

INTERNATIONAL DEVELOPMENT AND THE PRIVATE SECTOR

Dr. Keith Martin, M.D., M.P.
ESQUIMALT - JUAN DE FUCA
(613) 996-2625
(250) 474-6505
WWW.KEITHMARTIN.ORG

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Paul Martin and former Mexican President Ernesto Zedillo were just appointed by UN Secretary-General Kofi Annan as co-chairs of a committee to determine how the private sector can be used to enrich the lives of those in developing countries. A word of advice. There is a reason why the private sector runs a country mile from the least developed countries - corruption. Companies have no interest doing business in nations where their assets can be taken over at the whim of a local warlord. Where you can be shot, beaten, tortured, or killed by a regime at its whim, with no legal recourse. Or, you can simply be run out of town and your company appropriated because you have become successful.

In the least developed countries, there is a direct correlation between corruption and a lack of development. This is particularly true of sub-Saharan Africa. While the rest of the world is seeing its poorest demographics shrink, in this region, the reverse is true. However, the cruel irony is that sub-Saharan Africa is exceedingly rich in water, gold, minerals, timber, oil, diamonds, agricultural potential, and other resources - more than enough to enrich its beleaguered peoples.

The reason for the massive disconnect between a country's wealth and that of its citizens is that these states are usually ruled by thuggish kleptocrats masquerading as statesmen. Zimbabwe's Mugabe, Liberia's Taylor, Congo's Mobutu, and Kenya's Moi, are part of a very long list of African heads of state whose main mission can be stated in one sentence: Pillage your nation's reserves for your benefit and that of your cronies who keep you in power.

As part of the international community we have preferred to adhere to the illusion that the poverty in these countries is due to a lack of international aid. In turn we have become an enabler in these tragedies by refusing to upbraid these brutal leaders for their atrocities. Content to be perceived as "doing good", we pour billions of dollars into developing African countries even though we have seen little for our efforts. The victims of our blindness are the innocent civilians who are often tortured, raped or murdered en masse. The Congo, Sierra Leone, Zimbabwe, and Angola are part of a very long list of resource rich nations where, with our full knowledge, hundreds of thousands of civilians were murdered.

So a few words of advice for Messrs. Martin and Zedillo. If you truly want to decrease poverty in Africa, you will have to deliver a tough, pragmatic plan of action to Mr. Annan. Some suggestions:

- 1) Acknowledge that corruption and poor governance are the most important reasons for poverty, conflict and a lack of development in the poorest countries.
- 2) Develop a mechanism where the international community can use various interventions to rein in the excesses of a despotic leader. Freezing the personal assets of these thugs, imposing travel bans and not giving any government to government aid, can be extended to indicting a leader for crimes against humanity. The ultimate tool is to invade a country with a UN force to protect civilian lives.
- 3) The time is now to develop an army of professional soldiers under UN auspices; i.e. a Standing UN Protection Force.
- 4) The door must open to negotiate a reformed Security Council. The key will be to argue in the self interest of the five permanent members to say that if they do not make the Security Council effective, it will cost all of us billions of dollars in aid, trade, security and immigration costs.
- 5) Development should be focussed on countries that are prepared to work for the betterment of their people, and money should be spent on anti-corruption work, good governance, investing in primary health, education and, of course, dealing with the AIDS epidemic. The people living under the yolk of a despot should receive humanitarian aid through non-governmental organizations (NGOs).
- 6) Countries must have a simple, transparent, tax system where monies can be tracked from the utilization of resources by the private sector through government expenditures. It is exceedingly important for a country to be able to use the private sector to harvest its resources, so that these monies can be ploughed back into the country for its development.
- 7) Rewrite the Multi-lateral Agreement on Investment (MAI), and the Special Economic Measures Act (SEMA). All countries should adopt a legally binding framework that protects companies from discrimination, but also makes them subject to prosecution if they violate basic human rights or engage in massive environmental degradation. Companies should be obligated, as the European Union has asked, to publish what they pay in countries where they do business. A good start to reducing the massive pay-offs the private sector is forced to make to local politicians.
- 8) Trade - the West simply must reduce subsidies on their domestic products and open their markets to imports from the developing world, (especially agricultural products). Someone once calculated that a cow in Western Europe received over \$400 in subsidies per year, which is more money than many people make in sub-Saharan Africa.

In the end, Messrs. Martin and Zedillo have an incredible opportunity to lay to rest the myth that the problem of the developing world is a lack of international aid. The focus should be on rooting out corruption and promoting good governance. If these two men pull this off, it will completely change the way development is done and will give, for the first time, some real hope and opportunity to the millions of people in developing countries who simply want to get on with their lives, work, put their kids through school, and live in peace and security. Is that too much to ask?

Dr. Keith Martin, M.P. is the Alliance Foreign Affairs Critic for Africa and has travelled frequently to many of its war torn countries.