developed country delegate noted that, while there is still substantial work to be done within the trade facilitation talks, which are moving at a “slow pace,” discussions “are still ongoing, which is a good sign.” Members meeting in the negotiating group on trade facilitation next week will be addressing how to proceed, the delegate added.

ICTSD reporting.

## EVENTS & RESOURCES

### Events

#### Coming soon

9 July, Washington, US. THE ‘BEYOND THE BORDER’ ACTION PLAN AT SIX MONTHS. This one-hour event will review the Beyond the Border Action Plan launched last December by US President Barack Obama and Canadian Prime Minister Stephen Harper. The initiative is aimed at facilitating trade and investment, as well as improving cross-border security, between the US, Canada, and Mexico. Speakers will address what milestones have been achieved, what challenges have been encountered, and how the various parties are working together to ensure that the

Action Plan will increase Canada and the United States’ ability to interdict threats while reducing all non-essential barriers to trade. For more information, click [here](#).

9-11 July, Bonn, Germany. FIRST UNFCCC WORKSHOP ON LONG-TERM FINANCE. Organised by the UN Framework Convention on Climate Change (UNFCCC), this three-day workshop will discuss the importance of long-term finance in tackling climate change. Sessions will focus on various related subjects, including trends of climate-related financing needs; the potential for scaled-up financial resources to address climate mitigation and adaptation needs; and the scale of financial resources required to address climate change in the longer term in developing countries. For more information, visit the [UNFCCC website](#).

10 July, Geneva, Switzerland. LAUNCH OF THE INVESTMENT POLICY FRAMEWORK FOR SUSTAINABLE DEVELOPMENT (IPFSD). This event, hosted jointly by the UN Conference on Trade and Development (UNCTAD) and the International Institute for Sustainable Development (IISD), will feature the launch of UNCTAD’s Investment Policy Framework for Sustainable Development, which will also form the main theme of the World Investment Report being launched on 5 July. The IPFSD publication aims to inform national and international policymakers on how best to design investment policies that support sustainable development, how to ensure the integration of investment policy with development strategy, and how to improve policy effectiveness. The event is open to the general public. To learn more, or to register, please contact [Farazally.Rojid@unctad.org](mailto:Farazally.Rojid@unctad.org) or visit the event [website](#).

11 July, Geneva, Switzerland. WTO NEGOTIATIONS: CONCLUDING THE DOHA ROUND AND POSSIBLE ALTERNATIVES. This lecture, organised by the Graduate Institute’s Summer Programme on the WTO, International Trade and Development in collaboration with the Centre for Trade and Economic Integration, will focus on the ongoing Doha Round of trade talks at the WTO. Featured speakers will include Stuart Harbinson, former Senior Adviser to the WTO Director-General;



Nicholas Niggli, Counsellor, Deputy Head of the WTO Division at Mission of Switzerland to the WTO and EFTA; David Shark, US Deputy Chief of Mission to the WTO; Manuel A.J. Teehankee, former Philippine Permanent Representative to the WTO in Geneva and the former Chairman of the WTO Committee on Trade and Environment Special Session. The talk will be moderated by Gerard Depayre, a consultant at Trade Strategies. For more information, click [here](#).

## 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.

6 July: Committee on Trade and Development – Dedicated Session on Small Economies

9 – 13 July: Geneva Week (Non-resident Members and Observers)

9 – 11 + 13 July: Negotiating Group on Trade Facilitation (followed by Inf.)

10 – 11 July: Committee on Sanitary and Phytosanitary Measures

10 July: Dispute Settlement Body

10 July: Working Party on the Accession of Seychelles

11 July: Committee on Trade and Development – Session on Aid for Trade

11 July: Working Party on the Accession of Liberia

11 July: Workshop on Aid for Trade and Services

## Other Upcoming Events

16-18 July, Khabarovsk, Russia. ASIA-PACIFIC ECONOMIC COOPERATION (APEC) MEETING OF MINISTERS RESPONSIBLE FOR ENVIRONMENT. Ministers of natural resources and heads of agencies on environmental protection from APEC economies will meet to discuss the following issues: promoting green growth, in particular through environmental goods and services, advanced conservancy methods, clean manufacturing, and consumption techniques; rational use of natural resources; trans-border streams and the sustainable use of natural resources; combating trans-border pollution; climate change mitigation and adaptation; and preserving biodiversity and environmental heritage, including the management of designated conservation areas. For more information, please click [here](#).

24-26 July, Shanghai, China. MANAGING THE WTO ACCESSION PROCESS: STRATEGIES, CHALLENGES AND PRACTICES. This Asian Development Bank (ADB) event will facilitate experience sharing among members of the Central Asian Regional Economic Cooperation (CAREC) Programme on issues relating to WTO accession. The event will provide trade officials in non-WTO Central Asia Regional Economic Cooperation (CAREC) countries with insights on options for managing the accession process in the following areas: identification of goals; assessment of options; formulation of negotiating strategies; and management of the negotiating team and national committee. For more information, click [here](#).

27-29 July, Wien, Austria. WORLDS WITHIN REACH: FROM SCIENCE TO POLICY. Organised by the International Institute for Applied Systems Analysis (IIASA), this event will address the challenges brought about by globalisation, fundamental shifts in economic and political power, environmental challenges, and social conflicts. It will also focus on the research needed to address the environmental, social, technological, economic, and sustainability challenges they pose. It will debate solutions by exploring the options for new “future worlds” that will accommodate the global population’s

collective needs in a sustainable manner. For more information, click [here](#).

10 September - 30 November, online. UNCTAD VIRTUAL INSTITUTE ONLINE COURSE ON TRADE AND POVERTY. The online course, organised by the UNCTAD Virtual Institute (Vi), is aimed at researchers and university lecturers from developing and transition countries. The objective is to provide participants with the empirical tools needed to assess the impact of trade and trade-related policies on poverty and income distribution. The course is a hands-on technical course with emphasis on the manipulation of data and the use of econometric tools. Applicants are required to have knowledge of STATA and trade theory and policy, in addition to a Master's degree in Economics. The deadline for application is 13 July 2012. For more information, please click [here](#).

24-26 September, Geneva, Switzerland. WTO PUBLIC FORUM 2012. Convening under the theme "is multilateralism in crisis?", the Public Forum is the WTO's largest annual outreach event. It aims to provide a platform for participants to discuss the latest developments in world trade and to propose ways of enhancing the multilateral trading system. The event regularly attracts over 1,500 representatives from civil society, academia, business, the media, governments, parliamentarians, and intergovernmental organisations. Event organisers are currently inviting submissions of short articles of no more than 1,000 words on the themes of the Forum, along with views on the articles submitted by others. Articles should be sent to [publicforum2012@wto.org](mailto:publicforum2012@wto.org), indicating discussion forum on the subject line. For more details about this event, visit the WTO's [website](#).

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## Resources

WTO DISPUTE SETTLEMENT: ONE-PAGE CASE SUMMARIES (1995-2011). Published by the World Trade Organization (June 2012). This publication provides a summary of the key findings of every dispute panel report up to the end of 2011 and, where applicable, the subsequent Appellate Body report. Each one-page summary

comprises three sections: the core facts; the key findings contained in the reports; and, where relevant, other matters of particular significance. To access the publication, click [here](#).

THE COMPLETE WORLD DEVELOPMENT REPORT ONLINE. Published by the World Bank. The World Development Report (WDR) 2012 is now fully integrated into the 'WDR Online' site, and users can access data from as far back as the first report released in 1978. Translated editions of the 2005, 2006, and 2007 WDR are available in Arabic, French, Russian, Japanese, Chinese, and Portuguese. Additionally, users can download a free application that allows them to access the analysis, data, and policy recommendations on a mobile device. For more information, click [here](#).

TRANSATLANTIC ECONOMIC CHALLENGES IN AN ERA OF GROWING MULTIPOLARITY. Edited by Jacob Funk Kirkegaard, Nicolas Véron, and Guntram B. Wolff for the Peterson Institute of International Economics (July 2012). This publication discusses the increased role emerging economies have begun to play in the global economy in the wake of the ongoing economic recession, and their growing demands for influence over global economic governance. This, the authors note, is illustrated by the eclipse of the G-8 by the G-20, and poses a series of challenges and opportunities for the US and EU. This book explores how the rise of outside actors of equal or greater economic weight could force a rethinking of how the EU and US should conduct policy externally towards the new rising economic poles, and also of the substantive contents of the EU-US bilateral economic and political relationship. To learn more, or to purchase the publication, click [here](#).

RENEWABLES 2012 GLOBAL STATUS REPORT. Published by Renewable Energy Global Policy Network for the 21st Century (REN21) (June 2012). This report's overarching finding is that renewable energies are on a strong growth trend, with global investments in renewables breaking records in 2011. The report features chapters that: provide an overview of the global renewables market; analyse market and industry trends by technology; look at investment flows; analyse policy landscapes; investigate

progress in rural renewables; and explore the linkages between renewable energy and energy efficiency. It concludes with a note that major investments in renewable energy are needed to meet rising demand while mitigating climate change. For more information, click [here](#).

**FOREIGN INVESTMENT IN AGRICULTURE IN MERCOSUR MEMBER COUNTRIES.** Published by the International Institute for Sustainable Development (IISD) (July 2012). This report finds that foreign investments are increasingly significant in the agriculture sectors of the member states of the Southern Common Market (Mercosur). Foreign investors have taken a keen interest in the agriculture sector in recent years, partly due to sharp spikes in agricultural commodity prices since 2007. The report concludes with a number of actions that, the authors suggest, would assist in the development of policies to appropriately address foreign investment in agriculture. For more information, please click [here](#).