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OPINION IN LEAD

Harnessing remittance and diaspora knowledge to build LDC productive capacities

International migration and associated remittances are playing an important role in the economies of many a least-developed country (LDC), but most of them lack the institutional, economic and political conditions essential for harnessing remittance and diaspora knowledge to build productive capacities and thereby overcome the structural handicaps that characterize their LDC status, argues The least developed countries report 2012, which thematic focus is on international migration and remittances.

Emigration from LDCs grew rapidly in 1990–2010. With 27.5 million emigrants in 2010, LDCs as a whole accounted for 13 percent of global emigration stocks, or some 3.3 percent of the LDC population. Over 2000–2010, the increase in emigrant stocks was fastest for African LDCs. The destination of LDC emigrants varies across regions, but most go to South Asia, the Middle East and Africa.

Contrary to the general perception that LDC migration is a South–North phenomenon, the pattern of migration emerging has acquired a South–South dimension in recent decades. In 2010, high-income Organisation for Economic Cooperation and Development countries (namely North America and Europe) accounted for 20 percent of the LDC emigrant stock, while some 80 percent were in the South. Moreover, most LDC South–South migration tends to take place between neighbouring countries, where wage differentials are in general much smaller than in South–North migration. Thus, the main LDC emigration corridors are in the South.

Remittance receipts of LDCs climbed from US$3.5 billion in 1990 to US$6.3 billion in 2000, subsequently accelerating further to nearly US$27 billion in 2011. Despite some heterogeneity across countries, the value of remittances relative to GDP or export revenues has historically been much greater in LDCs than in other regions. Similarly, for a number of LDCs, remittances constitute a key source of foreign financing. Consistent with the fact that the majority of LDC migrants actually move to other developing countries, it is estimated that in 2010 as much as two thirds of recorded remittances to LDCs originated in Southern countries.

There is a compelling body of research documenting the positive impact of remittances at the household level, both in terms of poverty reduction and as a risk mitigation strategy to diversify income sources. However, evidence of their developmental impact at the macroeconomic level is far less clear-cut. Even though the literature is still somewhat inconclusive on how remittances ultimately affect economic growth, there appears to be general agreement that complementary policies and sound institutions play an important role in enhancing their development impact.

Remittances offer LDCs some scope for sustaining the development of productive capacities, the report argues, by increasing investment in human and physical capital and stimulating financial deepening. Yet the realization of such potential is contingent upon the policy and institutional framework recipient countries put into place. In other words, owing to the intrinsic specificities of remittances as private sector financial flows, their effective mobilization for productive purposes essentially depends on the State’s capacity to create a “development-centred” macroeconomic environment while also supporting the establishment of a viable and inclusive financial sector. This, in turn, warrants active engagement by diasporas and support from host countries and international development institutions.

LDCs have the highest brain drain rate among the world’s major country groups, averaging 18.4 percent. The report argues that LDCs can potentially turn brain drain into brain gain, provided that a series of institutional, economic and political conditions are created, which are presently absent in most LDCs.
The report advances a policy agenda for harnessing remittances and diaspora knowledge. Its main recommendation for policy makers is to improve the current policy framework on remittances and diaspora knowledge in LDCs in order to better harness them for the development of productive capacities. Furthermore, it emphasizes that policies on migration, remittances and diaspora engagement should not be formulated in isolation, but as an integral part of national development strategies. This will require an agency, ideally at the ministerial level, to reflect the cross-cutting nature of these issues; ensure policy coherence and consistency across the board; and coordinate potential actors around a set of identified priorities. Governments in LDCs also need to be aware of the actual extent and pattern of cross-border migration, the location, spread and nature of diaspora activities, and the extent and pattern of remittances.

Source: Based on UNCTAD’s The least developed countries report 2012.

ANALYSIS

A “low ambition” outcome in Doha

The annual United Nations (UN) climate conference concluded in Doha on 8 December with “low ambition” both in emission cuts by developed countries and funding for developing countries.

The 18th Conference of the Parties (COP) to the UN Framework Convention on Climate Change (UNFCCC) adopted many decisions, including on the Kyoto Protocol’s second commitment period in which developed countries committed to cut their emissions of greenhouse gases.

While delegates were relieved that a breakdown of the meeting was avoided, the conflict in paradigms between developing and developed countries was very evident throughout the two weeks of the Doha negotiations, and it was only papered over superficially in the final hours to avoid an open failure. Avoidance of collapse was a poor measure of success. In terms of progress towards real actions to tackle the climate change crisis, the Doha conference was another lost opportunity and grossly inadequate.

The most important result in Doha was the formal adoption of the Kyoto Protocol’s second commitment period (2013 to 2020) to follow immediately after the first period expires on 31 December 2012. However, the elements are weak. With original Kyoto Protocol Parties Russia, Japan and New Zealand having decided not to join in a second commitment period, and Canada having left the Protocol altogether, only Europe, Norway, Switzerland, Australia, and a few others (totalling 35 developed countries and countries with economies in transition) are left to make legally binding commitments in the second period.

Also, the emission cuts these countries agreed to commit to are in aggregate only 18 percent by 2020 below the 1990 level, compared to the 25-40 percent required to restrict global temperature rise to 2 degrees Celsius. A saving factor in the Kyoto Protocol decision is the “ambition mechanism” put in by developing countries, that the countries will “revisit” their original target and increase their commitments by 2014, in line with the aggregate 25-40 percent reduction goal.

Another major criticism of the Doha decisions is the lack of funds to be provided to developing countries to take climate actions. The COP16 in Cancun in 2010 had decided that developed countries would mobilize climate finance of US$100 billion a year starting in 2020; and that US$30 billion of fast track finance would be given in 2010-2012. But there is a gap between 2013 and 2020. Despite the demand by developing countries that there be US$60 billion by 2015, the decision adopted in Doha does not specify any number as a commitment. It only “encourages” countries to provide at least as much as they had in the 2010-2012 period.
The lack of a credible finance commitment led to an outcry by developing countries on the plenary floor. This lack of funds curtails their ability to undertake actions to combat climate change, especially since they have agreed in the 2010 Cancun and 2011 Durban Conferences to take on more mitigation efforts.

The Doha conference also adopted a set of decisions under its working group on long-term cooperative action under the UNFCCC. The developing countries were pleased with paragraphs on equity, unilateral trade measures, technology assessment and a vague reference to the effects of intellectual property. However, these decisions were very weak. Even then the United States registered its disagreement or reservations to these decisions, after the adoption of the text, giving a foretaste of how they will continue to object to future discussions on these issues.

A positive decision made in Doha was to prepare for the setting up by next year’s Conference of an “international mechanism” to help developing countries deal with loss and damage caused by climate change. This also resulted from intense negotiations. Activities will include an expert meeting and preparing technical papers on this issue. Developing countries hope that this programme will lead to new funds being channelled to those countries suffering from flooding, drought, sea level rise and other forms of damage linked to climate change.

The Doha conference also adopted a work plan for the new working group on the Durban Platform that was set up in December 2011. There were major fights in Doha over this, with many developing countries insisting that mention be made that the Durban Platform will operate on the basis of equity and common and differentiated responsibilities (CBDR), the operating principle of the UNFCCC. The final text did not mention this principle, and even the reference to the June 2012 Rio+20 Summit which endorsed the equity and CBDR principle was removed at the insistence of the United States.

The tragic paradox of the Doha conference is that while it succeeded in adopting many decisions and kept the functioning of the multilateral climate regime alive, the actual substance of actions to save the planet from climate change was absent, as was a genuine commitment to support developing countries.

Source: Adapted from Martin Khor’s article in TWN Doha News Update No.20, 10.12.12.

NEWS

Social protection crucial to accelerate hunger reduction: FAO

Almost 870 million people in the world were chronically undernourished in 2010–12, according to The state of food insecurity in the world 2012, published by the Food and Agriculture Organization of the United Nations (FAO). The vast majority live in developing countries, where about 850 million people, or slightly fewer than 15 percent of the population, are estimated to be undernourished.

The FAO said that improved undernourishment estimates, from 1990, suggest that progress in reducing hunger has been more pronounced than previously believed, but most of the progress, was achieved before 2007–08. Since then, global progress in reducing hunger has slowed and levelled off.

The revised results imply that the Millennium Development Goal target of halving the prevalence of undernourishment in the developing world by 2015 is within reach, if appropriate actions are taken to reverse the slowdown since 2007–08. However, the report notes that despite significant improvements this year to the FAO methodology for estimating undernourishment, further improvements and better data are needed to capture the effects of food price and other economic shocks. The undernourishment estimates do not fully reflect the effects on hunger of the 2007–08 price spikes or the economic slowdown experienced by some countries since 2009, let alone the recent price increases. The FAO admits that other
indicators are also needed to provide a more holistic assessment of undernourishment and food security.

The report observes that in order for economic growth to enhance the nutrition of the neediest, the poor must participate in the growth process and its benefits: growth needs to involve and reach the poor; the poor need to use the additional income for improving the quantity and quality of their diets and for improved health services; and governments need to use additional public resources for public goods and services to benefit the poor and hungry.

The report emphasizes that social protection is crucial for accelerating hunger reduction. First, it can protect the most vulnerable who have not benefited from economic growth. Second, social protection, properly structured, can contribute directly to more rapid economic growth through human resource development and strengthened ability of the poor, especially smallholders, to manage risks and adopt improved technologies with higher productivity. To accelerate hunger reduction, economic growth needs to be accompanied by purposeful and decisive public action. Public policies and programmes must create a conducive environment for pro-poor long-term economic growth. Key elements of enabling environments include provision of public goods and services for the development of the productive sectors, equitable access to resources by the poor, empowerment of women, and design and implementation of social protection systems. An improved governance system, based on transparency, participation, accountability, rule of law and human rights, is essential for the effectiveness of such policies and programmes.

**Farmers largest source of investment in agriculture**

Investing in agriculture is one of the most effective strategies for reducing poverty and hunger and promoting sustainability—this is the central message of *The state of food and agriculture 2012*, an annual report of the Food and Agriculture Organization of the United Nations (FAO).

The regions where agricultural capital per worker and public agricultural spending per worker have stagnated or fallen during the past three decades are also the epicentres of poverty and hunger in the world today. South Asia is one such region. Farmers are by far the largest source of investment in agriculture. In spite of recent attention to foreign direct investment and official development assistance, and in spite of weak enabling environments faced by many farmers, on-farm investment by farmers themselves dwarfs these sources of investment and also significantly exceeds investments by governments. On-farm investment in agricultural capital stock is more than three times as large as other sources of investment combined.

Therefore, farmers must be central to any strategy for increasing investment in the sector, but they will not invest adequately unless the public sector fosters an appropriate climate for agricultural investment. A favourable investment climate is indispensable for investment in agriculture, but it is not sufficient to allow many smallholders to invest and to ensure that large-scale investment meets socially desirable goals.

The report stresses that governments and donors have a special responsibility to help smallholders overcome barriers to savings and investment. Governments, international organizations, civil society and corporate investors must ensure that large-scale investments in agriculture are socially beneficial and environmentally sustainable. Governments and donors need to channel their limited public funds towards the provision of essential public goods with high economic and social returns.

**Harmonization of seed laws could sound death knell for African seed systems**

African governments are being co-opted into harmonizing seed laws relating to border control measures, phytosanitary control, variety release systems, certification standards and intellectual property rights, to the detriment of African small-holder farmers and their seed systems, says a report titled *Harmonization of Africa’s seed laws: A recipe for disaster—Players, motives and dynamics*. 
The effect of these efforts, which are being pushed through African regional trading blocs such as Common Market for East and Southern Africa (COMESA) and the Southern African Development Community (SADC) include: facilitating the unlawful appropriation and privatization of African germplasm; providing extremely strong intellectual property protection for commercial seed breeders and severely restricting the rights of farmers to freely use, exchange and sell farm-saved seeds; facilitating the creation of regional seed markets where the only types of seed on offer to small scale farmers are commercially protected varieties; and threatening farmer-managed seed systems and markets.

The report shows that harmonized intellectual property rights over seeds are all based on the 1991 Act of the International Union of the Protection of Plant Varieties (UPOV 1991). UPOV 1991 was developed by industrialized countries more than 20 years ago to suit their own interests and is totally inappropriate for Africa where 80 percent of all seeds are still produced and disseminated by small holder farmers.


**India patents appeal board rejects AstraZeneca's plea on cancer drug**

AstraZeneca has been denied patent protection for its anti-cancer drug Gefitinib, becoming the latest multinational pharmaceutical company to run afoul of India's patent law. On 26 November, the Intellectual Property Appellate Board ruled that the molecule from the British company lacked invention, marking the third time it has been rebuffed over the anti-lung cancer drug.

Global pharmaceutical companies have been hit by a string of defeats in India, where the law amended in 2005 ensures patent protection for new drug compounds but is loath to recognize new forms of existing medicines. Multinational pharma companies, on the other hand, contend that Indian authorities have taken a narrow definition of the term "invention".

The most high-profile case is the one being fought by Novartis in the Supreme Court over its cancer drug Glivec. Novartis sought and failed to receive patent protection. By disallowing patents for incremental innovation, India has fostered a thriving generics industry which is able to supply affordable drugs to hundreds of millions of poor around the world. In March, the patent controller issued a compulsory licence for the first time allowing generics company Natco to make Bayer's patented liver and kidney cancer drug, drastically reducing the price of the medicine.

India is growing rapidly as a market for pharmaceutical products. A report earlier this year by CII and PricewaterhouseCoopers estimated the Indian market for pharmaceutical products would grow by 20 percent every year to US$74 billion in 2020.

Source: Economic Times, 29.11.12.

**LDCs seek indefinite extension of transition period under TRIPS**

The least-developed countries (LDCs) have submitted a "duly motivated" request to the World Trade Organization's (WTO) TRIPS Council for an extension of the transition period for them to comply with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) "for as long as the WTO Member remains a least developed country".

A proposed draft decision annexed to their request states that: "Least developed country Members shall not be required to apply the provisions of the Agreement, other than Articles 3, 4 and 5, until they cease to be a least developed country Member." The request was submitted by Haiti, on behalf of the LDCs, at a meeting of the TRIPS Council on 6-7 November.
According to trade officials, since the request was submitted under "Other Business", no discussion took place on this issue. In introducing its request, Haiti asked for this issue to be put on the agenda of the next TRIPS Council meeting (scheduled to take place next March).

The request for the extension of the transitional period is under Article 66.1 of the TRIPS Agreement. The exemption had been due to expire end-December 2005, but the transition period was extended by the TRIPS Council (through a decision contained in IP/C/40) until 1 July 2013.

At the eighth WTO Ministerial Conference held in Geneva in December 2011, Ministers decided to invite the TRIPS Council "to give full consideration to a duly motivated request from Least-Developed Country Members for an extension of their transition period under Article 66.1 of the TRIPS Agreement, and report thereon to the WTO Ninth Ministerial Conference." The ninth Ministerial Conference is scheduled to take place in Bali, Indonesia, in December 2013.


South Korea to host Green Climate Fund

Songdo, Incheon City, in the Republic of Korea, has been selected to be the home of the Green Climate Fund (GCF) by its Board.

The GCF was established at 16th Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) in Cancun in 2010 and its governing instrument was approved in Durban in 2011 at COP17. The selection of a host country brings the GCF one step closer to its operationalization to help disburse climate funds to support mitigation and adaption efforts of developing countries.

The Board agreed to work with a listing of 25 indicative priority matters in the work plan until the end of 2013. The top five of these were: the business model framework, private sector facility-related matters, resource mobilization, results management framework and the establishment of the independent secretariat. These items also are the key agenda items proposed for discussion at the first Board Meeting in the year 2013.

The work plan and priorities of the Board were hotly debated. Many developing countries wanted to focus on the structural and institutional issues they saw as critical to fully operationalizing the GCF such as the arrangements for the establishment of the independent secretariat, including hiring of the Executive Director and host-country arrangements and resource mobilization (all items which were initially set to be discussed in the later part of 2013), with other members placing emphasis on the private sector facility and business model in the first meeting. Small island developing states also wanted the issue of readiness and preparatory support to have priority. In the end, agreement was reached in principle on the elements of the Board’s work plan and the indicative priority matters.

Source: Marjorie Williams, TWN Info Service on Climate Change (Oct12/07), 29.10.12.

Final extension granted to export subsidy programmes of 19 developing countries

The Committee on Subsidies and Countervailing Measures, on 23 October 2012, approved the final extension of the transition period—until end 2013—for export subsidy programmes of 19 developing countries. These programmes consist mainly of free trade zones and tax incentives.

The beneficiaries of the transition period are Antigua and Barbuda, Barbados, Belize, Costa Rica, Dominica, Dominican Republic, El Salvador, Fiji, Grenada, Guatemala, Jamaica, Jordan, Mauritius, Panama, Papua New Guinea, St. Kitts and Nevis, St. Lucia, Saint Vincent and the Grenadines, and Uruguay.
In 2007, the General Council adopted a decision on procedures for the extension of the transition period for the elimination of export subsidy programmes of these developing countries. The decision enables the Subsidies Committee to continue to grant extensions of the transition period until the end of 2013, with a final phase-out period of two years, which shall end no later than 31 December 2015.

Source: www.wto.org, 23.10.12.

**China launches solar case against EU at WTO**

China has filed a complaint at the World Trade Organization (WTO) over local content requirements under renewable energy feed-in-tariff programmes in certain European Union (EU) member states, officials announced in early November. The surprise move came just days after Beijing launched anti-dumping and countervailing duty investigations domestically over EU exports of solar polysilicon components to the Chinese market.

On the Chinese Ministry of Commerce website, ministry spokesperson Shen Danyang said that the People’s Republic had requested consultations with the EU and certain member states—including but not limited to Italy and Greece—under the WTO’s dispute settlement proceedings regarding allegedly unfair EU trade practices in the solar sector. According to Shen, electricity produced by EU-made solar components benefitted from favourable feed-in tariffs in some countries, which in turn hurt the interests of Chinese producers locked out from such subsidies.

Along with citing the WTO’s Agreement on Subsidies and Countervailing Measures, China’s consultations request also claims that the measures at issue are inconsistent with the General Agreement on Tariffs and Trade and the Agreement on Trade-Related Investment Measures.

The EU will now have 60 days to respond to China’s request for consultations; should the two sides not reach an agreement in that time, Beijing will have the right to officially request the establishment of a dispute panel to review the case.

Competition in the solar sector is fierce, and profits have dropped sharply at a time when green subsidies are being cut back. The 40 percent drop in the global price of solar panels between 2006 and 2011 has largely been attributed to huge growth in Chinese solar panel production. Some analysts say that oversupply by Chinese solar panel manufacturers is to blame for damage to profits of their European and US counterparts, with share prices experiencing a similar plunge. In 2011, China exported 60 percent of its solar products to the EU, which represented 7 percent of China’s overall exports to the trade bloc.


**ACTIVITIES**

**Panel discussion at CBD COP11**

Biodiversity is a natural insurance policy against climate change and crop biodiversity plays an important role in climate adaptation as well as mitigation. Therefore, at the present time when increasing importance is given to modern agriculture that emphasizes mono-cropping and use of chemical fertilizers, among other things, it is important to put greater emphasis in the conservation and sustainable use of agro-biodiversity.

A panel discussion titled “Climate change, agriculture biodiversity and food security” was organized by SAWTEE at the sidelines of the 11th Conference of the Parties to the Convention on Biological Diversity (CBD COP11), held in Hyderabad, India. More than 100 participants representing governmental, inter-governmental, non-governmental and research organizations from around the world participated in the event. The central conclusion of the discussion was: Biodiversity is a natural insurance policy against climate change and crop biodiversity plays an important role in climate adaptation as well as mitigation; therefore, at
the present time when increasing importance is given to modern agriculture that emphasizes mono-cropping and use of chemical fertilizers, among other things, it is important to put greater emphasis in the conservation and sustainable use of agro-biodiversity.

**Strengthening institutional capacity on sustainability criteria for bioenergy**

A three-day standardization workshop on “Strengthening institutional capacity on sustainability criteria for bioenergy” was held from 21-23 November in Kathmandu. The workshop was part of a longer project “Trade promotion through standardization” being implemented jointly by SAWTEE and the Swedish Standards Institute (SIS) with the support of the Swedish International Development Agency in eight countries of the South and Southeast Asia regions, namely, Bangladesh, Cambodia, Indonesia, Laos, Nepal, Pakistan, Sri Lanka and Viet Nam. The workshop was organized against the backdrop of the setting of a new standard on the sustainability criteria for bioenergy by the International Organization for Standardization (ISO).

During the workshop, the participants worked on the draft ISO standard on sustainability criteria for bioenergy with the support of experts working in this area. The workshop focused on preparing for ISO meeting in Brisbane in January 2013. Each of the eight countries worked in groups and prepared their country position for the meeting.

**Dialogue on the future of Aid for Trade**

A two-day international dialogue on The Future of Aid for Trade was organized from 22-23 November 2012 at the World Trade Organization, Geneva by International Centre for Trade and Sustainable and Ministry of Foreign Affairs of Finland in collaboration with SAWTEE, the World Bank and other organizations. The dialogue ended with a call for instituting a mechanism to evaluate the effectiveness of the Aid for Trade initiative at the country level. More than 80 people representing various governments, inter-governmental organizations, non-governmental organizations, private sector and academia participated at the event.

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