



STATEMENT BY MR. NIRUPAM SEN, PERMANENT REPRESENTATIVE, DURING THE GENERAL DEBATE OF THE SECOND COMMITTEE AT THE SECOND COMMITTEE OF THE 62ND SESSION OF THE UNITED NATIONS GENERAL ASSEMBLY ON OCTOBER 09, 2007

Madam Chairperson,

Prof. Phelps who spoke yesterday emphasized the role of innovation in economic development but underplayed the role of the State in stimulating scientific and technological development. For instance the achievements of Indian scientists and engineers whether in India or in this country would have been inconceivable without the Indian Institutes of Technology established by our first Prime Minister Jawaharlal Nehru or his grandson Prime Minister Rajiv Gandhi's computer revolution. Prof. Phelps also did not give the theoretical underpinning since this would have undercut the neo classical economic theory he expounded. As Goethe once told Eckermann, "theory my friend is grey but eternally green is the tree of life". In any economy, innovation and science and technology lead to imperfect competition and therefore increasing returns while specializing in agricultural and natural resources (raw materials) leads to perfect competition and diminishing returns. The former becomes a virtuous circle: employment expands and therefore institutes of technology and laboratories do not lead eventually to a massive emigration of skills. Technology also helps a country to leapfrog economic and social development. That is why India is opening IT centres in Africa and is the only country to have started work there on a Connectivity Mission based on dedicated satellite and fiber optics which would enable linking together hospitals, educational centres of the African countries, providing tele-education, tele-health, e-governance and infotainment.

From this point of view, the situation in the world is adverse. The attempt is to preserve and even increase the technology gap. The instrument is TRIPS which is anti competitive, based on monopoly and technology denial. Besides leading to high prices of even essential medicines (the public health exception has proved to be unworkable), it is bad for scientific research which is based on knowledge being freely available. Professor Stiglitz gives the example of Myriad genetics which has patented two human gene mutations which increase susceptibility to breast cancer and charges even non profit laboratories; researchers are afraid of looking for better screening technologies because they do not know how much they would have to pay to Myriad genetics. Similarly, consumers in developed countries have to pay higher prices. TRIPS is not

good for people anywhere, only for profits and companies. Some of these companies have indulged in bio piracy and patented traditional knowledge. This stands Proudhon on his head: for Proudhon property is theft; now theft is property. The logical and practical consequences of the Convention on Biodiversity have still not been recognized by the Doha round.

Even if draconian targets are set by some developed countries on their carbon emissions, these would only prolong unsustainable consumption. In the shadow of TRIPS technology may be profitable but TRIPS would prevent adaptation and mitigation technologies being affordable. This would prevent their dissemination to the developing world. Therefore, as in the case of public health exception (which needs to be improved), this Committee could look at a climate change exception which would result in a more optimal TRIPS regime. A reasonable and modest objective would be to establish a commission of experts to study the Intellectual Property Rights regime in order to find solutions that would balance rewards to genuine innovators with the common good of mankind.

Lack of affordable medicines and global warming increase the impact of disease vectors. Necessity maybe the mother of invention but innovation is the mother of economic development that gives the capacity to eliminate malaria rather than depend on mosquito nets, to service debt rather than depend on debt cancellation. In this sense, MDGs are a necessary palliative. But, in the absence of economic development, they cannot be more than "welfare colonialism" as an economist once called them.

In fact this state of affairs has led to a reverse resource flow from developing countries, especially Africa. According to the World Economic Prospect, the net outflow was 657.7 billion in 2006. In 2005, it was 500 billion or half a trillion. Thus the increase is 157.7 billion. In Nebuchadnezzar's dream the feet were made of iron; here the heart of the financial system is made of iron. The medieval highwayman robbed the rich to help the poor; this system robs the poor to help the rich. A character in "Wizard of the Crow", an epic novel (parts of it a mordant satire directed at the IMF and the World Bank) by one of Africa's greatest novelists Ngugi Wa Thiongo, asks: "Why does Africa continue to let its wealth meet the needs of those outside its borders and then follow behind for a loan of the very wealth it let go?" Even if he does not eventually get the Nobel prize for literature, he certainly deserves the Nobel prize for economics.

I must confess that I thought that Prof. Phelps gave a partial and deeply misleading interpretation of the great American social and political philosopher John Rawls when he claimed that Rawls was only concerned with equality of opportunity and said that we should not rectify ex post instances of failed outcome. Rawls was a great moral philosopher and if he had not addressed the extremes of wealth and poverty, he would not be great nor moral nor even a philosopher. Actually he did address this issue. It would be remembered that in his "A Theory of Justice", he wrote that, given the "veil of ignorance", when entering into the initial social contract, one does not know the class

to which one would belong and therefore one would choose to ensure that nobody was denied equal liberty or reasonably equal opportunity (because one may turn out to be that person). In his subsequent book "Law of Peoples" Rawls extended the argument across nations and concluded that it is necessary to eliminate "extreme injustices, crippling poverty and inequality". In fact he included "fair education for all" (an MDG incidentally) and even "fairness for trade as well as certain provisions for mutual assistance". The Doha Round, far from being developmental, does not come even within measurable distance of this postulate of Rawls.

In some developing countries, even the minimum infrastructure for private capital to come in does not exist. Till such time as it does, clearly ODA and innovative financing are required. The present situation remains difficult with ODA levels being nowhere near 0.7%. In the meanwhile, climate change would compromise future development. Besides it is not clear from where funds would come for mitigation and adaptation technologies. At the very least the Adaptation Fund should not be burdened and made inoperable by cumbersome formulae. The current profound crisis of the financial system would also be a great obstacle to financial flows. A person who has spent his life in this system, in investment banking and the arcane world of derivatives, Philip Augar has just published a book "The Greed Merchants" showing that young and greedy operatives took out in the last few years \$ 180 billion from the financial system, a classic case of feeding where they had not furrowed and feathering their nests to keep warm where they had not woven. The Financial Times today has reported the outcry in the USA against these outrageous salaries. The systemic point is that there was apparently no regulation or surveillance. For the IMF, we have Rato's helpless statement of yesterday also reported in the Financial Times. Fortunately, the US Federal Reserve has increased liquidity thereby damping down the crisis. The distinguished Permanent Representative of Malaysia referred to the Asian financial crisis. We all remember IMF's devastating advice (to countries that in sharp contrast to Latin America had very high savings rates) to tighten belts which turned the crisis into a catastrophe. In Africa, in eight out of ten cases of state failure, the state concerned was under an IMF programme for sixty to eight percent of time during the preceding ten years.

All these facts speak for themselves. We need to set right this system. Raymond Mikesell in his "The Bretton Woods Debates: A Memoir" has shown that the system of weights and quotas was predetermined and the result of gerrymandering. He devised it and therefore ought to know. The basic problems of the de facto veto, appointments process, transparency and accountability need to be addressed urgently. Fundamentally, we need a new quota system to address the basic issue of voice and participation. The ECOSOC can give a fillip to the process of reform by organizing periodic external audits of the Bretton Woods Institutions. It could also play a central role in matters relating to debt restructuring. Debt restructuring is not a matter of debt cancellation but also a question of debt sustainability, perhaps best defined as a level of debt that enable developing countries not only to achieve the Millennium Development

Goals but also to meet their debt servicing obligations in the future. Competent staff capable of performing the requisite duties should be recruited. What is required, in Nietzsche's phrase is the "capital of spirit and will".

The Doha Round was based on the original bargain that the developed countries would eliminate textile quotas and their agricultural subsidies in return for developing countries agreeing to include Intellectual Property Rights and agriculture into the discipline of the trade negotiations. This bargain was broken by the developed countries and this amounts to burying the Punta Del Este Declaration. In the July framework, they agreed to less than full reciprocity (LTFR). In terms of the Swiss linear formula, the small and vulnerable economies have to reduce tariffs by fifty percent more than the developed countries which stands LTFR on its head. What is linear for the Swiss is life threatening to the poor. Since the Uruguay round it is the developing countries who have reduced tariffs and several developed countries who since then have not done so even by one percent are among the first who are "shooting from the trenches". This time we should try for a truly balanced trade resolution that reflects these concerns and include language to formally send it to Director General, WTO, Pascal Lamy.

In short, we should agree on practical ways for the UN to intervene and help and not just go on theoretically debating things forever. It is becoming a mere talking shop. Parliaments may also be talking shops but they also act and pass laws. Jesus and Socrates were conversationalists but they wanted practical change. The alternative is to continue as we are, happy with resolutions that change nothing, words that have no influence on reality and texts that never move to the context.

I thank you.

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