

Canada in the world

Section: EDITORIALS

The sad economics of aid to Africa + In the wake of the U.S.-Korea free trade agreement, it's time to sharpen Canada's focus

Liberia's Ellen Johnson-Sirleaf, the first elected woman president of an African nation, spoke at the University of Toronto on March 29 about Canada's role in her country's development. Afterward, Janice Gross Stein, director of the Munk Centre for International Studies, asked how aid to Africa could be more effective. In reply, Harvard-educated Johnson-Sirleaf, who has worked for the United Nations, the World Bank and the private sector, offered simple advice: "Judge us not on the basis of what we say, but what we do. Judge us on our performance."

It seems like common sense, but according to a recent Canadian Senate committee report on foreign aid to Africa, such is not the reality. Canadian aid to Africa, the report finds, has been unaccountable and ineffective, treated as social welfare rather than a tool for economic growth. After \$12.4 billion in Canadian handouts and US\$570 billion in international aid, sub-Saharan Africa's share of global economic activity has actually decreased, from 17.1% in 1965 to 10% today.

African critics of foreign aid, including Ugandan journalist and Stanford University fellow Andrew Mwenda, charge that the influx of donor money has contributed to sub-Saharan Africa's economic torpor. With foreign aid at nearly half of national budgets in some cases, tenuous governments don't need to rely on a healthy tax base arising from sound economic policies, Mwenda argues. Instead, they use donor money to garner support by expanding bureaucracies.

After conducting hundreds of interviews in Africa, the Senate committee's expose of mainstream corruption and bureaucratic barriers to business suggests Mwenda has a point. The report cites, for example, the fact that Kenyan members of Parliament earn US\$80,000 a year--in a country with a per capita gross national income of US\$480--and "managed to pass only 22% of bills" in the past year. The committee also found out that it takes almost 150 days to start a business in Angola and Mozambique; a Kenyan investment banker requires 28 permits to run his business due to red tape created by aid-inflated bureaucracies.

There's no doubt a country like Liberia--reeling from 14 years of civil war, and with an unemployment rate of 80%--needs aid to rebuild infrastructure to attract investors and create jobs. But if there's anything we've learned from the past 40 years, it should be that money alone doesn't inspire the fiscal responsibility needed for growth; in fact, it can have the opposite effect. Until Canada gives aid more accountably, we're not only wasting dollars--we're hampering the private sector initiative that spurs development.

The United States and South Korea announced a bilateral free trade agreement on April 2. The deal gives the United States more open access to an economy of 49 million people. According to **Usha Haley**, director of the Global Business Center at the University of New Haven, the Korea-U.S. agreement represents a potential gain to the U.S. economy of US\$43 billion.

Canada also sees free trade with South Korea as a good thing. In fact, Canadian officials have been negotiating such a deal since November 2004. According to Foreign Affairs and International Trade Canada, our country has now completed nine rounds of negotiations with South Korea--with no deal in sight.

Why the interest in bilateral deals? With the Doha round of multilateral trade negotiations faltering, it is clearly in every country's interest to find other means of securing access to foreign markets. In 2005, a bilateral agreement came into effect between the U.S. and Australia that netted the former a trade surplus of US\$2 billion in four months, according to the Heritage Foundation. Canada, meanwhile, is targeting South Korea, Singapore and the European Trade Association (Iceland, Norway, Switzerland and Liechtenstein), but the only bilateral deal Canada has secured in the past five years is with Costa Rica.

A new report from the Conference Board of Canada, titled *If We Can Fix It Here, We'll Make It Anywhere*, argues that our trade policy lacks focus. Rather than prioritizing free trade deals with countries such as Japan (our third-largest trading partner), we pursue a long list of negotiations that do not always further core Canadian interests. Further, the report points out that despite low average tariff barriers, Canada ranked in a December OECD study as one of the most restrictive, relative to its peers, when it comes to barriers to operational freedom--most importantly, the complexity and diversity of regulations here. The federal government may be open for business, but the provinces are another matter.

Now our trade efforts are operating with yet another handicap. On March 31, four Canadian trade offices were closed to save money; these included, crucially, Osaka and Fukuoka in Japan. The closure of such missions sends a clear signal: in this government's eyes, Japan is not a priority.

To close missions in a country so crucial to Canada's interests at a time when the need to secure bilateral trade deals outside of failing multilateral talks is foolhardy. Clearly, on the trade file, the Canadian government needs to rethink its approach--or risk being left behind.

~~~~~

By The Editorial Board

---

Copyright of Canadian Business is the property of Rogers Publishing Limited and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.