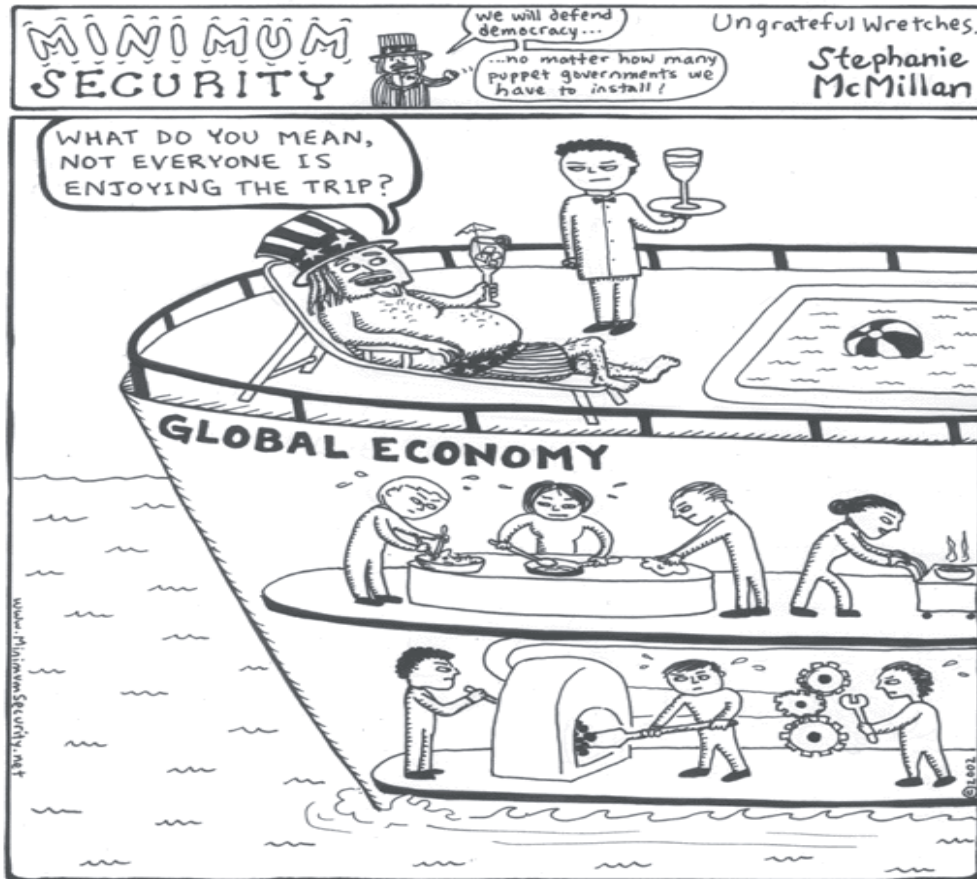


Serving the Poor, *Profitably?*



A critique of the February 5th, 2003
"Serving the Poor, Profitably" event put on
by the Canadian Manufacturers and Exporters
(CME) and the Canadian International
Development Agency (CIDA)

(Well, to be fair, they are half right. While not serving the poor, this event will certainly focus on ideas for profitability)

Serving the Poor, Profitably?

3 Myths

The Harvard Business Review paper that forms the basis for the theme of this seminar, dinner and awards show is quite stark in its choices for the future. It states that 15 years from now we will either be in the throes of stagnation, collapse, chaos, and terror OR our economies will grow with jobs, and social benefits and have limited terror fears. And the paper sees one primary factor which will determine which scenario comes to pass: "the willingness of big, multinational companies to enter and invest in the world's poorest markets [which will] stimulate commerce and development at the bottom of the economic pyramid." Does this make sense? Aren't multinational companies the ones that have been pillaging the poor for decades for their own profit margins? Aren't multinationals the ones who have pushed to privatize water and other social services? Has this not caused the mass loss of access to these services once these corporations took over such as in Cochabamba, Bolivia where the loss was so great that the people rose up and threw out the water multinational Bechtel? While multinationals and their lobby groups preach that the private provision of goods and services will "save" the poor from their corrupt public services aren't they also heavily involved in ethical and criminal scandals of their own, by the likes of Enron, Andersen, Worldcom, AOL, Vivendi, Citigroup, ... ? Yes they are, and these corporations have nothing in mind for the poor beyond extracting profits, regardless of what the CME or CIDA want us to believe. Here are a few of the many myths that the CME and CIDA will be pushing at this seminar and beyond.

Myth 1 CME and CIDA aim first and foremost to meet the needs of developing countries and these needs will be met by foreign investment (and profitability) by northern corporations . NO

In fact, the prosperity of the north is deeply tied to 'underdevelopment' in the South as poorer countries are used for their cheap labour and sources of raw materials. These cheap productive 'inputs' such as low wage labour and basic raw materials, allow northern corporations to offer cheaper, high value products in the North and also make a large profit. If CME and CIDA are proposing major changes to this model that are more tied to helping the poor, it is going to be very hard to convince the business powers in the North (who they represent) to do this given that the profits of these corporations depend on the poverty of the south. If wages start to go up, for example, are the CME and CIDA going to suggest to the businesses they work for that they stick with these workers despite these rising wages and resultant lost profits or are they going to tell them to move to a cheaper wage pool in another country? I think we all know the answer to that, as can be seen in manufacturing moving from Mexico to to even cheaper labour in China and Vietnam because wages in Mexico are to "high" at \$1.00 an hour. It seems that the 'pro-poor' strategy is a cover to get corporations in the door, rather than to get them to stay and help build the economy, which corporations simply have never done because it is not in their interest to do so.

Myth 2 CIDA's model of 'Pro-poor growth' is something new, fixing the mistakes of the 1980s reliance on the market fundamentalism of 'privatization as a panacea, let markets reign supreme, cut social services, and open everything for investment.' NO

In fact, it is hard to find any difference between the CIDA model of pro-poor growth' and the past that isn't simply smoke and mirrors. While based on a noble concept of achieving poverty reduction and increased incomes for the poor, it is hard to see what is new that will create this. The main push of the pro-poor growth initiative is 'economic freedom' through well functioning, competitive markets, promotion of savings and investments, low inflation, political stability, avoidance of deficits, and 'boosting exports'. This sounds exactly like the 80s no holds barred 'open the border and make a country ripe for foreign investment' approach that CIDA is trying to distance itself from. The few things that diverge from this model include securing land and financing for poor men and women sound good, but up against the power of competitive markets and the opened borders to investment, this is just tinkering at the margins and will not fundamentally help the poor.

CIDA believes that market access for southern producers to industrialized markets in the north is a key focus for growth and opportunity for poorer southern countries. They would say that to deny this is to simply because you want to try protect northern dominance. Absolutely, it is true that the North is being extremely hypocritical in its

insistence on market access in the south but puts up huge barriers in the North on sectors such as its agriculture through farm subsidies. But is the answer more opening of markets, saying "we will buy your bananas if you give our banks and insurance companies unrestricted access to your markets" No, absolutely not. Rather than pushing for more liberalization of trade, the answer lies in a much more fundamental critique of the trading system itself, which under the auspices of trade agreements like the WTO and FTAA, will make things worse for the poor and workers in all parts of the world by driving down wages and allowing corporations much less restricted access to public services which will cut into social benefits for the most vulnerable. They need less WTO, FTAA, and privatization, not more. What 'developin'g countries need is to be left alone to homemade strategies for being able to grow on their own, with less, not more, outside interference, and many more protections from multinational dominance.

Myth 3 Privatization of public services is good for the poor and is necessary to growth. NO.

There have been numerous failed privatization projects in recent years, such as that in Cochabamba or in Atlanta where Suez was pushed out of their water maintenance contract because of poor performance. As well, privatization usually means that only those with money can pay for it, such as with electricity in South Africa or healthcare in the United States. The CME is the number one pusher in Canada for the opening up of more and more services to privatization under the WTO's General Agreement on Trade in Services (GATS) and the FTAA services agreements. The CME is behind these agreements because it knows that freer access to privatization would be very profitable for its members, despite the fact that it will hurt the poor in many of these countries. Is this what they mean by 'serving the poor, profitably'?

What is the CME?

Simply put, the Canadian Manufacturers are Canada's most powerful and influential corporate lobby group.

The CME represents 75% of the countries manufacturing output and 90% of our exports. Many of Canada's largest corporations are members of this alliance, like-Monsanto Canada, GE Canada, Royal Bank, Alcan, Boeing, Bell Helicopter, Bombardier, Daimler-Chrysler, Glaxo-Welcome, IBM, John Deere, Kodak, Molson, McCain's, Nortel, Oracle, Rolls Royce, and UPS. This alliance - headed by former Conservative MP Perrin Beatty - has influential access to senior government officials on matters including their anti-Kyoto stance, their vision of border security, their pro-"competitiveness" agenda (i.e. their business over labour agenda), and their trade agenda. Specifically on trade issues, the CME has enormous clout with Canada's senior trade negotiators and Trade Minister Pierre Pettigrew through a variety of Trade Advisory committees- which are essentially exclusive clubs for multinational corporations.

The alliance is a major promoter of 'free trade', claiming positive benefits for their members from agreements like NAFTA. They are also quite vocal to government in their support for more WTO sponsored trade agreements like the General Agreement on Trade in Services (GATS). The alliance has corporate members across the country, and a website www.the-alliance.org which provides a complete list of their membership by province!

If, through this "Serving the Poor Profitably" event they can put a moral spin on their profit motive - that will suit the CME just fine, especially given the enormous amount of money at stake in foreign exports and investments.

What about CIDA?

While sometimes supporting positive projects (moreso in the past), CIDA's pattern over recent years has been to move more and more towards a business and multinational investment model of development and less of a model of support for localized projects. It is about big projects led by the World Bank and multinationals, supported by trade agreements.

In 2001 and 2002 CIDA partnered with CME to give these awards to corporations who did business abroad- the awards had different sponsors including corporations like SNC-Lavalin group, Bombardier, ScotiaBank, Nexen and AMEC. It appears that businesses have no difficulty giving themselves awards- truly illustrating the meaning of 'scratching each others back'.

The February 5th rally was organized by ACME:

(anti CME)(againstthe CME)(aintneedforthe CME) (aintlikingthe CME) (areyoukiddingus CME?)

FOR MORE INFORMATION:

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