

TODAY'S PAPER
NATIONAL**Martin to head top-level UN committee**

His report on investment in poor countries is due just when Liberals pick new leader

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OTTAWA -- Paul Martin will take some time out of the Liberal leadership race to lead a top-level United Nations world-development commission, delivering a final report to Secretary-General Kofi Annan in November -- at the same time as the Liberal Party chooses its new leader.

Along with former Mexican president Ernesto Zedillo, Mr. Martin will chair a committee to follow up on last year's high-profile UN Conference on Financing for Development. The commission's official launch will take place in New York on Friday, according to the French-language arm of CBC Radio.

The 2002 UN meeting was held in Monterrey, Mexico, where Western countries promised to increase foreign aid by \$12-billion a year. Mr. Martin and Mr. Zedillo's group will focus on promises to increase private investment in developing countries.

Their task will be to find out why some poor countries are missing out on private investment, and what can be done to change the situation.

Bill Orme, a spokesman for the United Nations Development Program, said the goal will be to find ways of "harnessing private investment to combat poverty.

"Even though there was an investment boom in the 1990s, how come it didn't reach Burkina Faso . . . and what can be done to change that?" Mr. Orme said by way of example.

He said Mr. Martin was invited to participate in the commission by Mark Malloch Brown, head of the UNDP.

"Both Martin and Zedillo are well known for being free-market-oriented and believing in private investment, but also for being engaged in economic development issues and developing nations generally," Mr. Orme said.

The commission, which will also be made up of businesspeople and economists, will start its work immediately. Officials will present a series of issues and options to Mr. Martin and Mr. Zedillo, who will work on a final report containing "concrete policy recommendations" to be delivered in November.

Mr. Martin's decision to take time out of the leadership race shows he has little fear of losing to his challengers, Finance Minister John Manley and Heritage Minister Sheila Copps.

The move will also highlight Mr. Martin's desire to pursue international initiatives within the UN. A close friend is Maurice Strong, a special adviser to Mr. Annan.

Mr. Martin made headlines earlier this year with a speech that criticized the UN for its failure to take strong action on the world stage, in particular when dealing with rogue states or weapons of mass destruction.

"Multilateralism through the UN is clearly a preferable approach," Mr. Martin said in his speech. "However, the absence of consensus in the UN should not condemn us to inaction. . . . In appropriate circumstances,

action to create an "enabling regulatory environment" could spur immense business growth.

In the industrialized world, private financing can underwrite essential public utilities such as power plants and water systems, as is done routinely in the bond markets of the U.S. and Canada. This is rarely possible for similar projects in the developing world, which suffers from outmoded regulatory structures and underdeveloped capital markets. Yet many poor countries have substantial untapped financial resources. Alongside efforts to attract foreign investment, at least equal energy should be directed at mobilizing and unleashing domestic capital.

In Canada, as in the United States and Western Europe, a modest home, a small plot of land or a solid credit history can be enough to secure a loan. But such small-scale loans are hard to obtain in developing countries, which often lack the necessary institutional arrangements such as credit agencies and clear property rights. Hernando de Soto, a member of our commission, estimates there is roughly \$9.3-trillion in land value, largely in the hands of the poor, that lies unexploited for potential use as collateral to spur investment and growth.

Companies now tapping the huge consumer demand represented by the poor in developing countries are reaping big returns. We are investigating what business insights and policy steps made such successes possible. Often, policymakers eliminated legal bottlenecks or created new institutional mechanisms to facilitate investment.

None of this is to say that continuing macroeconomic liberalization is unnecessary. On the contrary: Market reforms and trade expansion lifted millions out of poverty in the 1990s, particularly in China and India. In other regions as well, developing countries that liberalized their economies and encouraged foreign investment grew faster than they otherwise would have.

But many countries -- 54, in fact -- were poorer in 2000 than they were in 1990, as documented in the 2003 Human Development Report, released this month by the UNDP. In most cases, these countries too have embarked on macroeconomic reforms, liberalizing trade and investment rules and improving fiscal management. But such policies have not automatically prompted the expected -- and urgently needed -- private investment flows. Part of the reason may be that economic reform now needs to move from the macro to the micro, from trade and monetary policy to the web of legal and financial impediments entangling the small-business owner.

The developing world -- home to four-fifths of the world's population -- is obviously critical to the future of business, big and small. And business is crucial to the future of the developing world. When this potential is unleashed, the benefits will be more than economic. Private enterprise can create powerful interests vested in peace, through deep and daily partnership. Although businesses, by definition, have an impulse to compete, true entrepreneurs also have an impulse to collaborate in building new markets -- a manufacturer in one country or region seeks marketers, financiers and distributors in other countries and regions. Ties among private companies build the global family and enhance global stability.

But most important, a more efficient global deployment of private capital will help us keep the promise made by world leaders to reduce by half -- at least -- the number of people suffering from extreme poverty by 2015.

In the formative years of the North American economy, the entrepreneurial Quakers were wryly said to have come to the New World "to do good, and they ended up doing well." Today, investors in developing economies should have the opportunity to do both.

Former Canadian finance minister Paul Martin is a candidate for the leadership of the Liberal Party. Ernesto Zedillo, former president of Mexico, is head of the Yale University Center for the Study of Globalization and leads the UN Millennium Project's task force on trade and financial issues.