EMBARGO TO TIME OF DELIVERY - CHECK AGAINST DELIVERY

"Issues of Debt Management in the New Context of the Sustainable Development Goals and the Universal Challenge of Climate Change"

Address by
Michael D. Higgins
President of Ireland

10th Conference on Debt Management
United Nations Conference on Trade and Development

Palais des Nations, Geneva, Switzerland
Monday, 23rd November, 2015

May I thank Dr. Kituyi for his kind invitation to speak to UNCTAD, an organisation for whose history and discourse I have an immense respect. As an academic and parliamentarian, I have followed UNCTAD's history in good times and bad. I have made myself familiar with the valuable accounts of the debates and confrontations in which it has been involved; the cleavages in international discourse that arose from some very fundamental differences in how we are to ever achieve an ethical, global, international economic order that will adequately service our interdependency.

In all of this there is a rich literature that brings us up to the modern period and includes, for example, Vijay Prashad's 'The Poorer Nations' and the earlier 'Dying for Growth' co-edited by Jim Yong Kim and others.

I am honoured to give this keynote address to the UNCTAD's 10th Debt Management Conference, and particularly so at a time when a number of global developments combine to present us with great challenges but also with great opportunities. Most of all such meetings provide us with the opportunity of breaking new ground, reviewing the adequacy, or inadequacy, of existing instruments, critiquing the assumptions of development paradigms, and closely examining institutional structures.

We are offered the opportunity not only of undertaking such a task of evaluation, but also the opportunity for bringing new versions of institutions and thinking into existence.
We are also required to look at points of contradiction, as well as opportunities for convergence, between policy aims as they are stated in different parts of our multilateral system, that very often give differing priorities based on the degree to which ecological, economic, cultural or ethical aspirations are privileged or recognised.

I have given the title 'Issues of Debt Management in the New Context of the Sustainable Development Goals and the Universal Challenge of Climate Change' to my paper.

I am very conscious that I am giving this paper in the shadow of some major events. The preparations for the text of the Sustainable Development Goals that took place in Lima and Addis Ababa involved a significant amount of real work and committed diplomacy; the Agreement that those talks led to has been concluded recently in New York; and the discussions now under way in preparation for the COP21 Meeting on Climate Change in Paris – taken together these events will make 2015 a memorable year in modern history.

We are in 2015 at a crucial juncture in our lives together on a vulnerable planet. We must accept that a form of living, of extraction and use of resources, of a consumption presumed to be capable of infinite expansion, that our earliest models of 'development' assumed to form a single evolutionary process, is now revealed to threaten us not only in an environmental sense, but in terms of social cohesion itself in so many parts of the world. That such a version of our lives together could, or should, be made available across all spaces and cultures was an assumption that was in its origin, arrogant, and is today unsustainable. As one writer recently summarises it, such assumptions have brought our 4.5 billion year old planet to a point of danger.

We have come to our present position many may feel perhaps unconsciously, but history corrects us and tells us there is nothing accidental in our circumstances; our present circumstances reflect an exercise of power and our adjustment to it. It is easy, of course, to point to benefits in terms of our development brought about by science and technology, indeed in so many aspects of our lives, but our single development model and its uncontested assumptions have encouraged a blindness too that future historians will record as the basis of our failures.

We have, after all, lived with global poverty, needless child deaths, stunted development, violence against women, violence against nature itself in some parts of our planet. Worse than that, for other parts of the planet, we felt confident enough to require of others that they imitate our practice, confine their intellectual thought to the categories, models, and paradigms for which we had claimed certainty for us all, and for future generations.

Can we truthfully say that pluralism of scholarship, of intellectual discourse, of policy diversity really exists, even at the present time, such as will enable us to respond to crises? May I suggest that what we may have assumed as self-evident truths, as inevitable, must now be revised, even rejected, if we are to succeed in achieving sustainable development and universal responsibility in relation to climate change.

Our language tricks us on occasion. So often it offers us a noun that masks a process. For example, when we speak of globalisation, do we speak of something that acknowledges co-existence, interdependency, or are we simply giving a label to the unregulated free march of an expanding and increasing speculative, and not necessarily productive, capital? Does this not raise a moral issue? or is it that we assume that it does not matter whether or not we seek to lodge within such categories our care for each other's existence, and our common futures?

While we correctly wonder and appreciate the gifts of science and its application through technology, does it not matter that rather than accepting the suggestion that a technological future is crystallised for us, one that it is sometimes assumed we may be beyond our understanding. Should we not be free to decide on the social models, cultural frames, through which we will be enabled to make it available to all of our people in a democratic way?

In the language of the Sustainable Development Goals, we are invited to an enabling universalism, and in the urgent appeals on climate change the message is similar. This appeal to universalist action is what differentiates the new Goals from the Millennium Development Goals, and I welcome that transition. We are still short, of course, of speaking of Sustainable Development Rights.

We do need a meaningful acceptance of universalism and an institutional structure that reflects it. For this we need urgently such an awareness as may lead to globalised agreement on a set of necessary actions. It is vital that we respect the complexity of what challenges us and, in particular, the new complexity that arises from the convergence of several major challenges in our proximate future – all of which are affected by, and will have implications for, debt management.

I emphasise these issues as preface because, I suggest, policies must in the future seek to avoid being contradictory in their assumptions, and inevitably in their human consequences. The consequences are experienced in common. The policies on the other hand arrive, it seems at times, from different silos of interests, speaking in almost different languages to each other.

For those scholars who have studied the management of existing levels of debt as they arise and change in recent times, they are confronted not only with complex policy issues; there is also a fundamental methodological and theoretical challenge. Is it possible to resolve any of the issues currently facing us in terms of global poverty, deepening inequality, loss of social cohesion within the existing system – within an existing system that has failed to produce constructive options, not to speak of answers over so many decades?

We have been waiting for over a decade now for an international adjustment mechanism for debt management. Since it was first promised over ten years ago, has the likelihood increased of it emerging in a form that might have implications for any of the issues I have raised? Is the likelihood of it any greater now? I am inclined to conclude that it is not possible to achieve any of our global goals or effectively deal with climate change without a fundamental systemic change in our thinking, our scholarship, our institutional architecture, nationally, regionally and internationally.

I say this because I believe that any recognition of the challenges that are now combining would have to deal with, for example -

- Population expansion, its location and provision for its sustenance;
- Changed trade conditions that may be exacerbating existing structural imbalances and drawing on real issues of commodity deprecation in terms of value and volume;
- The need for structural investment in food security, health, education, infrastructure in rural areas and newly densely populated areas;
- Anticipation of a new urbanisation trend and preparation for it;
- Migration issues, voluntary and involuntary;
- Humanitarian crises arising from conflicts old, revived and new;
- The imbalance in the relationship between creditor and debtor countries or negotiation and justice terms with increasing evidence that decisions in favour of 'vulture' funds are winning out over social impact arguments.
- All of these issues are affected by the mix of private debt, sovereign debt and concessional loans.

The implications of what I am suggesting in such a list, by way of example, is that there must be a global reach and a quality of integration in our models for the future.-

Dear friends, I know from Dr. Kituyi's invitation that you would like me to comment on Ireland's recent experience of debt management. I am happy to give you a brief resume of the principles followed by the Irish Government while emphasising, at the same time, that Ireland's Government is happy to share its experience through its officials and remains ready to engage constructively in such debt management proposals as you may wish to put forward at international level.

As I do this, it is important to note that Ireland had to negotiate its strategy within a particular system that had specific features in relation to institutional and market pressures. It is also worthy of note that structural features of the Irish economy - In the real economy for example strongly performing exports, capacity for speedy response to improvements in significant global market recovery, a highly educated and young labour force - all contributed to the recent recovery of growth.

Ireland's debt management issues were, and are, sourced in a property bubble with exogenous as well and indigenous contributory factors. Then too, the conversion of private bank debt to sovereign debt created the need for an intervention set of measures. This came at a high cost in social terms. Some of the brightest graduates in Europe were among the 250,000 people who emigrated over five years. The cuts in public service pay and pension provisions were significant. A similar consequence can be noted in relation to the provision of public services in general and social cohesion in society.

Ireland is now, hopefully, on a pathway of sustained recovery, with growth the highest in the European Union at the moment and with the unemployment rate fallen into single figures of approximately 9.5%. All of these efforts, which I must emphasise were within a set of constraints, and thus not easily transferable to other systems or circumstances, have put Ireland on a path that is hoped to be sustainable.

We have now emerged from the worst phase of that period and the journey has provided us with some very difficult experiences that may be of interest to others. Summarising some of the key aspects of the Irish response then -

Ireland's crisis began with the bursting of a domestic property bubble in 2008. Naturally, the economic shock that ensued was sizeable with a 17% contraction in nominal GDP by 2010 and unemployment rising from under 5% in 2007 to 15% in early 2012.

The first lesson that we learnt was the importance of having sufficient latitude to increase sovereign debt to tackle the crisis. This is vital to allow the State to fulfil its Keynesian role of smoothing the economic cycle by borrowing to fund essential public services, transfer payments and investment for growth. Even with record low levels of gross government debt, 24% of GDP in 2006, Ireland struggled to borrow sufficient amounts. By 2010, our debt levels were forecast to reach 119% of GDP by 2013, which resulted in us being shut out of debt markets and relying on EU and IMF assistance. At this point, the importance of having a lender of last resort became acutely apparent.

A related issue was - and is - that of access to debt markets, and the question of maintaining the State's fiscal credibility in sovereign debt markets. That such credibility is hard won and easily lost is illustrated in our case. For many decades, Ireland's borrowing costs were high; however, our membership of the EU and latterly the euro opened up a wider range of sovereign debt markets to us. This meant that we were able to borrow from 2000 to 2008 at rates similar to countries that had spent many decades building up their sovereign reputation for fiscal rectitude. However, with our spiralling economic, fiscal and financial crisis, we were rapidly cut out of sovereign debt markets.

This feature of the Euro structure, whereby the credit positions of different economies became artificially aligned without a common securitisation of sovereign debt, has been identified as a key structural fault in the system and one that contributed to the difficulties of recent years.

In this regard, one curious feature of what we have witnessed in Europe, and in other regions, in the experience of sovereign debt crises in recent decades, has been the key role played by rating agencies – private bodies that are neither accountable nor disinterested; but who have wielded devastating impact on States.

The second lesson that Ireland learnt was the importance of guarding against imbalances in the public finances, which very quickly lead to an over reliance on sovereign debt. The imbalances that occurred in Ireland had two aspects:

- Over reliance on transient/one-off taxes to fund annual/recurring expenditure; and
- Narrowing the tax base to such a degree that an economic downturn saw a collapse in tax revenue far in excess of the level of the downturn – from 2007 to 2010, GDP fell by 17% whereas taxes fell twice as much by one third.

The addressing of these imbalances required a broadening of our income tax base, which saw all income earners above a minimal income level pay significant additional tax. However, this broadening took time and sovereign debt had to fund the transition, and it had significant implications for social cohesion.

Ultimately, Ireland has managed to stabilise its sovereign debt position. Over the past seven years, it has had to take significant economic and fiscal actions, which have imposed great hardships on our people. We have succeeded in growing the economy and reducing our deficit, which has facilitated Ireland re-entering the sovereign debt markets successfully.

There has, however, been a huge social cost paid – but our hope is that, having addressed some of the structural deficiencies in our economy, we will now be able to put in place a sustainable recovery and repair the damage to our public services and institutions.

It should be made clear that the experience of Ireland is not one that is easily transferable to other States experiencing similarly high levels of sovereign debt. The underlying fundamentals of the Irish economy were strong and unemployment and negative growth never reached the same levels that they did in other countries.

Another key difference is that the Irish increase in sovereign debt happened over a short period and was linked to very specific issues within our banking system and the wider European banking system – the situation is not at all comparable with that of States facing long-term and unjust odious debt.

It can be argued with much weight, I suggest, that the Irish government did the very best it could within the confines it faced, but that the nature of those restrictions remains a matter of great controversy in Ireland and in other European countries. Ireland can certainly offer some lessons in how to survive in difficult circumstances – but there are more important questions about those circumstances.

Whether the blame for the crisis is directed at the design of the Euro, or the actions of the Institutions at various points since 2008, the financial crisis (broadly defined) has done harm to Europe and to its social contract. One of the most important questions that emerges from this experience relates to democracy itself and the competence of states to control their own finances and set their own macroeconomic goals. What we can see across Europe is a fundamental questioning of what the role of the State now is in such circumstances.

Debt, when directed or even governed by clear economic and social policy goals, is an essential macro-economic tool, but we are increasingly witnessing the effects of debt in a very different context, socialised debt that widens rather than narrows inequality.

Within a narrow economic model in which the State itself is seen as problematic, and where the required perpetual growth is becoming more and more difficult to sustain, debt can be understood as a mechanism to mask structural fault lines and to perpetuate unsustainable fiscal policies. This inversion of traditional debt models has been described by writers such as Wolfgang Streeck as "capitalism without democracy".

Into this context, we now have a radically changing paradigm with an emerging international consensus that broader economic and social goals can be set at a universal level – and that it is these goals that must take precedence in directing economic policy. This may be ambitious, but it is surely urgent.

The issue of debt forms an important part of the Sustainable Development Goals Agenda, which was agreed in New York in September, and was also an important theme of Funding for Development Conference in Addis Ababa in July. Similarly, we can anticipate that debt will be a major theme in the COP21 negotiations now and underway in Paris.

It is now recognised that, given the unsustainable debt position of so many countries, and the impact this has on their capacity to plan and execute long-term development programmes, no serious or plausible agreement on development could ignore the need to manage debt.

This is a point illustrated perhaps most powerfully when we consider the position of Liberia, Guinea, or Sierra Leone who have recently faced the choice – or rather attempted to assert their power to make a choice – between funding the necessary infrastructural preventative response to the Ebola crisis or continue with efforts to make interest repayments on debt.

Ireland supports the Addis Ababa Action Agenda which recognises the need to assist developing countries in attaining long-term debt sustainability through coordinated policies aimed at fostering debt financing, debt relief, debt restructuring and sound debt management, as appropriate. The Action Agenda highlights that the monitoring and prudent management of liabilities is critical. It is very welcome that the significance of these isues of state financial capacity are recognised as being central to the development project.

Ireland has played at least three significant roles in relation to debt relief in the developing world. Firstly Ireland has been to the forefront of international efforts throughout the years in the development of a consensus on the issue of debt cancellation for the least developed countries. Secondly, Ireland has contributed our full financial share to both the original Heavily Indebted Poor Countries and later Multilateral Debt Relief initiatives. Thirdly, Ireland has worked with our partner countries to help ensure that the additional money from debt relief has been spent on programmes that benefit the poor – especially through the support of Poverty Reduction Strategy Papers and anti-corruption support.

The connection between debt and development is not, however, only one for the South, and the fact that the Sustainable Development Goals are universal is very significant. What were the old characteristics of the South are now visible as inequality and poverty in 'the South within the North' and elite accumulation in the South might be called 'the North within the South'.

The task that is required is for each state to take the SDGs and to set their own development goals, upon which economic policies can be based. States should be given mandates to ensure that these core social goods should be established as a matter of the first order of economic priorities and the international institutional system should support and buttress such a prioritisation.

The concept of the "social floor" is gathering traction in policy terms. The case for a social floor is not any simplistic rejection of market economics; rather it is the drawing of a distinction between that which constitutes the core social goods of sustainable development, and that which may be left to the market as a mechanism to distribute.

Understanding the challenges facing Europe and other wealthy regions in terms of marrying essential social objectives with issues of economic and fiscal management raises the need for a social floor in Europe also. In Europe, how this might be constructed is already there in embryonic form in the Charter of Fundamental Rights and in other treaties which point to the reconstruction of a Social Europe in which basic social goods might be guaranteed.

There is, of course, no doubt that these issues are now global and require a global solution. No region can hope to deal with these challenges in isolation – debt is international and we are challenged to find a way to make its operation accountable at international level also.

What is needed is radical multinational reform which can deliver such accountability. More generally, this is required if the international system is to hope to connect the goals and aspirations which it is putting forward for states in the field of development, with the weak architecture it is providing for resolving issues such as debt – issues which it is now conceding are essential to the achievement of those goals.

Since the Monterrey Consensus, the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative have contributed to the strengthening of macroeconomic and public resource management in developing countries.

This has led to a substantial decline in the vulnerability of these countries to sovereign debt distress. Ireland has been an active participant in these debt cancellation initiatives and they align closely with our development priorities. In total over €116 million has been pledged and paid by Ireland to contribute to the debt cancellation initiatives, since 1996. This is despite the fact that historically Ireland, unlike most of our fellow donors, has not itself been a bilateral creditor- since Ireland's development aid has always been provided on grant terms, not as loans.

Irish Aid currently contributes annually to this Conference's Debt Management and Financial Analysis System which supports countries to manage their debt sustainably and is one of the world's leading providers of technical cooperation and advisory services in the area of debt management.

I would also like to acknowledge the work of this Conference in supporting the preparation of *Principles on promoting responsible sovereign lending and borrowing*, which provides an important basis for transactions between borrowers and lenders.

Much of the debate about multilateral action or inaction in this area has been restricted to a critique of the World Bank or the IMF. Within those institutions, there are some encouraging signs of change. The World Bank's new Commission on Elimination of Poverty is one such positive sign.

Ireland has been a long-standing and strong contributor to the International Development Association, the concessional lending institution of the World Bank Group which focuses on the world's poorest countries. In recent years, the International Development Association has provided grants to countries at risk of debt distress.

The issue of debt is far too important to be left simply to the work of the Bank or the IMF. Managing debt now, and particularly in the future, is an issue that affects us all – and if we are serious about integrating the Sustainable Development Goals into all aspects of our international co-operation (which we must), then we must also ensure that debt is at the centre of the wider international agenda in the area of human rights and development also.

As is clear from what I have outlined, Ireland's debt management practices arose within a specific context and was effected by social conditions that dictated options, while institutional factors also governed. Our debt management experience is of limited applicability perhaps in settings that aspire to break free towards new models of sustainability. However, Ireland may bring a unique perspective to these issues of hunger, poverty and development as a people with our own historical experiences of famine and colonisation, and the grave human costs, including the great migrations, that can flow from doctrinaire approaches to economics.

Our own history resonates for us when we think of what might be the solution in those countries affected today by the Ebola Virus Disease. It is surely not acceptable to demand debt servicing of them that impedes their protection, or their sustainability now and in the future. Superseding rights to health provision, food security, nutrition, basic education must take precedence. It is a reasonable expectation of global institutions that they have the flexibility to respond to such circumstances.

If we are to address the issues I have outlined we need systemic change. If we are to adequately set about achieving delivery of an end, at last, to global poverty we must be open to new models that are accountable, transparent, that are rooted in democratic discourse and participation.

We cannot allow a debt overhang problem, or any evasion of the problems posed by odious, illegitimate, illegal, or unsustainable debt to put our newly agreed global aspirations at naught.

Neither can we indulge any illusion that those who hold unaccountable power will surrender it to us. Global citizenship requires the informed and strategic organisation of global citizens in a democratic and clever way. If we need an example of the use of unaccountable power we surely have it in the vast sums donated, overtly and covertly, by a small number of very powerful corporate entities in the US, for example, to those willing to campaign against the science that protects us from existing and future climate change disasters.

Building a supportive consensus on our global issues can build cohesion, extend the reach of policy, and enrich participatory mechanisms.

Establishing a floor in relation to sufficiency in food, health, education, participation, and requiring that debt discourse must be above the line of such a floor, has as strong an appeal among the growing number of the poor in developed countries as it has to those developing nations seeking to find their own path in conditions of change, to sufficiency and sustainable development.

To those of us who have been given the opportunity of analysing and discussing these issues, the challenge in the end is indeed a moral one. To what do we give priority? What constitute the inevitable assumptions of our models of living together in our academic, political and public work.

Prudent debt management strategies must always derive from how we have set our priorities, and sought support for them. Our choices are never merely technical.

We need a new discourse. We need a new institutional architecture if we are to succeed and we must, with patience and respect for each other's assumptions and those of our peoples, build the conscience for it, and the capacity for its achievement.

In the end the debt to humanity is the most important debt we are, all of us, and future generations, called upon to pay.

Go raibh mile maith agat, thank you.