

OPINION

Corporate Investments Can Help Accelerate Economic Growth In The Developing World

BY LINCOLN P. BLOOMFIELD JR. ON 11/19/13 AT 2:36 PM



Kenyan Lepapa Moyo talks on his cellphone outside their beach home in Ras-Kitau on Manda Island in Lamu Photo: Reuters

WASHINGTON – Many people assume that foreign aid from governments and international bodies is the key driver of economic growth and modernization in much of the developing world. In

fact, direct investment by corporations is greater, and increasingly is helping to fill the gap created by declining foreign aid.

The 34-nation Organization for Economic Cooperation and Development (OECD) reports that its Assistance Committee distributed \$125.6 billion in foreign assistance to developing nations in 2012 - down from a peak of \$128.5 billion in 2010. The United Nations 2013 World Investment Report cites \$637 billion in direct foreign investment in developing nations in 2010, and \$735 billion in 2011.

Corporations are profit-driven, while governments distribute foreign aid both for humanitarian and foreign policy reasons. When conditions in a nation worsen – such as during times of conflict or natural disasters – foreign aid often rises while corporate investment declines due to perceived risk. But corporations have shown that earning profits and helping societies develop are not mutually exclusive activities. Every day, corporations exercise social responsibility, demonstrating that they can serve both their business goals and the public interest.

A great deal of corporate investment and innovation today is focused on finding new and better ways of transmitting the spoken word, text and video on the information superhighway. This has enormous potential to accelerate economic development in parts of the world with the greatest needs.

Facebook (Nasdaq: FB) CEO Mark Zuckerberg announced in August that his company and six other technology firms – Nokia (NYSE: NOK), Ericsson (Nasdaq: ERIC), MediaTek, Opera Software, Qualcomm (Nasdaq: QCOM) and Samsung – have created a new venture called Internet.org to help the developing world. The goal of the industry coalition is to bring Internet access to the roughly 4 billion people on Earth who cannot go online today – a major advance.

Internet.org is seeking to slash the cost of providing mobile Internet service by making mobile phone software and Internet networks more efficient. In addition, these companies want to enable telephone companies to provide consumer access to email, social networks and searches at little or no charge.

Expanding the Internet worldwide will, of course, eventually do more than improve lives and spread modernity. It will create new revenue streams for technology companies and other businesses. This gives the private sector an incentive to invest money and talent to make the planned expansion a

reality – something that would not result from corporate charitable contributions alone. Internet.org member Nokia has partnered with the World Bank, the government of Finland and other governments to provide information and communications technologies in developing countries. This is accelerating the development of new markets for local businesses, bolstering job creation, improving education and advancing environmental protection while at the same time reducing the demand for smuggled goods. Nations benefiting from the Nokia investments include Kenya, South Africa, Armenia, Vietnam and Senegal.

Another company, Palantir Technologies, has developed software used to fight disease, reduce human trafficking, accelerate recovery after natural disasters, protect vulnerable children and anticipate the outbreak of conflicts. In Haiti, Palantir software has been used to map cholera outbreaks, making it possible for medical professionals to identify the sources of the outbreaks and respond more effectively. Corporate involvement in the developing world goes hand-in-hand with strengthened security – for these developing countries and by extension for the United States and other nations. As then-United Nations Secretary-General Kofi Annan said in 2005: “...we will not enjoy development without security, or security without development.”

James Stavridis, who became dean of the Fletcher School of Law and Diplomacy at Tufts University in July following his retirement as a U.S. Navy admiral and his final military tour as the NATO supreme allied commander in Europe, has a reputation for successfully building bridges connecting the public and private sectors around the world as a way to strengthen both security and development. Stavridis advocates “smart power” – the creation of durable partnerships with friends and allies to achieve mutual goals of security, prosperity and peace. He helped develop public-private partnerships that have enabled the U.S. government to work with businesses and non-profits to promote economic development and enable humanitarian assistance as foundations of greater security. Such partnerships enable the government to harness non-governmental expertise to increase the effectiveness of assistance programs.

The news we see and read about world affairs is dominated by what is going wrong – wars, sectarian strife, unemployment, poverty and suffering. We need to know about these things, but it is important that we also know about what is going right, the better to channel our efforts and resources. Private investment in the developing world and well-conceived public-private partnerships are two things that work. There is no easy cure for all our planet’s ills, but these are trends that can narrow the gap between the most and least advanced societies, bringing those

societies left behind into the 21st century and making the world more stable and secure. Governments around the world should welcome and encourage the partnership of corporations in this important work.

Ambassador Lincoln P. Bloomfield, Jr. is chairman of the board of the Stimson Center, a nonprofit and nonpartisan international security think tank. He formerly served in the State Department, Defense Department and White House, including as a special envoy, assistant secretary of state and principal deputy assistant secretary of defense.