



Corporate Responsibility

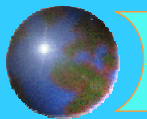
and the need for a new macro-ECO-nomy



China Future 500 Conference

Beijing, Oct 18 & 19 2005

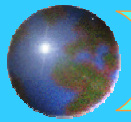
Dr. Werner Christie
Science and Technology Counselor
Innovation Norway
Beijing



Basic Assumptions of Market Economy

- ✦ "Shareholder Value"; If everyone optimize their own self interest, this will serve the benefit of all.....
- ✦ Through the automatic mechanism of the "invisible hand.."
- ✦ GIVEN: Full information for market players...,
- ✦and free and unrestricted competition
- ✦ I.E.: We invest in products and services to earn money/currency
- ✦ THIS is what we call "Value creation.."

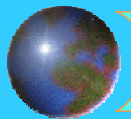




Economics of intangible and public values

Health, Education and Environment...

- ✦ Part of the Market Economy??
- ✦ Cost centre or profit centre?
- ✦ HEALTHCARE: Spends Money to produce services..(NOT: produce service to earn money)
- ✦ EDUCATION: Spends to create Learning (not earnings)
- ✦ ENVIRONMENT: Invest to save the value of the commons..
- ✦ Private interest or public interest?
- ✦ Is the social infrastructure not a part of (market) economics, or is market economics only *part of* a broader ECO-nomy?

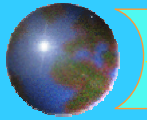


Uncovered Interdependent Needs: Challenges also for the corporate world?

Some examples:

- ✦ Food & Nutrition
- ✦ Clean water
- ✦ Energy
- ✦ Environmental sanitation
- ✦ Education
- ✦ Health
- ✦ Access to technology
- ✦ Property / Capital





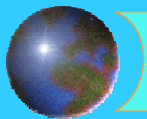
Macro-economics and the poor

✚ Poverty and development:

- ✚ GDP growth is not enough
- ✚ Highest needs have lowest purchasing power
- ✚ World Bank, IMF; - differentiated development indicators!?
- ✚ Distribution of resources must be addressed
- ✚ Market Failures is a major problem

" The fact remains that the IP regime overwhelmingly reflects the interests of the producers..."

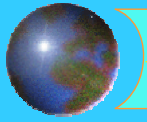
(Joseph Stiglitz, Nobel Price Laureate of Economics 2001)



What is our personal incentives

- ✚ Food
- ✚ Shelter
- ✚ Safety
- ✚ Community
 - ✚ Respect
 - ✚ Sympathy
 - ✚ Empathy
 - ✚ Care
 - ✚ Conscience
 - ✚ Solidarity
- ✚ One dimensional seekers of self interest
- ✚ Do they exist??
- ✚ How can we develop ECO-nomics that calculate these intangible values





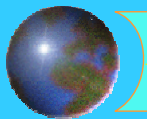
Markets or Social Governance

"As market participant I maximize my own profit. As a citizen I am interested in social values; peace, justice, liberty etc. I cannot express these interests through the market..."

(George Soros)

"The far-reaching powers of the market mechanism have to be supplemented by the creation of basic social opportunities for social equity and justice."

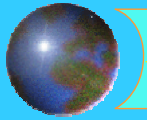
(Amartya Sen)



The Knowledge ECO-nomy

- ✦ The *productive factor* is Knowledge
- ✦ The *added value* is in the innovation
- ✦ *Capital* is healthy, educated & free humans
- ✦ *Competitive edge* is novelty, uniqueness and excellence
- ✦ *Lateral leadership* and inspiration rules
- ✦ Cutting edge *scientists* more important than top executive economists
- ✦ *Collaboration* more than competition creates synergy





The promise of soft techno-logy

✚ **Techné = Craft, Logos = knowledge..**
"how to combine resources to produce desired products"

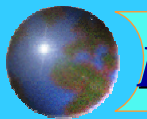
✚ ***Soft Technology - intangible products***

✚ *In Economic activities*

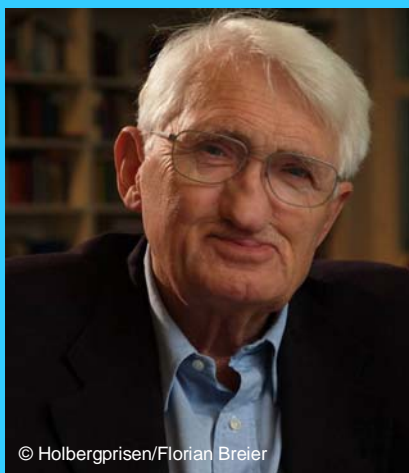
✚ *Social activities*

✚ *Cultural and psychological activities*

1. *Tool of innovation (Tech transfer, entrepreneurship etc.)*
2. *Key technology for independent industries*
3. *Constant and basis for institutional innovation*
4. *I.E.: **Economics** is a key soft technology*
5. *BUT: Do we have an economics of soft technology?*



How do we apply knowledge to development



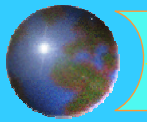
© Holbergprisen/Florian Breier

Jürgen Habermas;

Winner of 2005 Holberg Price
(The "Nobel Price"
of Social Science)

- ✚ *Technologically,*
according to laws of
nature – the mode of
industry and ecology
- ✚ *Strategically,* as in chess
and game theory – the
mode of business
- ✚ *Discursive,* as in Socratic
dialogue, the mode of
scientists and citizens
"Soft" technology

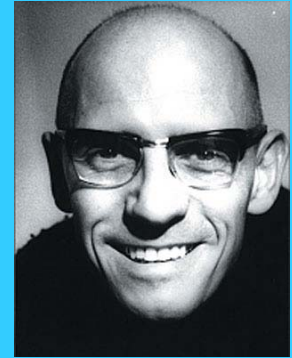




How do we adopt the new Ideas...?

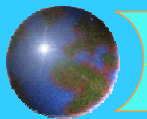
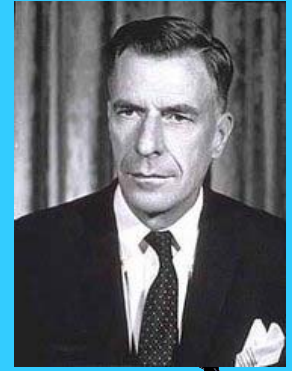
*" Governmentality ...";
The power of the ruling
ideas..... Gouvernmentalité*

Michel Foucault



*"The problem is not the new
ideas, but getting rid of
the old ones which
permeate every corner of
our minds..."*

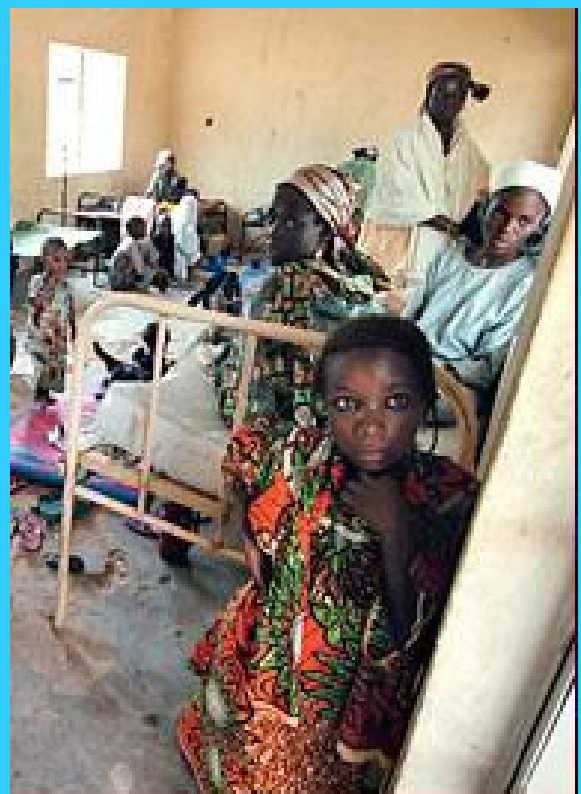
Jon Kenneth Galbraith

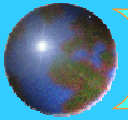


The Corporate Issues

**"...concern among
leading investors that
if companies do not
help less developed
countries with health
problems, they will
suffer unfriendly
regulatory change,
reputational damage
and less sympathetic
courts to patent life
and drug pricing..."**

(Core)

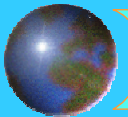




500

A Future MacroEConomics..

- ✦ Needs to incorporate calculations of the *ecological balance sheet*: State of the resource base, ecology etc.
- ✦ Needs to consider the unfair advantages of *knowledge and technology gaps*.
- ✦ Needs to take into account the *intangible capital*: Education, knowledge, health, organization, culture, collective spirit, shared goals.....
- ✦ Needs to *invest more* in *social infrastructure*
- ✦ Needs shift from shareholder value to *stakeholder value*
- ✦ Needs to consider *citizens interests* as well as consumers interests
- ✦ Needs to acknowledge the need for comprehensive *market regulations and a strong public sector*

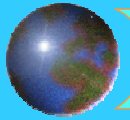


Lao - Tse (Tao Te Ching , 10)



Can you lead your people
Without seeking to control?
Can you open and close the
gates
In harmony with nature?
Can you be understanding
Without trying to be wise?
Can you create without
possessiveness
Accomplish without taking
credit,
Lead without ego?
This is the highest power!





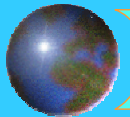
Lao – Tse (Tao Te Ching, 17)

With the best of
leaders
When the work is
done,
The project
completed,
The people will say:
“We did it ourselves.”



10 september 1997

15



Thank you!



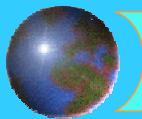
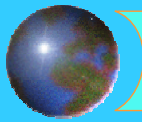
Werner.Christie@Invanor.no

+ 47 905 76 920

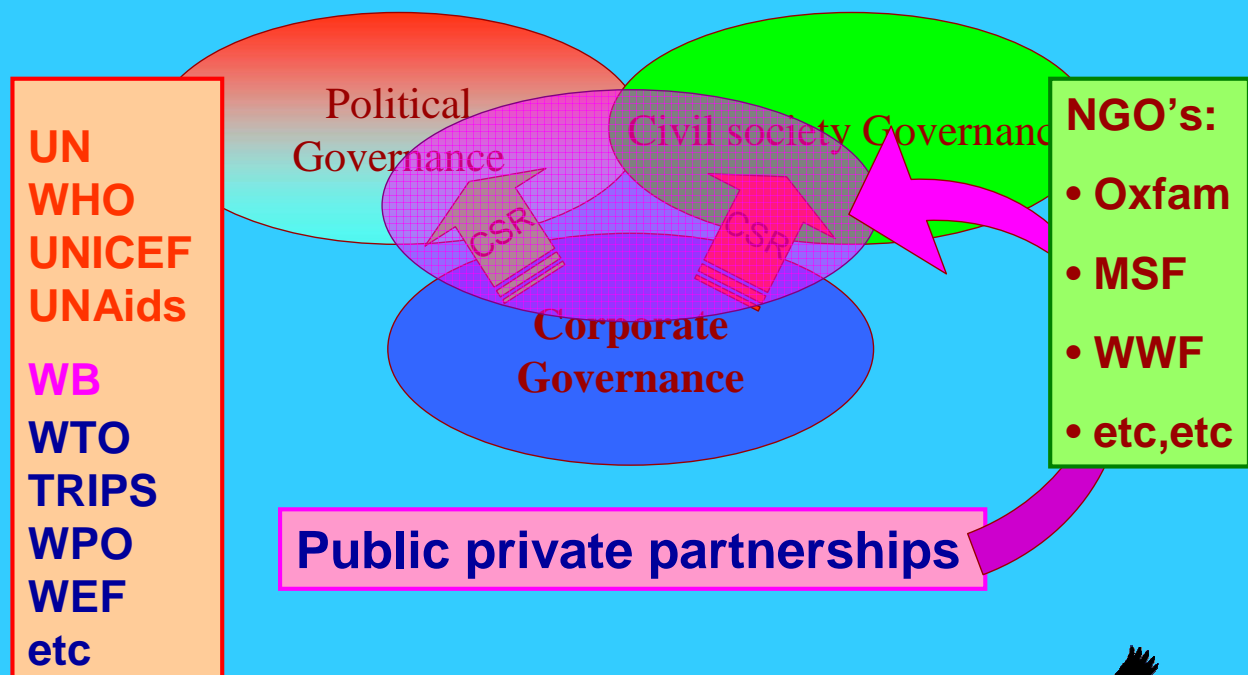


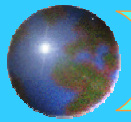
„The test for our progress is not what we can add to the affluence of those who have much, the test is how much we can supply for those who have too little of everything.“

Franklin D. Roosevelt, 1937



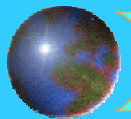
Governance in a Globalized World





A New Gross Corporate /Domestic Product

- ✦ ECO-nomics : Resource assets should count: environment, resource efficiency, population health and education, cultural assets etc.
- ✦ "Soft" Capital in the balance sheet: Reputation , trust, ethics is valuable market "goodwill"
- ✦ Badwill kills companies: Monsanto, Anderson, Enron....
- ✦ "The ruling opinion..." rules the market (consumers) as well as voters (Citizens)



Issues and investment risks

- ✦ **Global Disease Burden**
- ✦ **Access to essential medicines**
- ✦ **Safety and testing of Medicines**
- ✦ **Bioprospecting and Indigenous rights**
- ✦ **"Pharming" and the environment**
- ✦ **Anti-Bribery and Corruption**





Global disease burden

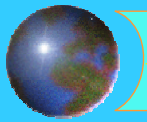
Disease	Dead /yr (K)	Control	Treatments/ Cure	Rel. R&D Spending
HIV/AIDS	2,943	Uncontrollable	Yes/No	+++++
Diarrhoe	2,124	Available	Yes/No	+
TB	1,660	Available	Yes/Yes	+++
Malaria	1,080	Available	Yes/No	+++
Sleeping sickness	50	Available	Yes/No	+
Misc infections	75	Available	Yes/Yes&No	+
Infections: 14,000				



Best selling Drugs

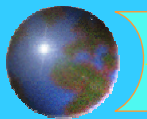
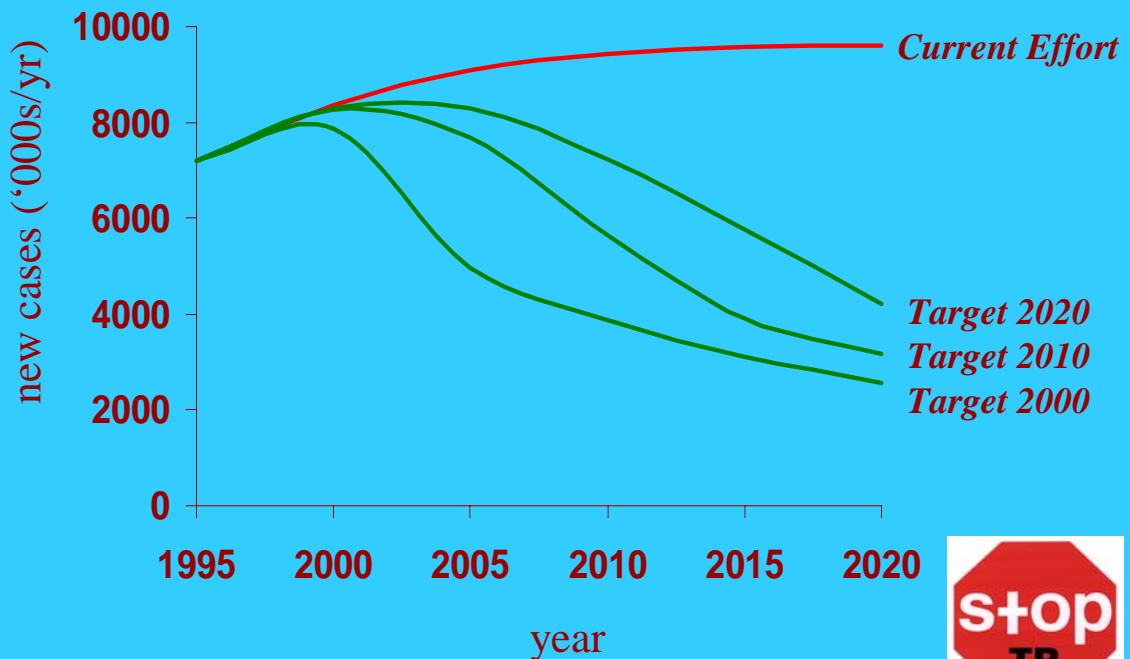
Rank	Indication	Drug	Company
1	Pep. Ulcer	Losec	AstraZeneca
2	Blood fat	Zocor	Merck
3	Cholesterol	Lipitor	Pfizer
4	Angina	Norvasc	Pfizer
5	Ulcers	Prevacid	TAP Pharma
6	Allergy	Claritin	Schering
7	Kidney Transplant	Pocrit/Eprex	John.&John.
8	Arthritis	Celebrex	Pharmacia
9	Depression	Prozac	Eli Lilly
10	Schizophrenia	Zyprexa	Eli Lilly





World summary: Tb cases

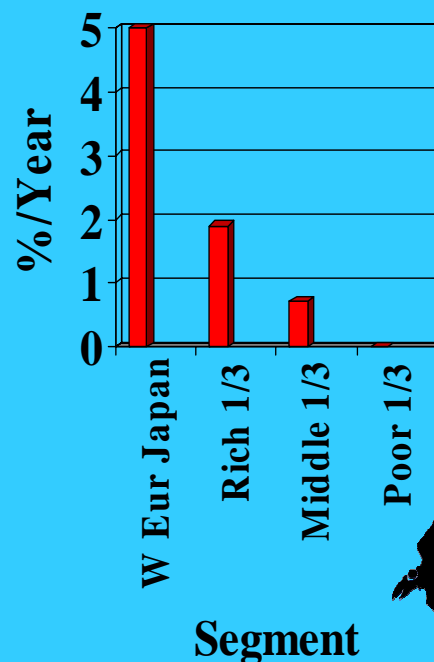
Target Goals: 70 % detection, 85 % Cure rate

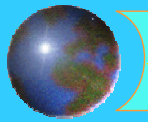


Growth in markets and demands

Growth rates 1970 -95

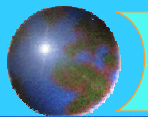
- ✦ Western Europe and Japan: 5% avg. Growth/year since 1950
- ✦ Have 60 % of GDP and 15 % of World population
- ✦ Richest third 1,9 % richer pr.year between -70 and 95 (World dev report 2000)
- ✦ Middle third 0,7% richer /year
- ✦ Poorest third 0 % richer





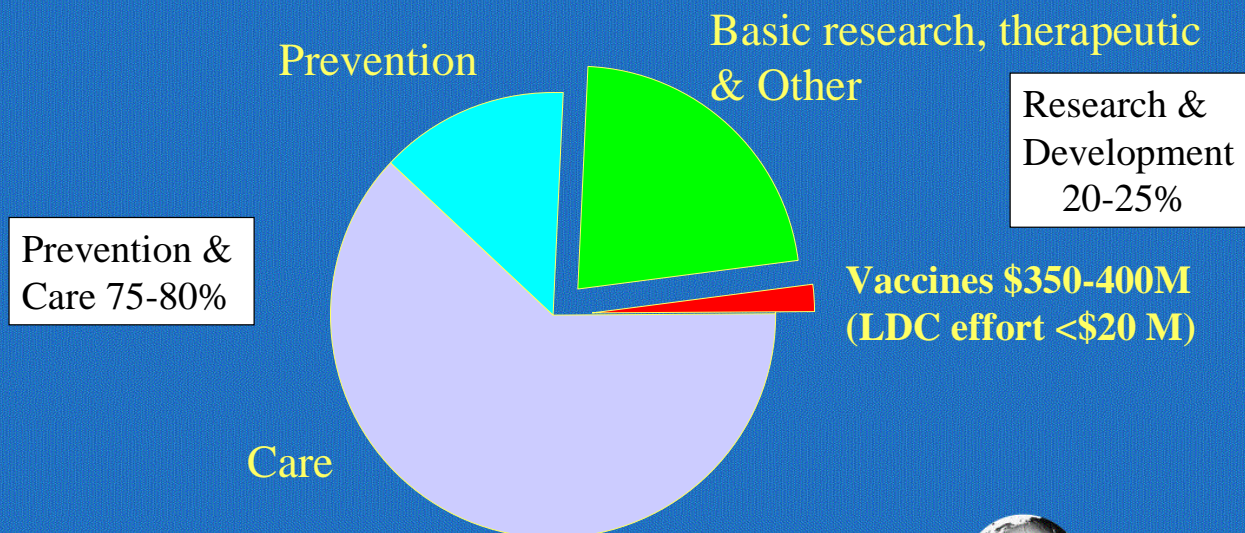
But where are the needs..?

- ✦ 3 Billion have less than \$ 2 (PPP) /day_(WB)
- ✦ 1,3 Billion have less than \$ 1 (PPP) /day_(WB)
- ✦ 650 Million Sub Saharans have less than 50 cents /day_(Economist)
- ✦ Poverty gap:
 - South Asia 12,6%
 - Sub Sahara 15,3%



Efforts of HIV vaccine research....

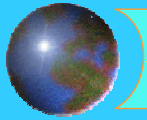
Estimated Worldwide HIV Expenditures* (2001 in Millions of Dollars)



Global Total = \$20+ Billion

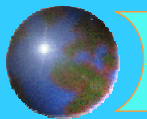
* Source: IAVI estimates & AIW II





Access to essential Dugs

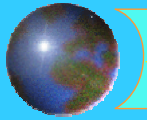
- ✚ Patents is necessary, but can be practiced in socially reponsible ways
 - ▣ Patent flexibility
- ✚ Market failures must be adressed
 - ▣ Differential Pricing (NB: Reference Prices & Paralell imports)
 - ▣ Drug Donations
- ✚ Public support and collaboration
 - ▣ Public Private Partnerships
- ✚ Orphan disease drugs
 - ▣ Philanthropic Drug Development



Possible Corporate Responsibilities

- ✚ Stimulate technology accessability,
- ✚ Public domain tools, private products (SNP consortium/ref Linux vs. Microsoft
- ✚ Support program implementation
- ✚ Generate Civil society supporters
- ✚ Royalty for the indigenous technologies & countries of origin
- ✚ Partnerships in research and innovation
- ✚ Public Private partnerships
 - ▣ IAVI, Gavi, PATH, Acumen fund etc...

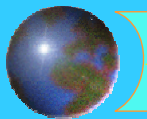
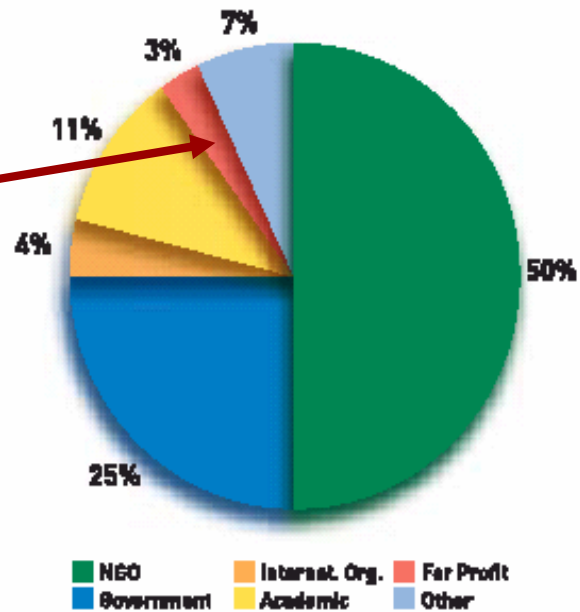




Public Private Partnerships

- ✦ More than 400 PPPs evolved last 20 yrs
- ✦ Still Lack of commitment from Corporate world
- ✦ Funding issues
- ✦ Struggles with market failures
- ✦ IPR issues
- ✦ Governance
- ✦ Coordination

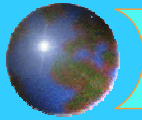
Stop TB Partners by type



KEY PRINCIPLES OF PPPs

- ✦ Roles of academia, business and government for provision of public goods are different, - but developing!
- ✦ Academia, business and government and serves diverse objectives and stakeholders, - that overlap!
- ✦ Corporate contributions to public programmes create synergies, - but also conflicts of interests!
- ✦ Global governance must stimulate corporate initiatives and collaboration, but also regulate!
- ✦ Frameworks for collaboration must develop better mechanisms for tools development for Global Governance organisations and treaties





The Activists

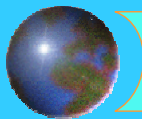


GAVI Global Alliance for
Vaccines and Immunization

**IAVI, TDR, Global fund ATM,
WB, Unesco, Unicef,
NGOs, Governments ,
Corporations**



etc etc....



EU Means: "EAGLES Health"

- Public and political awareness in Europe for applications of life science in developing countries,
- Raise European understanding of challenge of poverty-related diseases in the world,
- Promote European life science for poverty-related diseases of the developing countries,
- Encourage public and political support in Europe for the European programmes on poverty-related diseases

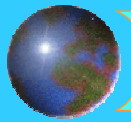


EUROPEAN FEDERATION OF
BIOTECHNOLOGY



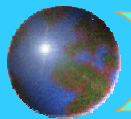
3600 personal members
from 36 European and 47
non-European countries

190 institutional members
from 31 European and 9
non-European countries



Risk factors of irresponsible Corporations

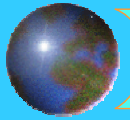
- ✚ **Brand value impairment**
- ✚ **Harm to intangible values**
 - ❏ Goodwill
 - ❏ License to operate
 - ❏ Human Capital
- ✚ **Damage to Collateral Reputation**
- ✚ **Regulatory interference**
- ✚ **Legal Actions**
- ✚ **Access to people skills**
- ✚ **Competitive advantage**



Suggested Corporate responses

- ✚ **Focus on needs, create markets**
- ✚ **Develop Technologies relevant for Development**
- ✚ **Support local innovation and entrepreneurship as this creates growth**
- ✚ **Tiered Pricing gives access and sale**
- ✚ **Conditioned licensing for selected markets**
- ✚ **Active Collaboration with Civil and Public society**
- ✚ **Promote Debt for Health, Research & Innovation!**





GMOs and utility issues

Need to differentiate:

Biological issues:

- Is it safe? Sustainable?
- Ecologically sound? Coexistence?

Economical issues:

- What are the advantages?
- Who will profit from them?
- Who can afford access to GMO?

Political issues:

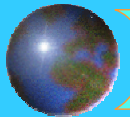
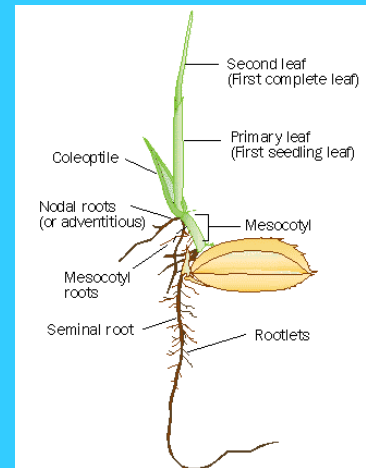
- Who controls the patents? The seeds? The information?
- Who controls the reviews? The markets? The advantages?

Availability:

- For whom? On which premises?

Independence:

- From what? For Whom?



Compliance leveraging (© E&Y)

Compliance LeveragingSM

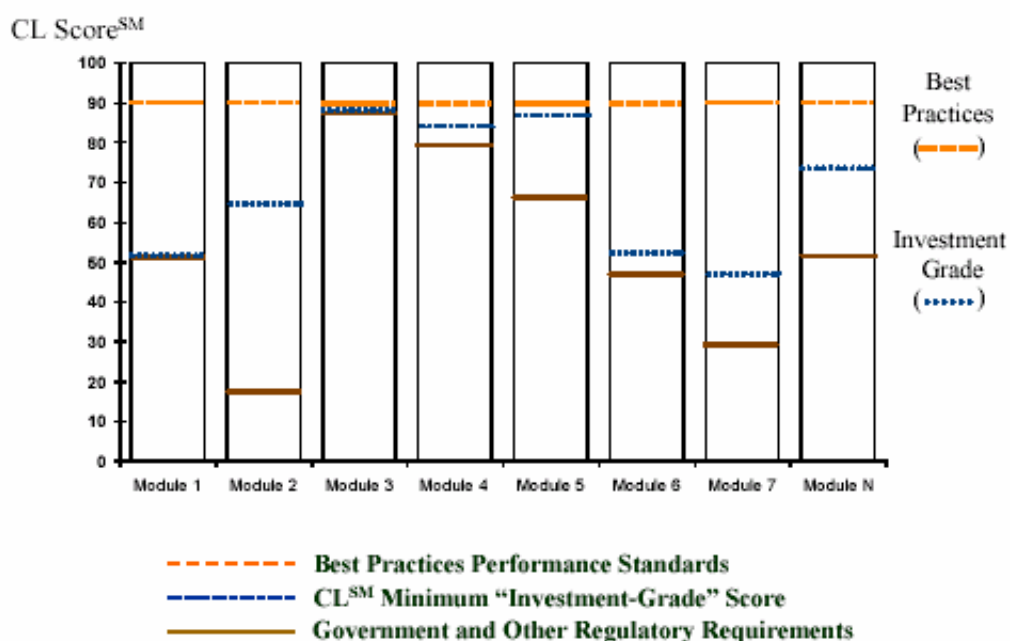
Examples of Modules

- Good Manufacturing Practices (GMPs)
- Good Clinical Practices (GCPs)
- Good Laboratory Practices (GLPs)
- Adverse Event Reporting
- Protection of Research Volunteers (e.g., IRB and Informed Consent)
- Intellectual Property Protection (e.g., Material Transfer Agreements, Patent Filings, Licensing Agreements)
- Advertising and Promotion Standards & Adherence
- Regulatory Inspection Results
- Corporate Governance Standards



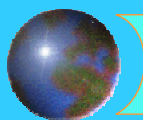
Compliance Benchmarking

Compliance LeveragingSM Measurement Methodology



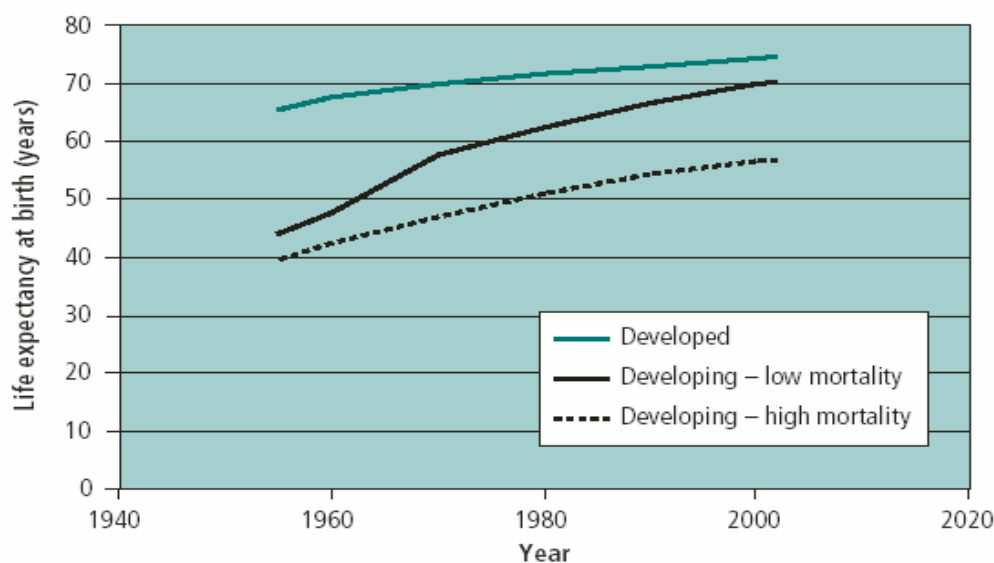
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ERNST & YOUNG
Quality in Everything We Do



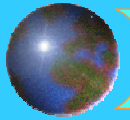
The inequity of wellbeing

Figure 1.1 Life expectancy at birth: developed and developing countries, 1955–2002

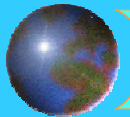
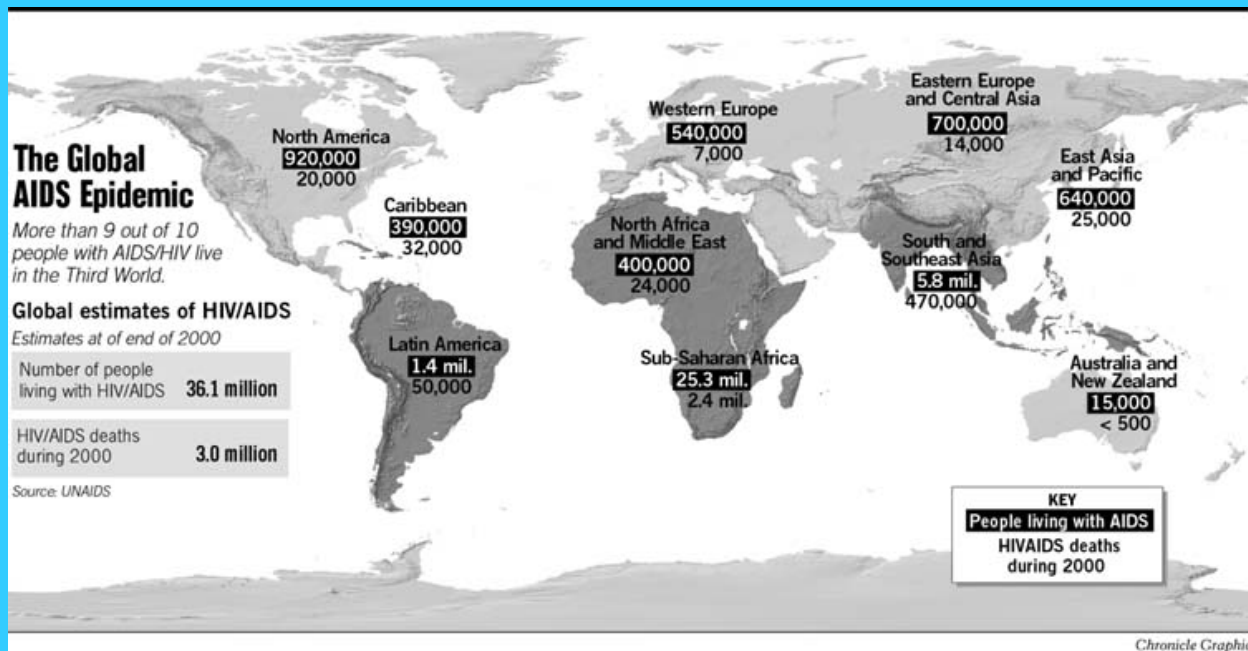


Note: The term developed countries includes Australia, Canada, European countries, former Soviet countries, Japan, New Zealand and the USA. High-mortality developing countries include those in sub-Saharan Africa, and countries with high child and adult mortality in Asia, Central and South America and the Eastern Mediterranean. Other developing countries are referred to as "developing – low mortality".

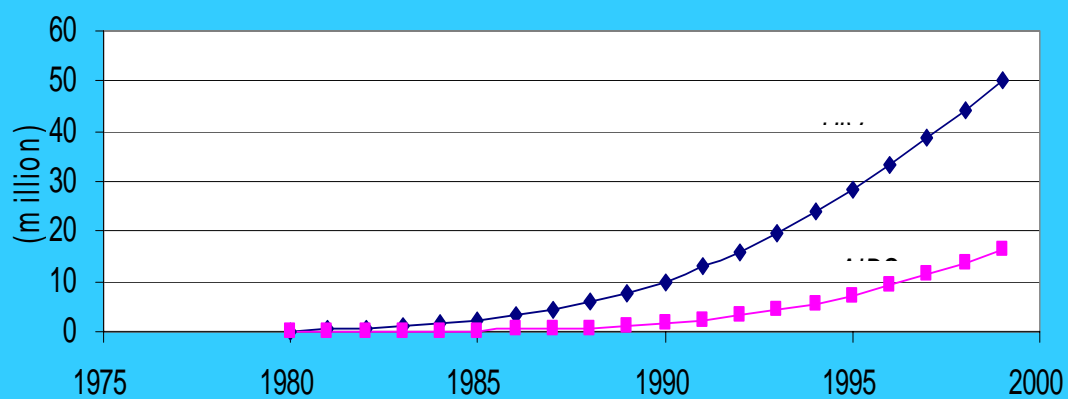
World Health report 2003



The Aids Epidemic



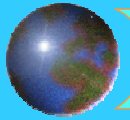
Global Estimates of Cumulative HIV/AIDS Infections and Deaths, 1980-99



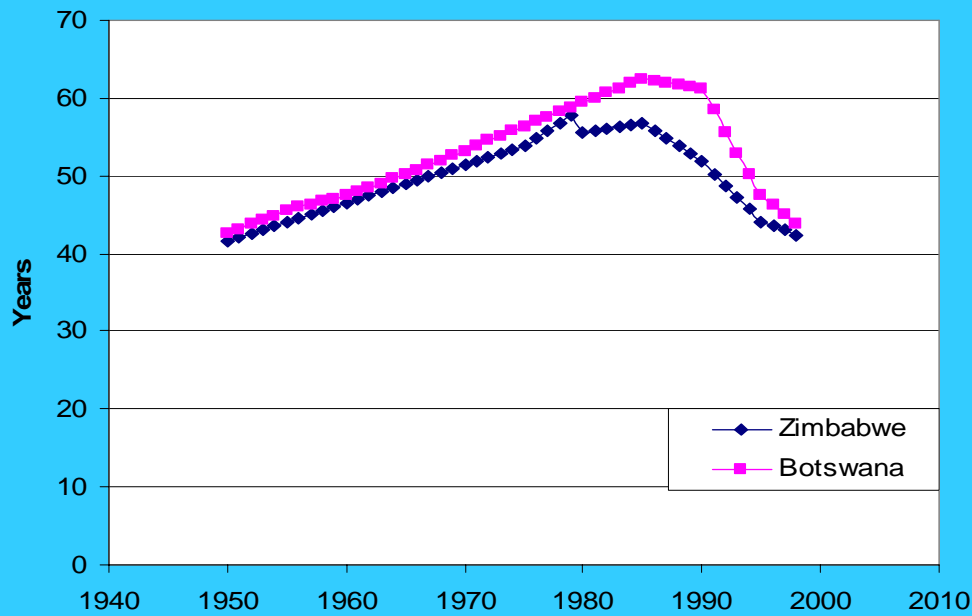
Compiled by Worldwatch Institute

—◆— HIV Infection (million) —■— AIDS Deaths (million)

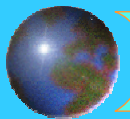




Life Expectancy in Zimbabwe and Botswana, 1950-98



Compiled by Worldwatch Institute

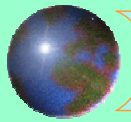


The Malarial Challenge



- 300 million cases of Malaria estimated/year
- Resulting > 1 mill dead
- 90% occur in Africa south of the Sahara
- most victims are Children under 5
- Pregnant women are especially vulnerable
- Malaria compounds Poverty
- Impedes economic development



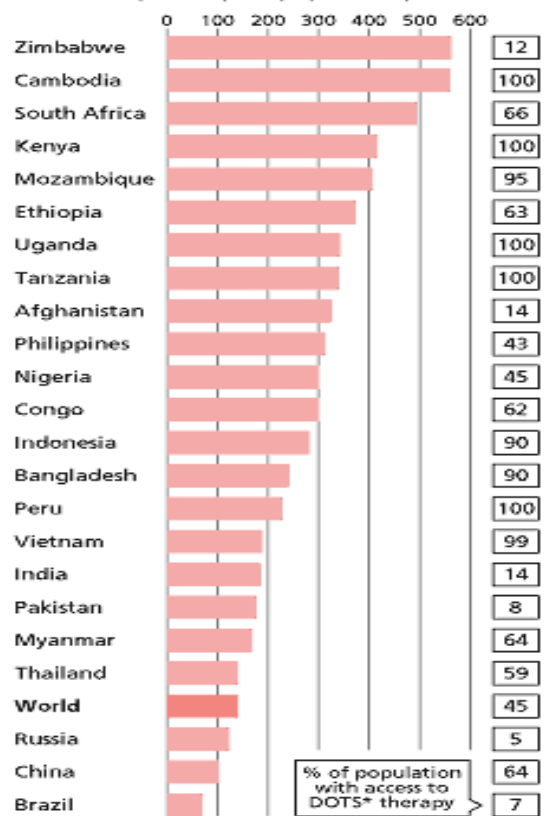


TB epidemic

- ✦ Most important killer of people in fertile & working age
- ✦ Fully treatable
- ✦ Costs less than \$ 30/case
- ✦ 10 mill diseased
- ✦ > 2 mill deaths/year
- ✦ Often combined with HIV/Aids

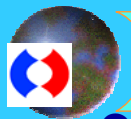
Tuberculosis cases

New cases per 100,000 population, 1999



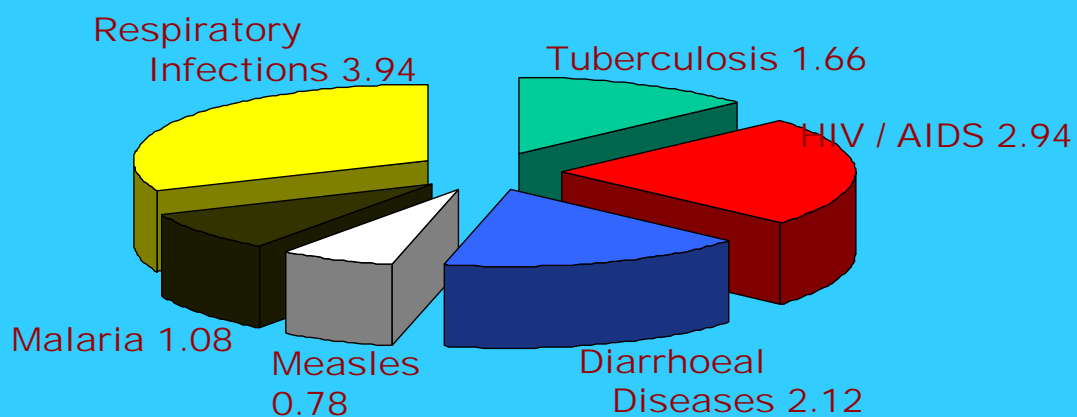
*Directly observed treatment, short course

Source: World Health Organisation

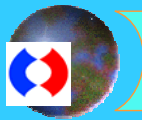


The Problem:

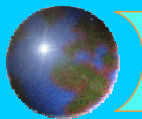
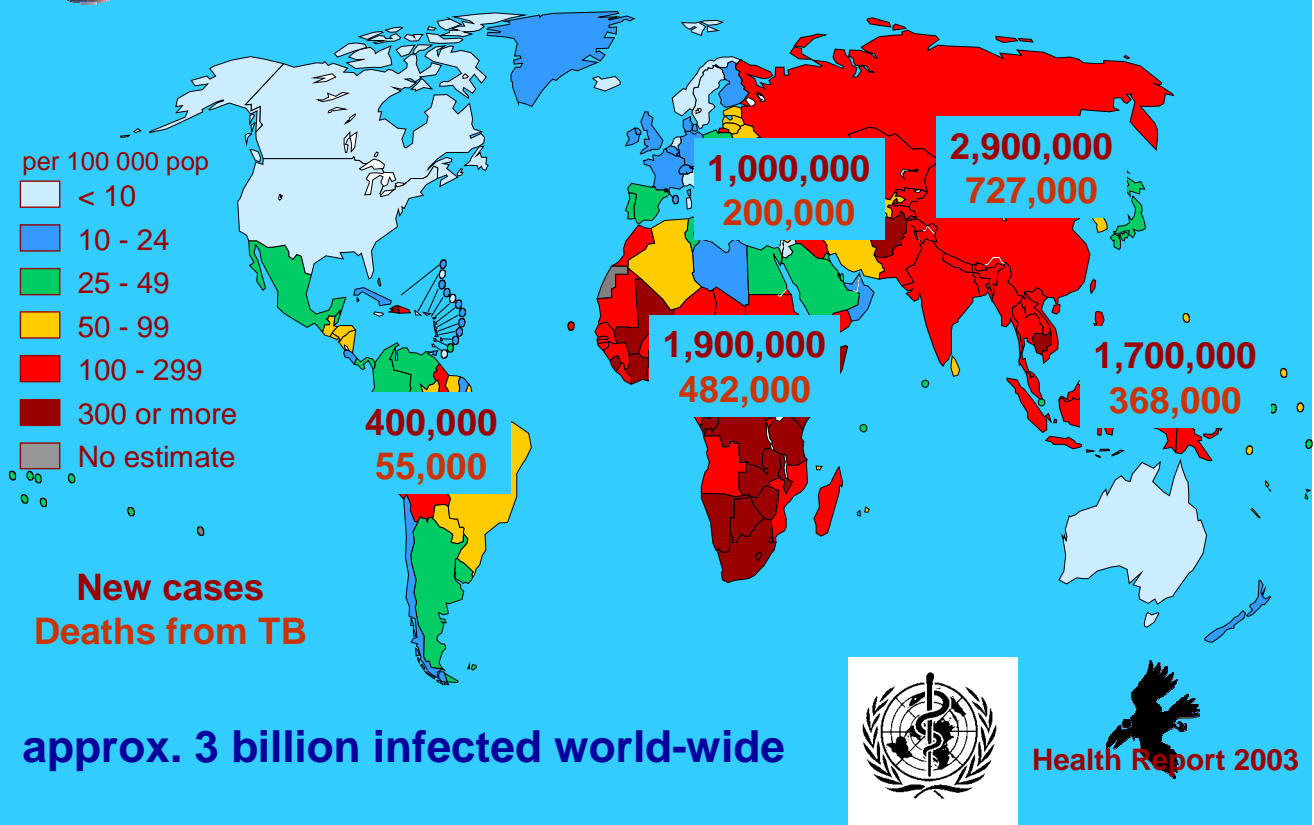
Communicable diseases, deaths by cause in millions



WHO, Health Report 2003



The problem: TB Incidence Rates, 2001



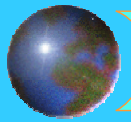
Investments in Tb Research

- Improving treatment
 - New diagnostic tests; early diagnosis
 - New drugs; shortened duration of treatment
- Improving other strategies
 - New vaccine
 - Treatment of latent infection

Mechanisms:

1. Funding development of new tools,
2. Enabling environment for commercial development
3. Reviewing the performance of new tools and technologies.





Stop TB Partnership



**A Partnership
for Global
Action**

Main Constraints (1998)

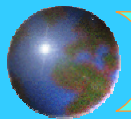
- ✚ Political will and commitment
- ✚ Human resources
- ✚ Anti-TB drugs
- ✚ Research
- ✚ Financing
- ✚ Organisation
- ✚ Info systems
- ✚ Health sector reform

2004 Challenges

1. Advance achievements
2. Political commitment
3. Workforce crisis
4. Strengthen health systems,
5. Accelerate response to HIV/AIDS
6. Mobilise communities and the private sector
7. Invest in research and development to shape the future



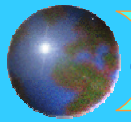
**the Stop TB
Partnership**



Potential models for supply

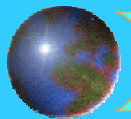
- ✚ Company produces globally; price tiering
- ✚ Company produces globally; bulk packaging for South
- ✚ Company produces for OECD; joint venture for LDC provision
- ✚ Company produces for OECD; IP for LDCs stays in trust and is produced through contract manufacturing/technology transfers
- ✚ Regardless, political acceptance of price tiering, quality and no IP leakage is critical to success





Create incentives for Industrial Investment

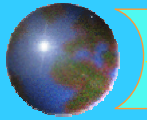
- ⊕ Active dialogue with industry
- ⊕ Policy program including political support for strongly tiered pricing
- ⊕ Create credible market in developing countries through purchase funds
 - ⊞ Ensure availability
 - ⊞ Increase profits/reduce cost of manufacturing
 - ⊞ Remove controversies related to supply for the poor



Understanding

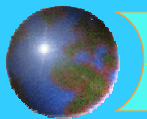
- ⊕ Health and education = Prerequisite for Growth and development
 - ⊞ How health contributes to Growth
 - ⊞ How education contributes to health and growth





Biotechnologys promise

- ✚ Definitions
- ✚ Some arguments from the WHO report :
- ✚ Diagnostics
- ✚ Prevention / vaccines
- ✚ Drugs
- ✚ Stem cells, tissue culture etc
- ✚ Neutraceuticals
- ✚ Better plants & Nutriton
- ✚ Breeding for better yields and pest resistance
- ✚ GMOs for better yields and pest resistance



Bioethics;The Issues ***ART (Artificial Reproductive Technologies)***

- ✚ Briefly : What is ART, Why is it controversial
- ✚ Biotech is more than ART, most biotech is not ART
 - ❏ Bioetics need a differentiated, specified and nuanced approach to various separate issues!!
- ✚ ART Issues:
 - ❏ When does life start
 - ❏ When does human dignity and integrity appear
 - ❏ Human Value and Human rights; - for the unborn
- ✚ Embryo Diagnostics & Genetic selection
 - ❏ Abortions
 - ❏ Designer Babies

