

# Why Germany matters for Africa

## A.SK Academic Prize recipient

### Paul Collier's acceptance speech

*On October 19, the WZB awarded Oxford Economist Paul Collier the A.SK Academic Award 2013. Prize Committee chairman Werner Abelshauser praised Collier's contribution to our understanding of major global challenges: poverty, violence, and social inequality. We document Paul Collier's acceptance speech.*

Thank you very much indeed. Sir, you said you were surprised to be here. Let me assure you, so am I. And it's a great honour, not least because of the previous winners of this prize. And so I just ask all of you for a moment to imagine, if you were standing here instead of me, if you are like me, your first and overwhelming thought would be: Why me? I've had that thought rather often in my life, because I've had a surprisingly successful life. It didn't start that way. I was very much an ordinary boy from an unfashionable town in the north of England. Both my parents left school when they were only twelve years old and had absolutely no opportunity in life. They never had the chance to achieve what I've achieved. My father was born Karl Hellenschmidt. He was a son of another Karl Hellenschmidt, who was born in a little village, Ernsbach near Stuttgart, and was a classic 19th Century migrant out of Germany. If you had some money, you went to America, if you had no money at all, you could only stagger across the Channel. And he went to the richest city in Europe, Bradford.

And so my parents were both the story of opportunity denied. My book *The Bottom Billion* in the German version is dedicated to my father. The dedication reads 'to Karl Hellenschmidt: who taught me how to think'. And despite having left school when he was only twelve, that's just what Karl Hellenschmidt did: he taught me how to think. What a tragedy it is that people like him were denied the education that could have turned that creative mind into a structure that could have achieved what he was capable of. And that insight is what's given me the energy to concentrate on what I think of as a billion people who, like my father and mother, are trapped in situations that deny them opportunity.

In the 21st century that is truly a tragedy, because it's avoidable. It's avoidable if we help these struggling societies to achieve what they're capable of. I have written my books to be accessible because I realized that our policies at the moment have been pretty incompetent. It's not that they are badly intentioned but they are badly designed. They're badly designed because our citizens are not well informed. In a democracy it is therefore vital to try and build understanding amongst enough citizens, that policymakers are given the space and the impetus to be effective. So that was why I have tried, not just to do research on these questions but to express the results in language that people can understand.

My book *The Bottom Billion* was trying to reexamine the concept of 'developing countries' – the notion that there are six billion people in poor countries, plus us, the lucky billion. *The Bottom Billion* states the thesis that there is no such thing any more as "the developing world". There are a lot of countries that are emerging market economies that are doing pretty well, catching up – and that's great. And there are a billion people living in sixty or so little countries that are not yet converging, that are not securely on a path of catching up. Many of them are falling behind, and some of them are falling apart. Indeed, I want to acknowledge that the opening sentence of *The Bottom Billion*, which is that 'the Third World has shrunk to Africa', is not my insight but comes from Ralf Dahrendorf. Ralf was the Warden of my college. I often enjoyed discussing with him over lunch, and that was a phrase that he came up with.

So what's the message of The Bottom Billion and the implications for Germany? It's that our development policies better focus down on where the remaining problem is. There are a billion people living in sixty or so poor countries. They are where our development efforts should be devoted. The emerging market economies can now take care of themselves. They are doing well enough, they are catching up.

Now just one implication of that for Germany's aid-program: At the moment, an awful lot of your aid goes to G20-countries, in other words, to emerging market economies. Rather more of it goes to the emerging market economies than goes to the bottom billion. That is a mistake. You can scale up your aid to the poorest countries that are still struggling, even without putting a lot more money into your development budget. Just move it. British aid has done that over the last few years. Britain's Minister for Development, even before he became the minister, picked up The Bottom Billion and said, that is what we are going to do. And they did. British aid is now overwhelmingly concentrated on the poorest countries.

That was a pretty tough political fight within bureaucracies. All the bureaucracies have lobbies to protect vested interests, and keep doing things as they've been doing them. And so, the lobbies came up with all sorts of arguments why Britain should still be putting money into Brazil or still putting money into China. We stopped. We faced those lobbies down and I hope, you will.

The Bottom Billion was about poverty. My next book, Wars, Guns and Votes: Democracy in Dangerous Places was about power. And the very minimum of power is physical security of your own territory. A lot of the threats to security in Africa are external. A very good example of that is what happened in Mali. Mali was a functioning democracy. There are three lists of fragile states in the world, these are lists of the UN, the OECD, and the World Bank. Mali wasn't on any of those lists, and quite rightly. Mali was a pretty secure democracy. What happened in Mali was a spill-over from Libya. Gaddafi in his last desperate moments hired a load of mercenaries from elsewhere in Africa. He had a fabulous equipment of armoury, of military equipment: all the toys that an insane and wealthy dictator could buy. The mercenaries took the guns, they weren't much interested in defending him, but they knew what they wanted to do with these guns, and so eight hundred of them headed south for Mali.

The West knew about that. In Stuttgart, very near where my grandfather came from, there is an army, AFRICOM, which is America's army, devoted to the protection of Africa. So, it's a dedicated army for Africa. And here was a situation per excellence, where AFRICOM needed to fly in and protect Mali from these 800 heavily armed men. Instead, AFRICOM sat on its hands. It stayed in Stuttgart while these 800 men mowed down the Malian army en masse. Had not France flown in at the very last moment troops to defend the country, Mali would now be Somalia Number 2. So, that was not Germany's decision, but there was an army sitting in Stuttgart, dedicated to protect Africa, and unused.

Let me turn to the third book, The Plundered Planet. It is about the management of natural resources. And this is enormously important, because the commodity booms of the last decade led to a massive amount of discovery of natural resources in Africa. Africa was the last undiscovered, unexplored territory on earth. And so, over the last decade, resource extraction companies from around the world have descended on Africa and discovered stuff. We've had the decade of discovery and the coming decade will be the decade of extraction. Africa's natural assets will be very rapidly depleted. They will be dug out of the ground by Western resource extraction companies. Western resource extraction companies doing that are a little bit analogous to banks. That is, they are the custodians of other people's assets. In this case, the resource extraction companies are the custodians of the most valuable assets that poor societies possess. We've learned the hard way with banks that they need to be subject to a higher level of regulation than ordinary companies, precisely because they are the custodians of other people's money. We need to do exactly that same task with resource extraction companies. We need to build an international system of regulation to

bring them up to standard. Otherwise the resource discoveries in Africa will repeat the tragedies of the 1970s and 1980s, when resource extraction in Africa led not to development but to plunder.

To my astonishment, Prime Minister David Cameron had read *The Plundered Planet* and was sufficiently impressed by it that this last year, when Britain hosted the G8, he asked me to set the development agenda for the G8. And so I used that opportunity to say ‘forget about the usual stuff of the G8, it’s not about preaching to Africa about what Africa should do, it’s not about pledging money which we don’t have, and pretending that by moving money from pot A to pot B, we are actually doing anything. Let’s put our own house in order by starting to build a regulatory structure for the governance of natural resources’. In the G8 agenda, there were three components to that, one was, stop saying “do as I say”. Ten years previously Britain had launched the Extractive Industries Transparency Initiative, yet Britain had never signed it. The initiative was run by Transparency’s founder Peter Eigen, a German, but Germany had never signed it either. In fact, none of the G8 countries had signed up to the Extractive Industries Transparency Initiative. They were saying to Africa “you sign it, but of course not us”. And so, the first item that I tried to get on the G8 agenda was, stop saying “do as we say” and start saying “do as we do”. And it worked. Five G8 countries, including Germany, signed up to the Extractive Industries Transparency Initiative. When I tell that to my African friends in government, they say straight away, “Ah I see, so that’s now the new global standard. We better do it.” Over night, by Germany and four other G8 countries doing it, you’ve made a global standard.

The second component of the G8 that really mattered for extractives complemented that, which was the legal requirement on extractive industries to report publicly their payments to governments. And that started with America passing the Cardin-Lugar Amendment to the Finance Act. Again at the G8 Europe committed to do the same thing and Canada committed to do it as well. So, a major success. And then the third component was to make corruption in resource extraction much harder. The main thing I’ve been working on the last couple of years is helping an impoverished African government, where, as far as we can tell, a bribe of a few million dollars appears to have secured rights over resource extraction worth more than the country’s entire annual GDP. If so, it was a colossal loss resulting from a bribe. How are those bribes channelled? They are channelled through entities called shell companies. Shell companies are legal structures built by lawyers typically in London and New York, and the essence of a shell company is that the true ownership of the company cannot be detected. Having set up your shell company, you opened a bank account in the Cayman Isles or some other overseas territory, a secrecy haven, and your corrupt official who squandered the country’s rights to its natural resources for a few million dollars in his own pocket, could put those few million dollars in a bank account, and it was completely safe.

There is nothing that an African government can do to detect that money and to punish that official; nothing. I’ve been working with a government that’s in exactly that position. But although there’s nothing that Africa can do about it, there’s a lot we can do about it. We can make the true ownership, what’s called the beneficial ownership of companies, transparent. It doesn’t have to be public knowledge – although the British Government has decided to take that extra step – but it does have to be something that governments know and can readily



*Paul Collier speaking at the A.SK Academic Prize Ceremony in Berlin on October 19, 2013. (Photo: Steffen Weigelt)*



*Former Executive Director of the United Nations Environment Program Klaus Töpfer praised A.SK Academic Prize winner Paul Collier for his academic achievements and the impact he has in the public arena: "That's exactly what a social scientist should do: to do his research and then to speak up clearly." (Photo: Steffen Weigel)*

exchange. We need government registers. To my astonishment, the British government, which is the epicentre of the problem, – partly because that's where the lawyers are and partly because it's the British overseas territories where the bank accounts are, – to my astonishment, thanks to the leadership of David Cameron, British government decided to change policy. They agreed to try to fix this problem, but only if they were not alone. They would act on condition that others would do so as well. And then we fought the fight through the G8. I was there at the lunch with Chancellor Merkel, President Obama etcetera, and what threatened to be the holdout, to my amazement, was Germany. Germany had some problems with whether it could go along with this. Thank goodness, at the last minute, thanks to Chancellor Merkel, the German position shifted. And so it went ahead. But I urge you, you shouldn't be the one dragging your feet on this, you should be the one pushing it forward.

It's a miracle that Britain with its powerful interests in the lawyers in London, in the bank accounts in its territories, it's a miracle that there has been policy movement there. And you need to be pushing that forward, not dragging your feet – this is unfinished business. The G8 has a report back cycle of two years, so progress on beneficial ownership is due for an assessment in 2015. Who will be leading the G8 at that 2015 meeting? – Germany.

And then, finally, I've got a fourth book just out this last week, Exodus, which is about migration. Now Karl Hellenschmidt the First, the guy who left little Ernsbach for the bright lights and economic success of Bradford, was a sort of classic migrant before his time, leaving a poor village for a rich city. But actually, in retrospect, his migration didn't really help Germany. Germany caught up dramatically, but it didn't catch up because a lot of people like my grandfather left, it caught up because all of you people who had stayed behind built a successful manufacturing, and that is the heart of the story today: the emigration of the bright, the energetic, the young isn't necessarily a great thing for the people left behind. And so I don't see my grandfather as the role model for a current emigration, rather I'm going to suggest that the role model for current emigration is Shu Kai Chen. Because what Shu Kai Chen did was come to Germany, study, study, go around the universities, pick up a mass of valuable experience, attitudes to work, all sorts of things that Germany offered and that China didn't offer at the time, and then what did he do with that knowledge? He took it back to China and he made a difference in China. And that is the sort of migration that is hugely beneficial.

We can show rigorously that when people from the poorest countries, from the bottom billion, come to countries like Germany, get education and then return to their societies, they are hugely beneficial. Not only do they bring the skills that help to build opportunities for others, but they bring back the attitudes that lead to democratization and political reform. We can show that rigorously. And so, the hot debate on migration that's in Germany, that's in many societies, shouldn't be cast as "the more migration the better, because that just helps the poor". It would be nice if that were true, but actually we must focus on how our policies can best enable the poorest societies to catch up. And the thing that we really need to scale up is not opening our doors to more permanent migrants, but opening our doors to more training and education.

We need to be really generous in those policies, and that is why the A.SK Foundation might in the future think of a fellowship that actually brings somebody to Germany from the poorest societies, if I may be so bold. I have just come back from Iowa, where there are several million people of German descent. And I suggested this in the University of Iowa. A wistful look came over the dean's face and he said 'oh yes, twenty years ago, the University of Iowa was full of African students, we had a lot, and then the Cold War ended and all the funding dried up, because we were no longer in competition with Russia, we no longer needed to worry whether Africa was going to be pro-American or pro-Russian, so all the public funding dried up. And so now there are no Africans'. And that seems to be the pattern at the moment across Europe as well.

Britain is hell-bent on controlling immigration, extremely incompetently. And so it is putting a target ceiling on the number of immigrants coming in, and it's including students in that target. The easiest way to hit the target is to stop students coming. And that's exactly what we shouldn't be doing, both in the interest of the bottom billion and in the interest of Britain. Why is it in Britain's interest just as it is in Germany's interest to welcome students? Well, look at Shu Kai Chan. Not only did he go back and be a success, but he was grateful for what Germany had done for him and he expressed his gratitude quite dramatically and I'm very thankful for it. So, opening our doors to students and being generous about it is good for us, it builds long-term relations, but most important, it is good for the societies of the bottom billion. It's their struggle to catch up, that we should never lose sight of.

#### **Literature**

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