

BRIDGES WEEKLY

Global trade news from a sustainable development perspective

VOLUME 19, ISSUE 31, 24 SEPTEMBER 2015

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WORLD TRADE ORGANIZATION

WTO Members Tussle Over Size and Shape of Nairobi Package

With WTO members still divided on farm subsidies and market access issues, Director-General Roberto Azevêdo last week called for negotiators to start focusing their efforts on "the most promising issues" for the global trade body's upcoming ministerial conference in Nairobi, Kenya this December.

However, negotiators from both developed and developing countries expressed unease at proposals to refocus talks on a narrow package of relatively uncontroversial "deliverables" for the Nairobi event.

A [statement](#) from the WTO explained that Azevêdo was referring to "LDC and development outcomes, outcomes on export competition in agriculture, and a number of provisions to improve transparency in several issues being negotiated." There is widespread consensus that – at a minimum – the ministerial must contribute to progress on issues of concern to least developed countries (LDCs).

Trade sources told Bridges that they would be disappointed if the trade talks failed to make progress on controversial topics such as farm subsidies or tariffs for agricultural and industrial products.

"Most members want a comprehensive package addressing everything," one developed country official said.

Negotiations aimed at just such a package were launched as part of the WTO's Doha Development Agenda (or DDA) in 2001, but hit an impasse after talks broke down in 2008. The organisation's Bali ministerial conference two years ago gave a boost to the struggling trade round with a commitment to agree to a work programme on the remaining Doha issues, but the talks since have shown continued divides.

US proposes farm subsidy cuts

Azevêdo's call for members to refocus talks on a small package of less controversial measures was echoed by US Ambassador Michael Punke at an informal consultation

on 17 September.

"The United States continues to believe that we have a good possibility of achieving a package of meaningful outcomes for Nairobi and the DDA, centered around the export competition pillar of agriculture, meaningful steps forward on issues important to LDC members, and potentially some advances in transparency in several areas," Punke [told](#) the meeting.

In previous years, the EU has insisted that any concessions on export subsidies and similar measures under the WTO's "export competition" pillar should form part of an overall Doha deal rather than being fast-tracked as a separate accord.

But trade sources told Bridges that the 28-nation bloc might be willing to reconsider its long-standing opposition to an "early harvest" that included elements on export competition, in light of evolving market trends and the negotiating context.

Punke nonetheless told negotiators that the US had prepared a new proposal on agricultural domestic support, which he said took account of the "red lines" – or non-negotiable issues – that trading partners had told them about previously.

In contrast, the US said that WTO members "are simply nowhere near achieving multilateral consensus" on market access for agricultural and manufactured goods, nor on services.

Market price support and input subsidies

The informal US proposal – a copy of which has been seen by Bridges – was shared at a small-group consultation among chief negotiators from seven major trading powers on 15 and 16 September in Geneva.

Brazil, Canada, China, the EU, India, Japan, and the US attended the meeting, which was called by the WTO Director-General, trade sources said.

The document proposes that it is particularly important to strengthen disciplines on two kinds of trade-distorting domestic support, namely market price support and input subsidies.

The proposal does not suggest taking specific action on other kinds of payments, such as non-product specific support payments that would also fall into the WTO's "amber box" – the organisation's category for the most trade-distorting types of payments.

The draft text explicitly states that the proposed accord would be without prejudice to WTO members' rights and obligations under Article 6.2 of the Agreement on Agriculture. This clause provides greater flexibility to developing countries to use input and investment subsidies – types of support which are particularly important in India. (See Bridges Weekly, [18 September 2014](#))

Standstill commitment

Members would agree that they "should avoid using market price support and input subsidies for agricultural products," the new submission suggests.

They would also undertake a "standstill" commitment on either market price support or input subsidies. This could include agreeing not to increase the applied administered price for any farm products receiving market price support; not increasing the number of farm products benefitting from this kind of support; or not increasing product-specific input subsidies for agricultural products above existing levels.

Punke said the new proposal would not require any member to make changes to existing programmes that are WTO-consistent under current rules.

He also said that major subsidisers would have to answer one key question: "are [these countries] willing to search for any area where they can make a contribution to progress on this issue?"

In recent months, Washington has consistently argued that large developing countries such as China will need to agree to undertake cuts as part of any multilateral deal involving agricultural domestic support. (See Bridges Weekly, [25 June 2015](#))

Sceptical reactions

New Zealand Ambassador Vangelis Vitalis, the chair of the WTO agriculture negotiations, held a follow-up meeting with a larger number of negotiators yesterday afternoon, officials told Bridges.

However, trade officials told Bridges that they did not believe the proposal would receive a warm welcome from other countries.

"It won't fly," said one developing country negotiator, adding that China and India did not accept the US approach.

A developed country official concurred, suggesting that it was "no surprise" that these members had reacted critically to a proposal that focused on their own trade-distorting support programmes without also addressing the types of schemes in use in other major subsidisers.

A number of delegates also questioned whether introducing a new approach to disciplining trade-distorting support so soon before the ministerial conference would be helpful in garnering consensus among members.

"I think it makes it more difficult," one official told Bridges.

An LDC package?

An African official also cautioned that many developing country groups would be reluctant to accept a Nairobi outcome built around "deliverables" for least developed countries, but with little to offer other developing countries that did not fall into this category.

The coalitions that were concerned about this included the G-33 group of developing countries with significant populations of small farmers, as well as the African, Caribbean and Pacific Group (ACP) and the African Group, the negotiator said.

Negotiators are now hoping that trade ministers from the G-20 group of major economies will give further guidance to the talks when they meet in Istanbul on 5 October.

The G-7 major trading powers were expected to meet in the margins of the event to try to identify ways forward in the talks, trade sources said.

However, trade officials were conscious that few weeks remain to identify the contours of a possible deal and start filling in the details.

"Time is short," Azevêdo told negotiators late last week. "It is essential that we have an answer to this question within the next month."

ICTSD reporting.

TRADE AGREEMENTS

TPP Countries Eye Potential Chief Negotiators' Meeting as Elections Loom

The 12 countries negotiating the Trans-Pacific Partnership (TPP) Agreement are reportedly considering holding high-level talks next week in the US city of Atlanta, as the impending elections in some key players threaten to complicate the long-term timeline for the trade deal.

If held, the Atlanta gathering would come two months after an effort to broker a final TPP accord among ministers in Hawaii fell short, with the key divides being over rules of origin for automobiles, dairy and sugar market access, and data exclusivity for biologic drugs. (See Bridges Weekly, [9 August 2015](#))

Whether these negotiators' meetings in Atlanta will be followed by a ministerial has yet to be confirmed publicly, though many reports suggest that it is likely to occur. If so, that would fit a timeline hinted at by officials throughout the past month.

Japanese Economy Minister Akira Amari recently suggested that another TPP ministers' meeting could be scheduled within the coming weeks – assuming a deal seems within reach – a suggestion that has been echoed by officials and leaders from other TPP countries, including US President Barack Obama.

"I am confident that we can get it done, and I believe we can get it done this year. The trade ministers should be meeting again sometime in the next several weeks. They have the opportunity to close the deal," Obama [said in Washington](#) on 16 September.

Old versus new issues

If completed, the TPP would include 12 countries that together encompass approximately 40 percent of global GDP. The deal would have approximately 30 chapters, according to [a recent list](#) provided by the Office of the US Trade Representative (USTR) to Knowledge Ecology International, with areas ranging from e-commerce and state-owned enterprises to labour and the environment.

Proponents of the trade deal have long touted its disciplines in "new" trade areas, such as those mentioned above, as ground-breaking developments that will refashion the international trade landscape, with USTR Michael Froman telling a Washington audience this week that it would be "the first trade agreement to take on a number of issues that are shaping the 21st century economy."

However, some of the major difficulties that have emerged come from far more familiar trade areas, such as agricultural market access and rules of origin. The latter issue, specifically with regards to automobile trade between Japan and the three countries in the North American Free Trade Agreement (NAFTA), has become the latest hurdle for TPP countries to overcome in a difficult negotiating process.

Meetings were held earlier this month in Washington between the US, Canada, Japan, and Mexico aimed at bridging their automotive trade differences. While those talks did not yield a solution, officials said at the time, subsequent meetings between these same trading powers were held in San Francisco this week in a bid to make additional progress.

Leaders from automobile industry groups from all NAFTA member countries have, for their part, publicly urged their countries' trade negotiators to insist on a minimum 50 percent regional value-content for both automobiles and their component parts.

In a joint letter, heads of Canada's Automotive Parts Manufacturers' Association, the US' Motor & Equipment Manufacturers Association, and Mexico's Industria Nacional de Autopartes reportedly warned that setting the threshold too low could "dramatically impact" their domestic manufacturing, with the automotive trade making up one-fifth of all trade among the NAFTA countries.

The request for better terms came in response to reports that the US and Japan, in their bilateral negotiations on automobile trade, had earlier reached a deal permitting a lower threshold for both automobiles and automobile parts than what is currently in place under NAFTA.

The North American Free Trade Agreement [specifies](#) that the regional value-content for automobiles and light vehicles, as well as their engines and transmissions, be set at 62.5 percent. The percentage for other vehicles such as tractors and trucks, as well as their engines, transmissions, and other auto parts is at 60 percent.

With the Canadian general election less than a month away, the timing for reaching a TPP deal has grown increasingly difficult, particularly given domestic concerns in Canada over lost manufacturing jobs. Officials have warned that, should the negotiating process run too close to the election, it may be near impossible to make some of the more politically contentious concessions needed for a deal.

However, Canadian Prime Minister Stephen Harper suggested last week that his government would likely make some concessions in the automobile trade talks under TPP, warning that Canada "cannot afford to have our auto sector out of global supply chains."

Should the talks go beyond the 19 October Canadian election, the timeline could be affected by a range of factors, including whether a new government will need to transition in and what the political landscape is looking like in the US, which is already in the midst of heated election debate despite its own polls not scheduled until November 2016.

Meanwhile, last week's ousting of Australian Prime Minister Tony Abbott also prompted some brief speculation over what effect this may have on international negotiations, such as the TPP. However, Andrew Robb, who served as trade minister under Abbott, is set to keep his post under the cabinet announced by new premier Malcolm Turnbull, in a move that many analysts say indicates likely continuity for Canberra in this particular area. (See Bridges Weekly, [17 September 2015](#))

Some officials have suggested, however, that the lack of an official timetable is not an insurmountable problem for the trade talks. New Zealand Trade Minister Tim Groser this month also stressed that the trade deal is near completion, telling business leaders this month that besides cars, dairy, and pharmaceuticals, "everything else is pretty clear where the landing zone is."

"There is no formal timetable, but as I have now been arguing for a long time, the absence of a formal timetable is essentially irrelevant," said Groser, according to the New Zealand Herald.

Even with the talks in an uncertain phase, officials have been publicly making the case for the merits of such a deal, ahead of the difficult ratification process that will ensue if and when an agreement is signed.

"The reason is that the politics around trade are tough," Obama told a [business audience](#) in Washington last week. "And I said this even in the run-up to getting [Trade Promotion Authority]."

"A lot of Americans, when they think of trade, think of plants in their hometown or nearby shutting down and moving to Mexico or China, and American manufacturing and good-paying jobs being lost. That's the image of trade," the US President said.

However, he noted, one way to correct the mistake of past trade deals is to "raise the bar" in new ones, an argument that he says he is making with legislators on both sides of the aisle.

Speaking at the CSIS Asian Architecture Conference on Tuesday, USTR Froman warned that not completing and approving TPP is essential for ensuring that the post-war trading system is updated – and is done so in a way that follows the models that its proponents want.

"It's not the only game in town. There are alternatives: state capitalist, mercantilist models based on forced technology transfer, localisation, state champions, and generalised protectionism," he noted, warning against models that do not recognise linkages between trade and labour, environment, and other concerns.

ICTSD reporting; "Amari says Japan-U.S. auto trade talks 'very severe'," REUTERS, 12 September 2015; "NAFTA auto parts makers mount drive to sweeten terms of TPP deal," THE GLOBE AND MAIL, 9 September 2015; "Japan, U.S., Canada, Mexico to restart TPP talks Monday," JIJI PRESS, 20 September 2015; "TPP nations to tackle sticking points at month's end," NIKKEI ASIAN REVIEW, 18 September 2015; "Stephen Harper Says Concessions Likely for Auto Industry in Pacific Trade Pact," THE WALL STREET JOURNAL, 18 September 2015; "Groser '90 percent certain of TPP success," NEW ZEALAND HERALD, 15 September 2015.

CLIMATE CHANGE

EU Agrees Common Position for Pivotal UN Climate Meeting

The 28 nations of the EU last Friday signed off on a common position for the UN climate talks set to take place this December in Paris, France, with the goal of adopting a universal climate regime. Among other aspects, the bloc's environment ministers agreed to push for a 2020 peaking of global greenhouse gas emissions, followed by a 50 percent reduction by 2050 compared to 1990, with a move to near zero by the end of the century.

"We are now equipped with a solid position for Paris. The EU stands united and ready to negotiate an ambitious, robust, and binding global climate deal," said EU Climate and Energy Commissioner Miguel Arias Cañete in a [press statement](#) following the meeting.

UN members agreed in 2011 to negotiate a post-2020 climate regime under the UN Framework Convention on Climate Change (UNFCCC) by the end of this year to take over upon expiry of the current Kyoto Protocol. The deal should be capable of keeping global temperatures below a two degree Celsius warming from preindustrial levels.

The new climate architecture will be composed of national, self-defined climate action plans formally dubbed "intended nationally determined contributions" (INDCs). Much of the institutional infrastructure and supporting principles, however, still must be hammered out.

This includes agreement around whether – and if so in what form – to include a long-term emissions-cutting goal to help implement the two degree Celsius target. The EU's push to decarbonise by the end of the century echoes a declaration by the G-7 major advanced economies released in June. (See BioRes, [11 June 2015](#))

Laurence Tubiana, France's top climate diplomat, on Monday said that the host nation of the December talks would also push for voluntary and non-binding domestic proposals that outline "deep decarbonisation pathways" to mid-century.

Several experts suggest this provides a useful paradigm for countries to concretely implement meaningful climate action, while also balancing individual challenges linked to economic growth, energy supply, demography, socio-economic priorities, and technology, among others. Others caution that the economic modelling undertaken so far around deep decarbonisation has not yet been framed from a political economic perspective.

The EU's [position](#) also touches on the deal's legal nature, climate finance, a review process, adaptation, use of markets, and relationship to other multilateral climate-related processes. The conclusions do not mention the contentious topics of loss and damage in the context of adaptation or the principle of "common but differentiated responsibilities" (CBDR).

The European Parliament's Environment Committee on Wednesday, meanwhile, gave a green light by 55 votes to 5 on its own non-legislative [report](#) on the Paris meeting. The document is based on a report from the Commission on tackling global climate change beyond the end of the decade, which the environment ministers' conclusions also took note of. The report will now be sent to the full parliament for adoption.

Paris agreement, decisions

The EU environment ministers' conclusions call for both an ambitious and durable legally-binding agreement under the UNFCCC and a "package" of decisions to enable its implementation. The document suggests that the "Paris agreement" should be in the form of a protocol to ensure predictability.

Some experts have suggested that this could put the EU on track to clash with the US, given the difficulty Washington would face in getting a protocol-type deal through Congress.

On mitigation, the Paris agreement should cover long-term mitigation goals; a five-year review process for upscaling ambition in the INDCs; include a compliance regime; and provide flexibility for countries with the least capabilities.

The crafting of a review process could prove among the tougher areas to navigate in the final negotiating months as countries aim to strike a balance between international oversight and domestic autonomy. During the latest UNFCCC negotiating round in early September, various parties reportedly agreed that a review mechanism should be a key element for consideration in a final deal, while not reaching a resolution on its precise form. (See BioRes, [18 September 2015](#))

Many climate watchers have nevertheless stressed the importance of such a process in order to ensure the INDCs deliver a meaningful effort over the coming years – as well as to avoid a host of other structural problems, such as select nations "freeriding" by not taking on due climate efforts.

According to the EU, the Paris agreement should also include transparency and accountability rules applicable to all parties, while also taking into account the different types of mitigation actions put forward in the patchwork collection of INDCs thus far.

On adaptation, the EU calls on its negotiating partners to plan and prepare for the adverse impacts of climate change, and commits to helping the world's poorest and most vulnerable countries achieve climate-resilient sustainable development.

The conclusions confirm a commitment to a 2009 developed country pledge to mobilise US\$100 billion annually in climate aid. The EU document follows a definition of "climate finance" – encompassing both public and private sources – agreed by a broad group of developed countries during an informal climate ministerial earlier in September.

Regarding the "decision package," the EU proposes that this should include a technical work programme for the UNFCCC negotiations to develop rules on transparency and accountability, including for the land-use sector, and on the international use of market-based mechanisms for mitigation, to be agreed by 2017. The Paris agreement itself should allow for the international use of markets subject to common rules to avoid double counting and ensure environmental integrity.

Carbon market use

Countries currently remain fairly divided on the appropriate language to include in the Paris deal on using carbon markets and international emissions transfers as a mitigation option. (See BioRes, [18 September 2015](#))

The EU's position on carbon markets has been closely watched by observers and its negotiating partners. On the one hand, the bloc's INDC indicated it would not use credits from international market-based mechanisms to achieve its mitigation pledges, with those run by the UNFCCC having faced some criticism over the years. (See BioRes, [16 March 2015](#) and [26 February 2015](#))

On the other hand, the EU currently has the world's largest carbon market and has expressed interest in eventually linking with other domestic emissions trading schemes.

Talks are underway to link with Switzerland and a link with Australia had been planned until the country's carbon tax was repealed last year. (See Bridges Weekly, [17 July 2014](#))

The EU is also reportedly undertaking technical cooperation with South Korea, China, and the regional Western Climate Initiative (WCI) between some US states and Canadian provinces and cities to share best practices around developing carbon markets.

However, the EU's own Emissions Trading System (ETS) has faced a glut of carbon credits and a low carbon price, which have prompted a series of reform efforts. The European Council on Friday approved a decision to create a market stability reserve (MSR) for the ETS that will remove and re-introduce permits from 2019 onward according to price triggers. A deal had been struck on the operation of the MSR with the European Parliament in May. (See BioRes, [9 July 2015](#))

The European Commission has also unveiled a proposal to be considered by the Council and Parliament on improving the ETS' operation for 2021-2030. (See BioRes, [20 July 2015](#))

Other processes

The EU also calls for complementary action from several other international agencies and agreements to support the Paris outcome.

The International Maritime Organization (IMO) and the International Civil Aviation Organization (ICAO), both UN bodies with mandates relevant to trade and climate change, are encouraged to take action to curb international shipping and aviation emissions. Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer should move as soon as possible to tackle global hydrofluorocarbon (HFC) emissions.

The current negotiating text for the Paris deal includes a proposal for global sectoral emissions reduction targets for international aviation and maritime transport, as well as some language on the Montreal Protocol.

Tension has previously emerged between these respective processes and relationships and the UNFCCC, given their different governing principles, competitiveness and trade issues, and respective divisions between developed and developing countries.

Immediate action, next steps

UNFCCC parties have also agreed that the Paris meeting should also include some decisions on boosting climate action before the end of the decade. The conclusions reiterate that the EU and its member states are applying a "[Doha Amendment](#)" – establishing a second commitment period to the Kyoto Protocol for 2013-2020 – and plan to finalise its ratification soon. To date, only 44 parties have ratified the extension, with 144 required to bring it into force.

The EU also outlines a list of other actions for the period, including identifying opportunities with high mitigation potential such as scaling up renewable energy, tackling upstream methane emissions, as well as export credit and fossil fuel subsidy reform.

All eyes will now shift to the co-chairs of the Paris deal negotiations, who are due to release a revised negotiating text on 1 October. (See Bridges Weekly, [9 September 2015](#))

ICTSD reporting; "Long term goal vital for Paris climate pact – Tubiana," RTCC, 15 September 2015. "Carbon market linking on back burner as governments stay at home," CARBON PULSE, 16 September 2015.

TRADE AGREEMENTS

EU, US Trade Chiefs Pledge to Speed Up TTIP Talks

The top trade officials from the EU and US agreed to ramp up the pace of bilateral negotiations for a wide-reaching trade and investment deal, following a "political stocktaking" meeting expected to set the tone of the talks through the rest of the year.

During their discussions in Washington on Tuesday, EU Trade Commissioner Cecilia Malmström and US Trade Representative Michael Froman also confirmed that meetings between their respective negotiating teams would be "intensified," including through intersessional, technical discussions.

"We need to intensify the pace of our negotiations," Malmström said afterwards. "This means stepping up efforts on both sides. Today's meeting took place in a constructive spirit, and we have a good momentum going forward to the next negotiating round."

The two sides are slated to hold their next negotiating round in October, though the exact dates and venue have yet to be officially confirmed. That meeting would mark the eleventh round since the talks began in mid-2013. (See Bridges Weekly, [23 July 2015](#))

Investment court proposal

The TTIP talks have been said to be lagging throughout the past year and much of 2014 as well. However, the indication from G-7 leaders that they aim to see a deal outline by year's end – along with other developments such as the potential renewed discussion on investor protections – could give the negotiations a possible boost.

While officials did not note in their statements whether the contentious issue of investor-state dispute settlement (ISDS) and investor protections was raised during the Malmström-Froman meeting, the subject was already debated this week among EU trade lawmakers in Brussels.

Malmström had presented a draft proposal a week ago for an "investment court" that would replace the controversial ISDS mechanism in trade and investment deals, starting with TTIP. That document was not a formal proposal to the US, given that the European Commission first plans to discuss the ideas in more depth with the EU's 28 member states in the Council as well as with parliamentarians. (See Bridges Weekly, [17 September 2015](#))

The issue of ISDS or a variation thereof has already proven polarising within the European Parliament, which adopted non-binding language on the subject – as well as the broader TTIP talks – in early July after months of heated debate. (See Bridges Weekly, [9 July 2015](#))

While some lawmakers reportedly welcomed the Commission's new proposal, questions were raised by others over the need for having such a legal forum. This has been a longstanding argument in the context of the TTIP talks, with opponents of ISDS and similar mechanisms arguing that both the EU and US already have strong enough rule of law and should not cede any of that authority to an international court.

Among the other questions that came up during the debate were the potential positioning of this TTIP Investment Court in the overall EU legal system; what obligations investors will

face under TTIP; what the US thinks of the news; and what the proposal means for the EU's completed trade deal with Canada, which has not yet been ratified.

Meanwhile, some European civil society groups have come out against the Commission proposal, arguing that it does not go sufficiently far enough to address long-standing concerns about investor privileges, the balance with national laws and jurisdiction, and the right to regulate.

"The EU cannot hide behind a name change when the flaws of the Investment Court System remain the same," [said](#) Cécile Toubeau, senior better trade officer at Brussels-based Transport & Environment. "Citizens will continue to unfairly shoulder private risks taken by foreign investors, while lawmakers will be deterred from regulating in the public interest."

Similar questions were also raised by Friends of the Earth Europe, with trade campaigner Natacha Cingotti [arguing](#) that "the inclusion of investor-state arbitration – albeit under a different name – in an EU-US agreement is not necessary."

Trade landscape in flux

The 22 September meeting between Malmström and Froman comes during a busy period for both trading giants in various concurrent international negotiations, with some overlapping areas and many approaching deadlines.

One of the most high-profile efforts is the US' push to conclude a wide-reaching deal with 11 Pacific Rim partners, known as the Trans-Pacific Partnership (TPP). While the talks have long been said to be in the final stages, election cycles in major TPP economies such as the US and Canada have given a renewed urgency toward finishing the talks soon, before difficult negotiating decisions become politically untenable.

The EU is also involved in a series of major trade processes, including negotiations with Japan for a "highly comprehensive and ambitious" agreement which officials aim to conclude as soon as possible, ideally by year's end. Negotiators from Brussels and Tokyo concluded their [12th round of talks](#) last week in the Japanese capital city, with a separate session on the deal's investment chapter scheduled for later this month and another negotiating round slated for the end of October.

At the same time, negotiations at WTO headquarters in Geneva for an outcome at the global trade body's upcoming ministerial conference in Nairobi, Kenya, are showing signs of strain, as members continue to be at odds over the level of ambition of any package of outcomes for the end-year meet – and what implications its results could have on global trade. (For more details on the WTO talks, see related story, this edition)

Meanwhile, completed TTIP and TPP deals would together mean "free trade with somewhere around two-thirds of the global economy," Froman said on Tuesday in a separate speech in Washington, with both serving as possible platforms to which "additional countries could potential accede."

The latter appeared to be a potential reference to some of the concerns raised by third countries that they could be left out of these new "mega-regional" trade frameworks, while being significantly affected by how these rules affect trade flows and practises.

"When that kind of critical mass embraces high standards and modern rules of the road, it makes it much easier to advance those objectives at the multilateral level, across the economy as well," the US trade chief said.

ICTSD reporting; "MEPs react to new TTIP court proposals," BBC NEWS, 22 September 2015.

GOVERNMENT PROCUREMENT

Azevêdo Urges More WTO Members to Consider Benefits of Joining GPA

More WTO members should consider the benefits of signing onto the organisation's Government Procurement Agreement (GPA), urged Director-General Roberto Azevêdo last week, citing the many improvements that have come from the deal – and from the accession of some of its newer participants – since the revised version entered into force just over a year ago.

The Government Procurement Agreement commits participants to certain core disciplines regarding transparency, competition, and good governance, covering the procurement of goods, services, and capital infrastructure by public authorities.

Unlike the majority of agreements at the global trade body, the GPA is one of the WTO's "plurilateral" pacts, covering a subset of the organisation's membership – specifically, those who sign onto its commitments.

"Every accession has added to the overall value of procurement of the GPA. They also elevate the Agreement's significance as a tool for shaping good procurement practises internationally," Azevêdo said during a symposium held at the WTO's Geneva headquarters on the government procurement pact.

Furthermore, he noted, the GPA has also served as a template for elements in other bilateral and regional trade deals that have lately been negotiated – a result that gives the agreement a far-wider reach than just within its current, formal membership.

"There is a sense of momentum behind the GPA," said Azevêdo.

Revised GPA

While the original government procurement deal entered into force in 1996, negotiations to streamline and modernise the Agreement – including by expanding its coverage – began just a few years later, and dragged on for over a decade.

The revised Government Procurement Agreement was finally agreed in December 2011 at the WTO's Eighth Ministerial Conference, with the new version entering into force in April 2014. (See Bridges Weekly, [16 December 2011](#) and [10 April 2014](#), respectively)

The revised version of the deal is estimated to have increased the value of the GPA's market access commitments by between US\$80-100 billion, according to WTO statistics.

One of the goals of the GPA revision was to make it easier and more attractive for new parties to sign on, such as by adding government ministries, agencies, and other new entities to its coverage, as well as bringing more services and goods into the deal. The revised GPA also includes new and simpler rules on transparency and due process, with the goal of preventing corruption or protectionism.

Concluding the revision of the GPA, as well as reaching a global deal on trade facilitation a few years later during the WTO's 2013 ministerial conference, are among the few new agreements reached during the global trade body's twenty-year history. Negotiations to update the global trade body's rules via the Doha Round agreement have, for the most part,

struggled to move forward, with the talks' fate uncertain as the WTO heads into its next ministerial conference this December in Nairobi, Kenya. (For more on the Doha Round, see related story, this edition)

While noting that reaching new agreements is an important element of the global trade body's work, the WTO chief also highlighted the importance of implementing existing deals.

"Taking these agreements forward strengthens the trading system and bolsters opportunities for economic growth and development," Azevêdo told last week's symposium, which was designed as a technical cooperation event on government procurement.

"With this in mind, I encourage more WTO members – especially developing and emerging economies – to look at the benefits of GPA accession," he added, referring among others to the improved transitional measures included in the revised GPA for developing countries.

The government procurement pact currently has 17 parties, comprising 45 WTO members. The most recent member to join the GPA was New Zealand this past August.

Of the WTO members that were already party to the GPA when the revision negotiations were completed, two of these – South Korea and Switzerland – are still working on ratifying the new version of the deal domestically.

Moldova gets green light, Ukraine likely to follow

Accession was also one of the main topics on the agenda of the Government Procurement Committee's most recent meeting, which was held last week just ahead of the symposium.

After nearly 14 years of negotiations, Moldova is now set to join the GPA, with its entry taking effect 30 days after the Eastern European country deposits its instrument of acceptance to the WTO.

Ukraine is likely to be the next GPA accession, sources say, after having circulated a draft final offer in late June. A draft committee decision on the subject has also been released. Kiev has been in the process of negotiating GPA accession since early 2011, with the Government Procurement Committee expected to approve the final decision formally in November.

China, Australia updates

One of the biggest possible accessions to the GPA is that of Beijing, which has been under negotiation since 2007. China, with its vast government procurement sector, agreed to join the GPA in its 2001 WTO accession protocol, subject to special negotiations.

The Asian economic giant has already submitted six offers – its initial offer and five revisions – since it began the talks to join the plurilateral pact.

The last revised offer submitted by China was in December 2014, which included changes such as an expansion of coverage of new services sectors and construction services; the expansion of GPA coverage to new procuring entities and procurement in five additional provinces; and lower thresholds for contract coverage that more closely approximate those of the current GPA membership.

Parties reportedly urged Beijing at the latest committee meeting to continue making improvements to its offer, citing concerns over the lack of coverage for certain provinces and state-owned enterprises, among others. China, in turn, indicated that it may take some time for the necessary national conditions to be in place so that it can build on its offer.

Meanwhile, Australia submitted its initial offer for GPA accession in early September, just months after first launching its bid to join the procurement pact. (See Bridges Weekly, [11 June 2015](#))

Sources familiar with last week's Government Procurement Committee meeting say that Australia's first offer was welcomed by many as comprehensive and ambitious, though some questions were raised regarding certain general exceptions included in the offer, among others. Canberra has said that it hopes to complete its accession talks next year.

Seychelles is now the first African country to become an observer of the GPA, with the request approved at last week's meeting. The Indian Ocean archipelago is one of the WTO's newest members, having joined this past April. As part of its commitments at the global trade body, Seychelles agreed to begin talks to join the GPA within 12 months of becoming a WTO member. (See Bridges Africa, [5 May 2015](#))

ICTSD reporting.

INTELLECTUAL PROPERTY

Switzerland Retains Top Rank as Leader in Innovation

Switzerland has been dubbed the world's most innovative economy for the fifth consecutive year, according to the rankings jointly released last week by the World Intellectual Property Organization (WIPO), Cornell University, and the INSEAD business school.

The Global Innovation Index (GII), now in its eighth edition, provides an annual ranking of the innovation capabilities and performance of 141 countries based on 79 indicators. The GI stresses the need for a broad vision of innovation that applies to both developed and emerging economies, the authors say.

The indicators used to develop the rankings aim to reflect that vision, the authors note, with these indicators classified into groups such as institutions; creative outputs; knowledge and technology outputs; business sophistication; market sophistication; infrastructure; and human capital and research.

This year's report lists Switzerland, the UK, Sweden, the Netherlands, and the US as the world's five most innovative nations, while China, Malaysia, Vietnam, India, Jordan, Kenya, and Uganda are highlighted as countries that outperform their economic peers in this area.

With half of the economies in the top 40, Southeast Asia and Oceania maintains its innovation dynamism this year, while the report refers to Latin America and the Caribbean as having an "improving but largely untapped" innovation potential.

Quality over volume

This year's report stresses the importance of the quality of innovation, rather than solely its volume. The former, as measured by university performance, the reach of scholarly articles, and the international dimension of patent applications saw the US and the UK in the lead, largely as a result of their "world-class" universities, closely followed by Japan, Germany, and Switzerland.

Top-scoring middle-income economies – particularly China, Brazil, and India – are also said to be narrowing the gap on innovation quality.

"Innovation quality matters. Creating world class universities and investing in research is essential for staying ahead in the global race for successful innovation," said Soumitra Dutta of Cornell University, who served as co-editor of this year's report.

Innovation achievers

The GI also identifies a set of so-called innovation achievers, which are those countries that outperform their economic peers with regards to innovation.

The report credits these achievements to improvements in institutional frameworks, a skilled labour force with expanded tertiary education, better innovation infrastructures, deeper integration with global credit investment and trade markets, and a sophisticated business community. However, the report also notes variations in these dimensions across this group of economies.

Under this category of “innovation achievers,” the report highlights in particular some of the advances seen in Sub-Saharan Africa, with Rwanda, Mozambique, and Malawi – which held spots 94, 95, and 98, respectively – now performing like middle-income economies. In addition, Kenya, Mali, Burkina Faso, and Uganda are generally doing better with regards to innovation than other economies at similar development levels.

Inclusive development, growth

The GII 2015 also explores the impact of innovation-oriented policies on economic growth and development, as part of this year’s theme of “Effective Innovation Policies for Development.” To that end, the report highlights the importance of innovation in the development plans and strategies of developing and emerging economies, while making various recommendations in this regard.

“Innovation holds far-reaching promise for spurring economic growth in countries at all stages of development. However, realising this promise is not automatic,” said WIPO Director General Francis Gurry during the launch of the report.

Furthermore, the WIPO chief urged, individual nations must respectively determine what policy mix is appropriate in mobilising their own “innate innovative and creative potential.”

Emerging economies, the report says, treat innovation as an important factor in dealing with societal challenges ranging from pollution to poverty. The authors further argue that innovation must be treated as a valuable factor in fostering inclusive development, rather than solely as a driver of economic growth.

The GII 2015 findings note that having “a well-coordinated innovation policy plan with clear targets and a matching institutional set-up have proven to be a tool for success.” The report also highlights the importance of coordination between the public and private sectors, as well as adapting these innovation policies to suit broader development objectives.

The analysis also urges developing country policymakers to examine how to make the best use of positive spillovers to their domestic economies that may come from increased foreign investment.

Furthermore, the report’s authors suggest, one area that should be explored in more depth by developing countries is how to direct innovation and research toward creating solutions that fit their relevant contexts. Doing so could help solve local challenges in areas such as energy and sanitation, the report recommends.

ICTSD reporting.

EVENTS & RESOURCES

Events

Coming Soon

25 September, Bern, Switzerland. WORLD TRADE FORUM 2015: 20 YEARS OF THE WORLD TRADE ORGANIZATION. WORLD TRADE FORUM: 20 YEARS OF THE WORLD TRADE ORGANIZATION. The World Trade Forum 2015 is organised through the Trade Policy Research Network (TPRN) by the WTI (University of Bern), the European University Institute (Florence), the Graduate Institute (Geneva) and the Centre for Economic Policy Research (London). This year's event will focus on various topics relating to the WTO's history, including dispute settlement, new regulatory solutions, and the relationship between the WTO and various other trade deals. To learn more or to register, visit the following [website](#).

25-27 September, New York City, US. UN SUMMIT TO ADOPT THE POST-2015 DEVELOPMENT AGENDA. The outcome document for the Post-2015 Development Agenda, with a set of Sustainable Development Goals (SDGs), is set to be adopted during this high-level UN Summit. Interactive dialogues will be held on six themes, including fostering sustainable economic growth, ending poverty and hunger, and combatting climate change. For more information, visit the UN's sustainable development [website](#).

28 September, Geneva, Switzerland. OPENING LECTURE OF THE ACADEMIC YEAR, FEATURING ROBERTO AZEVEDO. The Graduate Institute of International and Development Studies in Geneva will be convening this opening lecture to begin the academic year. This year's lecture will feature WTO Director-General Roberto Azevêdo. To learn more about the event, or to register, please visit the Graduate Institute's [website](#).

28-30 September, Geneva, Switzerland. TWENTY-FOURTH SESSION OF THE SPECIALIZED SECTION ON STANDARDIZATION OF MEAT: PUBLIC MEETS/MEATS PRIVATE – MEAT SYMPOSIUM. This event, organised by the UN Economic Commission for Europe, this symposium will focus on recent developments involving food safety standards and management systems, reviewing the effect these have had on the meat industry and agricultural trade, along with what options may exist for increased harmonisation of private and public standards and verification programmes that will ensure both ease of trade and consumer interests. More information about the event is available [here](#).

29 September – 1 October, Geneva, Switzerland. AD HOC EXPERT MEETING ON TRADE IN SUSTAINABLE FISHERIES. This meeting, hosted by the UN Conference on Trade and Development (UNCTAD) and the Commonwealth Secretariat, will focus on various possible trade policy approaches for mainstreaming sustainable fishing practices and trading fish and fish products in the multilateral trading system and other trade processes. The discussions will incorporate some of the key events from this year's international policy calendar, including the UN Sustainable Development Summit in September and the WTO's Tenth Ministerial Conference in December. More information can be found [here](#).

30 September – 2 October, Geneva, Switzerland. WTO PUBLIC FORUM: TRADE WORKS. This year's WTO Public Forum comes as the global trade body celebrates its 20th anniversary. The theme of "Trade Works" will focus on the contribution that global trade cooperation over the past two decades has made to the world economy. An agenda for the forum is now available online. More information on the event is available at the WTO [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.

28-29 September: Global Seminar on WTO Accessions

28 September: Dispute Settlement Body

29 September: Committee on Market Access

30 + 1-2 October: WTO Public Forum

Other Upcoming Events

1-2 October, Geneva, Switzerland. TRADE FOR SUSTAINABLE DEVELOPMENT FORUM 2015: BUILDING SUSTAINABLE SUPPLY CHAINS. This meeting is being hosted by the International Trade Centre (ITC) and comes one year after the launch of the Trade for Sustainable Development principles – sustainability, transparency, harmonisation, UN Sustainable Development Goals (SDGs). The Forum will bring together key partners and practitioners in this field to discuss the progress to date and upcoming challenges. To learn more or to register, visit the ITC [website](#).

1-3 October, Dakar, Senegal. AFRICA CLIMATE TALKS: WEST/CENTRAL/NORTH AFRICA AND WEST AFRICAN SIDS. This event is being organised by the Climate for Development in Africa (ClimDev-Africa) Programme and will have as its theme "Democratizing Global Climate Change Governance and Building an African Consensus toward COP 21 and Beyond." These talks are being held with the aim of contributing to Africa's preparation of the UN Framework Convention on Climate Change's (UNFCCC) 21st Conference of the Parties this December. The meetings also aim to build public awareness on the climate change issue and examine the connection between climate change and Africa's development. ClimDev-Africa is a joint Programme of the African Union Commission (AUC), the UN Economic Commission for Africa (ECA) and the African Development Bank (AfDB). More information is available [here](#).

2 October, Paris, France. IMPLEMENTING THE OCEANS SUSTAINABLE DEVELOPMENT GOAL: FROM KNOWLEDGE TO ACTION. This event is being organised by the Institute for Sustainable Development and International Relations (IDDRI), in partnership with the United States Embassy in France and the Intergovernmental Oceanographic Commission (IOC/UNESCO), with the goal of better understanding how to implement the stand-alone Sustainable Development Goal (SDG) related to oceans. This will be adopted as one of a series of SDGs during a UN summit in September. The event is designed for government officials, as well as representatives from international organisations, research institutions, and non-governmental organisations. To learn more, visit the IDDRI [website](#).

10-11 November, New York, US. 10TH ANNUAL COLUMBIA INTERNATIONAL INVESTMENT CONFERENCE: "INVESTMENT TREATY REFORM: RESHAPING ECONOMIC GOVERNANCE IN THE ERA OF SUSTAINABLE DEVELOPMENT." This event, held jointly by the UN Conference on Trade and Development (UNCTAD) and Columbia University, will highlight the role that international investment agreements can and ought to play in international economic governance, including what reforms may be needed, in light of this year's UN Sustainable Development Summit in September and UN Financing for Development Conference this past July. More information about the event, including a preliminary programme, can be found at the following [website](#).

30 November – 11 December, Paris, France. UNFCCC COP 21. The UN Framework Convention on Climate Change will be holding its 21st Conference of the Parties this December in a bid to reach a global climate deal to take effect from the end of the decade. Details on the preparations and documents for the event, including the preceding UNFCCC meetings in Bonn, can be found at the following [website](#).

3 December, Tokyo, Japan. ADBI ANNUAL CONFERENCE 2015: GLOBAL UNCERTAINTY, MACROECONOMIC SHOCKS AND GROWTH IN ASIA. The 18th edition of this annual event by the Asian Development Bank Institute (ADBI) aims to foster regional policy dialogue on the economic prospects for Asia and the Pacific. The meeting will particularly highlight the challenges and opportunities resulting from a slowdown in the Chinese economy, as well as the monetary policy developments in advance economies. The presentations and discussions from the conference will afterward be released online. To learn more about the event, visit the ADBI [website](#).

14-17 December, Nairobi, Kenya. TRADE AND DEVELOPMENT SYMPOSIUM. This biennial event, organised jointly by the International Centre for Trade and Sustainable Development (ICTSD) and the government of Kenya, will be held in parallel with the WTO's Tenth Ministerial Conference. The four-day event will include various high-level plenaries, press events, and private roundtables, among other features. Further details can be found on the official event [website](#).

15-18 December, Nairobi, Kenya. WORLD TRADE ORGANIZATION – TENTH MINISTERIAL CONFERENCE. The World Trade Organization will be holding its Tenth Ministerial Conference (MC10) at year's end, with Kenya serving as this year's host. These ministerial gatherings are the highest-level meeting of the global trade body, with members able to take decisions on any matters relating to any of the multilateral trade agreements. These meetings are usually held biennially. More information will be made available through both the WTO [website](#), as well as the Kenyan government's dedicated MC10 [website](#).

Resources

OECD INVENTORY OF SUPPORT MEASURES FOR FOSSIL FUELS 2015. Published by the Organisation for Economic Co-operation and Development (OECD) (September 2015). This new database and its accompanying report addresses all policies that directly support either the consumption or production of fossil fuels in OECD economies, as well as those in various selected partner countries. The database itself identifies and estimates those direct budgetary transfers and tax expenditures that benefit fossil fuels, which in turn are used to develop relevant indicators, results, and policy recommendations. The report is available at this [link](#), while the database can be accessed [here](#).

EXPORTS IN A TARIFF-FREE ENVIRONMENT: WHAT STRUCTURAL REFORMS MATTER? EVIDENCE FROM THE EUROPEAN UNION SINGLE MARKET. By Jesmin Rahman, Ara Stepanyan, Jessie Yang, and Li Zeng for the International Monetary Fund (IMF) (August 2015). The authors of this working paper aim to study how countries enhance their exports of goods in a largely tariff-free environment. The paper reviews the export performance of new EU member states that have joined the single market and then highlights the importance of structural reforms in key areas such as education, foreign investment, and wage structures. The authors find that new EU member states' export performances vary in quality, while stressing the importance of country-specific policy priorities. The paper is accessible [here](#).

IMPROVING THE AVAILABILITY OF TRADE FINANCE IN DEVELOPING COUNTRIES: AN ASSESSMENT OF REMAINING GAPS. June 2015. By Marc Auboin for the World Trade Organization (2015). This research paper focuses on the structural difficulties that poor countries grapple with in accessing trade finance and how such challenges may have worsened as a result of the global financial crisis. The author looks at recent available information and provides background on the trade finance market gaps in developing countries. The author also reviews various WTO and partner-led initiatives aimed at addressing this problem. The publication is available for download [here](#).

TRADE AND CLIMATE CHANGE POLICY BEYOND 2015. Published by the UN Conference on Trade and Development (UNCTAD) (September 2015). This publication focuses on the impact that trade policies can potentially have on national climate change mitigation efforts, as well as how the relationship between economic and trade aspects and climate change policies may change as UN members adopt a post-2015 development agenda, Sustainable Development Goals, and a climate change agreement. This publication is available for download [here](#).

NEW GROWTH PROJECTIONS PREDICT THE RISE OF INDIA, EAST AFRICA AND FALL OF OIL ECONOMIES. Published by the Center for International Development (CID), Harvard University (May 2015). This paper presents new growth projections and rankings of productive dynamism for 128 countries. The authors predict that growth in emerging markets will continue to outpace that in developed countries, while also suggesting that India is likely to overtake China in this regard. The publication is available online [here](#).

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PUBLISHED BY



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Bridges Weekly Trade News is made possible
through generous contributions of donors and
partners including

DFID - UK Department for
International Development

SIDA - Swedish International
Development Agency

DGIS - Ministry of Foreign Affairs
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Weekly Trade News Digest is edited by Sofia
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The Publisher and Director is Ricardo Meléndez-
Ortiz. The Editor in Chief is Andrew Crosby.
Comments and suggestions are welcomed and
should be directed to the [editor](#) or the [director](#).

Price: €10.00
ISSN 1563-0

