

**Statement by Ambassador Munir Akram, Permanent Representative of Pakistan
to the United Nations in Public Meeting of the Security Council on the “Role of
Business in Conflict Prevention, Peacekeeping and Post Conflict Peace Building”
(15 April 2004)**

Mr. President,

We thank the German Presidency for the initiative to hold this public meeting on the “Role of Business in Conflict Prevention, Peacekeeping and Post Conflict Peace building”. We welcome the statement by the Secretary General, and the participation by the President of the ECOSOC, the President of World Bank, and the President and Chairman of the Siemens as well as Ambassador Kumalo, in his capacity as the Chairman of the ECOSOC’s Ad- hoc Working Group on Countries Emerging from Conflict in African Countries.

2. The Secretary General’s opening remarks have set the tone for today’s meeting and the statements by other distinguished participants have provided us very useful insight for our discussion.

3. Although the maintenance of peace and security is the primary responsibility of the states, business, as the Secretary General has said, has a stake on peace and can play an important supportive role in conflict situations, particularly in post-conflict reconstructions.

Mr. President,

4. In today’s globalized world, transnational corporations and international business transactions play a major role in influencing economic and political relations among States and non-state actors. World business holds the greater share of the world’s capital and technologies, and even of jobs. The net wealth and sales of major corporations are often larger than the GDP of small, and even some medium sized, developing countries. These transnational corporations have greatly influenced the economic, social and political destinies of states. The extent of this influence increases, in inverse proportion to the size of the state, and, in direct proportion to the openness of the economic and trade regimes, and particularly its dependence on raw materials and agricultural exports and imports. Thus transnational corporations and business has considerable potential for good as well as for bad, specially in the developing countries.

Mr. President,

5. The developing countries, which have registered the strongest economic and trade growth in the past few decades are those which benefited from the large inflows of FDI, mainly through transnational corporations and international banking, rather than through Official Development Assistance (ODA), which has been modest so far. But FDI flows have been limited to only a few dynamic developing countries. Last year, 70 % of total FDI flows went to only 10 developing countries. Unfortunately, the profit motive, the bottom line in the balance sheet, which is the prime and

understandable motivating factor for the strategic and operating decisions of a business, including transnational business, is not always compatible with the national economic, social and political objectives of the countries concerned. Much of the decline in the terms of trade and export earnings of commodity producing developing countries has been due to the constructed control of prices by cartels, and sometimes by large transnational corporations. This has contributed progressively, over the decades, to the carbonization of many developing countries and the decline in their socio-economic conditions, intensifying the causes of domestic social and political tensions that have erupted into conflicts in various parts of the world. A World Bank report has found that states that are highly dependent on natural resources exports are at greater risk of armed conflict than those that are resource poor. This is an irony.

Mr. President,

6. The rigid approach adapted also to the issue of the mounting debt of the developing countries has resulted in a consistent net export of financial resources from the developing to the developed countries. Last year, the net financial transfers were negative by \$ 192 billion for the developing countries. Their total debt servicing amounted to over \$ 340 billion. Net capital flows to developing countries only amounted to \$ 74 billion.

Mr. President.

7. There are, unfortunately, also certain direct actions which contribute to the outbreak of conflicts. The Secretary-General has mentioned private business, which produces and provides the hardware or arms used in most armed conflict. These are the real weapons of mass destruction. Worst are those unscrupulous businesses, which resort to the exploitation of natural resources in supporting militias, factions and warlords to facilitate their profits and protect their investments. Several UN panels of experts have concluded that the illicit exploitation of natural resources, particularly timber, diamonds and other minerals by warring factions have sustained conflict in many African countries.

Mr. President,

8. The adoption, by the General Assembly, of various resolutions on the “role of diamonds in fueling conflict” and the support to the “Kimberley Process Certification Scheme” was significant, not only in breaking the link between the illicit transaction of diamonds and armed conflicts, but also for intensifying the debate on the need for business to adopt “socially responsible policies” in conflict situations.

9. A University of Michigan Business School study on the role of business in conflict situation has identified the following five ways in which business can support peace in conflict situations:

One; by adopting corporate social responsibility;

Two; by spurring economic development;

Three; by accepting accountability and supporting the rule of law;

Four; by building a sense of being part of the community in which it works, and;

Five; by engaging in track-II diplomacy;

Mr. President,

10. Much debate has gone into the question of the adequacy of voluntary codes of conducts such as “Kimberly Process Certification Scheme” or the Secretary General’s “Global Compact” initiative to ensure corporate humanitarian responsibility. The majority view is that such voluntary codes, though noble, do not contribute strong incentives for compliance to offset the financial incentives for non-compliance, and, lack rigorous enforcement mechanisms.

11. Pakistan shares the view that voluntary codes adopted by business, though valuable, are often not sufficient. We, therefore, support the view that activities of the business could be governed by a more effective framework which creates not only responsibilities and rights, but which also ensures corporate social responsibility but also “accountability”, including respect for legal rights, not only for business but also for citizens and communities that are involved. Such a framework could be based on the principles and purposes of the UN Charter, respect for international humanitarian law; it could be developed through the United Nations in a cooperative Monterrey process; it could include the five areas such as those mentioned by the Michigan study; It could cover corporate behavior in every phase of conflicts; it could ensure to seek transparency in commercial transaction, specially in zone of conflict; it could provide the possibility for redress for citizens and communities adversely affected by corporate activities; and, lastly it could include a mechanism to monitor.

Mr. President,

12. Mr. Wolfensohn earlier this morning said that “the causes of conflict are the lack of hope, and that hope can be given by the business through the creation of wealth and jobs”. In our view, the best contribution which international business can make to promoting peace and security is, by actively and consciously supporting balanced socio-economic development in the developing countries. International business could do so, by taking some specific actions such as;

One; conscious measures to direct FDI through a wider spectrum of developing countries, specially the poorest among them, through such means as international investment guarantee schemes;

Two; adopting a more supportive posture towards debt relief to the poorest countries.

Three; adjusting their business strategies to locate their processing of raw materials in the producing countries.

Four; supporting greater trade access for developing country exports, specially through the elimination of tariff peaks and tariff escalations, which

are discriminatory, and through reform in the system of agricultural subsidies and support which are resorted by the major developing countries.

13. Finally let me add another thought. The profits of transnational corporations and of financial institutions from international business amount to hundreds of billion of dollars, with total sales over two trillions dollars a year for the largest 50 corporations of the world. Is it possible for these corporations and institutions to consider, allocating one percent of their net profits, to development assistance for the poorest countries, perhaps through an international fund managed jointly through the United Nations and the World Bank? This would be a tangible and direct contribution to development, and indirectly to conflict prevention, conflict resolution and post conflict reconstructions. Some corporations are already doing this. Can this become the norm for all, and thus create the jobs and hope to which Mr. Wolfensohn has referred.

14. In the words of Secretary General, “we are not asking corporations to do something different from their normal business. We are asking them to do it differently”.

I thank you Mr. President.